**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt as to the action you should take, please consult your broker, Central Securities Depository Participant ("CSDP"), banker, accountant, attorney or other professional adviser immediately.

If you have disposed of some or all of your shares in DRDGOLD Limited ("DRDGOLD shares"), or your interest in DRDGOLD shares, then a copy of this circular, together with the attached form, should be forwarded to the purchaser to whom, or the stockbroker or agent through whom, you disposed of your DRDGOLD shares or your interest in DRDGOLD shares.

This circular is not an offer of securities for sale in the United States of America ("US"). Securities may not be offered or sold in the US except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act of 1933.

Full details of the actions required by holders of DRDGOLD shares and holders of other documents of title in respect of DRDGOLD shares are set out from page 4 of this circular.

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DRDGOLD LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1895/000926/06)
Nasdaq trading symbol: DROOY
JSE share code: DRD ISIN: ZAE 000058723
("DRDGOLD" or "the company")

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# CIRCULAR TO DRDGOLD SHAREHOLDERS

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relating to

- **the disposal by Emperor Mines Limited ("Emperor"), a subsidiary of DRDGOLD, of its indirect 20% interest in the Porgera Joint Venture to a subsidiary of Barrick Gold Corporation ("Barrick") for a purchase consideration of US$250 million; and**
- **the grant of an option to Barrick to subscribe for 153 325 943 shares in Emperor;**

and incorporating

- **a notice of general meeting; and**
- **a form of proxy (*pink*) (for use only by holders of certificated DRDGOLD shares, nominee companies of CSDP and by the holders of dematerialised DRDGOLD shares with "own name" registration).**

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| Corporate adviser | Corporate adviser | Sponsor |
|---|---|---|
| QuestCo (Pty) Ltd | ROTHSCHILD | BDO QuestCo (Pty) Ltd |

| Attorneys | Reporting accountants and auditors | Independent technical expert |
|---|---|---|
| Feinsteins Attorneys<br>Established 1934<br>(Levy, Feinsteins & Associates Inc)<br>(Registration number 1995/001716/21) | KPMG | BEHRE DOLBEAR AUSTRALIA<br>BDA |

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Date of issue: 20 June 2007

*Copies of this circular are available in English only and may be obtained from the registered office of DRDGOLD, the address of which is set out on the inside front cover of this circular.*

## CORPORATE INFORMATION

**Secretary and registered office**

T J Gwebu
Ebsco House 4
299 Pendoring Avenue
Blackheath
Johannesburg, 2195
(PO Box 390, Maraisburg, 1700)

**Independent technical expert**

Behre Dolbear Australia Pty Limited
Level 9, 80 Mount Street
North Sydney, New South Wales, 2060
(PO Box 1536, North Sydney, New South Wales, 2060)

**Reporting accountants and auditors**

KPMG Inc
KPMG Crescent
85 Empire Road
Parktown, 2193
(Private Bag 9, Parktown, 2122)

**South African transfer secretaries**

Link Market Services South Africa (Proprietary) Limited
(Registration number 2000/007239/07)
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

**United Kingdom transfer secretaries**

St James's Corporate Services Limited
6 St James's Place
London SW 1A 1NP
United Kingdom

**French agents and Paris bearer reception office**

Euro Emetteurs Finance
48 Boulevard des Batignolles
75850 Paris, Cedex 17
France

**Date of incorporation**

16 February 1895

**Place of incorporation**
Pretoria

**Corporate adviser**

QuestCo (Proprietary) Limited
(Registration number 2002/005616/07)
The Campus, 57 Sloane Street
1st Floor, Wrigley Field
Bryanston, 2021
(PO Box 3851, Dainfern, 2055)

**Corporate adviser**

Rothschild Australia Limited
Level 16, No. 1 O'Connell Street
Sydney New South Wales, 2000
(PO Box R237, Royal Exchange, New South Wales, 1223)

**Attorneys**

Feinsteins (Levy, Feinsteins & Associates Inc.)
(Registration number 1995/001716/21)
10th Floor, JD House
27 Stiemens Street
Braamfontein, 2001
(PO Box 8210, Johannesburg, 2000)

**Sponsor**

BDO QuestCo (Proprietary) Limited
(Registration number 2004/018276/07)
13 Wellington Road
Parktown, 2193
(Private Bag X60500, Houghton, 2041)

**Depositary bank**

American Depositary Receipts
The Bank of New York
101 Barclay Street
New York, NY 10286
United States of America

**United Kingdom Registrars and Bearer Office**

CAPITA IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU
United Kingdom

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ANNEXURES

## IMPORTANT DATES AND TIMES

Shareholders should take careful note of the following important dates and times.

| Activity | 2007 |
|---|---|
| Last day to lodge forms of proxy at the relevant transfer secretaries of DRDGOLD for the general meeting by 10:00 on | Wednesday, 25 July |
| General meeting of DRDGOLD shareholders to be held at 10:00 on | Friday, 27 July |
| Results of the general meeting published on SENS and released to the relevant stock exchanges | Friday, 27 July |

**Notes:**

1. The definitions commencing on page 5 apply, *mutatis mutandis*, to the information set out above.
2. Unless otherwise indicated, all times are South African times.

## ACTIONS REQUIRED

The definitions commencing on page 5 apply, *mutatis mutandis*, to the information on the actions required by DRDGOLD shareholders.

If you are in any doubt as to what action you should take, you should consult your broker, banker, accountant, attorney, CSDP or other professional adviser.

A general meeting of DRDGOLD ordinary shareholders is to be held at 10:00 on Friday, 27 July 2007 at the registered offices of DRDGOLD at Ebsco House 4, 299 Pendoring Avenue, Blackheath, Randburg, Johannesburg, 2195, to consider and, if deemed fit, pass the ordinary resolutions relating to the disposal and the option. **DRDGOLD preference shareholders may attend the general meeting but are not entitled to vote.**

DRDGOLD ordinary shareholders should carefully read this circular and decide how they wish to vote.

**DRDGOLD ordinary shareholders who hold certificated shares or dematerialised shares in their own name:**

DRDGOLD ordinary shareholders holding share certificates in their own name and DRDGOLD ordinary shareholders who have dematerialised their DRDGOLD shares and have elected "own-name" registration in the sub-register through a CSDP who are unable to attend the general meeting but wish to be represented thereat may complete and return the attached form of proxy (pink), in accordance with the instructions contained therein, to the relevant transfer secretaries, the addresses of which are set out on the inside front cover of this circular, to be received by no later than 10.00 on Wednesday, 25 July 2007.

**DRDGOLD ordinary shareholders who hold non-"own-name" dematerialised shares or certificated shares through a nominee:**

DRDGOLD ordinary shareholders who have dematerialised their DRDGOLD ordinary shares through a CSDP or broker and who have not elected "own-name" registration in the sub-register maintained by a CSDP and DRDGOLD ordinary shareholders who hold certificated DRDGOLD ordinary shares through a nominee who wish to attend the general meeting must instruct their CSDP, broker or nominee to issue them with the necessary Letter of Representation to attend, or, if they do not wish to attend the general meeting but wish to be represented thereat, they must provide their CSDP, broker or nominee with their voting instructions in terms of the custody agreement entered into between them and their CSDP, broker or nominee.

**DRDGOLD ordinary shareholders who hold dematerialised shares:**

In respect of dematerialised DRDGOLD ordinary shares, it is important to ensure that the person or entity (such as a nominee) whose name has been entered into the relevant sub-register maintained by a CSDP completes the form of proxy (*pink*) and appoints a proxy to vote at the general meeting.

**ADR holders:**

Holders of ADRs will receive forms of proxy printed by the Bank of New York, which should be completed and returned in accordance with the instructions printed on such forms of proxy.

**DRDGOLD does not take responsibility and will not be held liable for any failure on the part of a CSDP, nominee or broker of an ordinary shareholder holding dematerialised DRDGOLD shares to notify such shareholder of the general meeting or any business to be conducted thereat, or to validly authorise a shareholder to attend or vote thereat.**

## DEFINITIONS

In this circular, unless the context indicates a contrary intention, the following expressions bear the meanings assigned to them below, and an expression which denotes any gender includes the other gender, any reference to a natural person includes a juristic person and *vice versa* and the singular includes the plural and *vice versa*.

| | |
|---|---|
| "A$" | Australian dollar; |
| "the Act" | the South African Companies Act, 1973 (Act 61 of 1973), as amended; |
| "ADR" | American Depositary Receipt; |
| "ANZ" | Australia and New Zealand Banking Group Limited (ABN: 11 005 357 522), a publicly listed company incorporated in Australia, and its subsidiaries; |
| "the ASX" | the ASX Limited; |
| "Au" | gold; |
| "Barrick" | Barrick Gold Corporation, incorporated in Ontario and having its registered office at BCE Place, Canada Tower Trust, 161 Bay Street, Suite 3700, Toronto, Ontario M5J 2S1; |
| "Barrick (Niugini)" | Barrick (Niugini) Limited (Registration number 1-25740), a private company incorporated in PNG and a wholly-owned subsidiary of Barrick; |
| "Blyvooruitzicht" | Blyvooruitzicht Gold Mining Company Limited (Registration number 1937/009743/06), a public company incorporated in South Africa and a wholly-owned subsidiary of DRDGOLD SA; |
| "the board" | the board of directors of DRDGOLD; |
| "business day" | any day other than a Saturday, Sunday or official public holiday in South Africa; |
| "CIPRO" | Companies and Intellectual Property Registration Office; |
| "this circular" or "the circular" | this circular, dated 20 June 2007, incorporating the notice of general meeting and form of proxy (*pink*); |
| "Crown" | Crown Gold Recoveries (Proprietary) Limited (Registration number 1988/005115/07), a private company incorporated in South Africa and a wholly-owned subsidiary of DRDGOLD SA; |
| "CSDP" | Central Securities Depository Participant; |
| "the Deed of Assignment and Assumption" | the Deed of Assignment and Assumption to be entered into between Barrick (Goldfields PNG Holdings) Limited, Barrick (Niugini), DRD (Porgera) and MRE regarding the disposal; |
| "dematerialised shareholder" | a shareholder whose shares have been dematerialised through a CSDP or broker and are held in terms of the Securities Services Act, Act 36 of 2004, on the sub-register of shareholders; |
| "the directors" | the directors of DRDGOLD, whose names are given on page 10 of this circular; |
| "the disposal" | the disposal by DRD (Porgera), a subsidiary of DRD(IoM) which is, in turn, a subsidiary of Emperor, of its 20% interest in the Porgera Joint Venture to Barrick (Niugini), for a purchase consideration of US$250 million plus an adjustment amount, in terms of the disposal agreements; |
| "the disposal agreements" | collectively:<br>• the Joint Venture Interest Sale Deed to be entered into between Barrick, Barrick (Niugini), DRD (Porgera) and Emperor;<br>• the Deed of Assignment and Assumption to be entered into between Barrick (Goldfields PNG Holdings) Limited, Barrick (Niugini), DRD (Porgera) and MRE; and<br>• the Procurement Deed and the Subscription Agreement both entered into between Barrick and Emperor,<br>regarding the disposal; |

| | |
|---|---|
| "the DRDGOLD group" or "the group" | DRDGOLD and its subsidiary companies; |
| "DRDGOLD" or "the company" | DRDGOLD Limited (Registration number 1895/000926/06), a public company incorporated in Pretoria, South Africa, on 16 February 1895, with a primary listing on the JSE and a secondary listing on NASDAQ; |
| "DRDGOLD SA" | DRDGOLD South African Operations (Proprietary) Limited (Registration number 2005/033662/07), a private company incorporated in South Africa and a subsidiary of DRDGOLD holding all of DRDGOLD's South African operations; |
| "DRDGOLD ordinary shareholders" | holders of DRDGOLD ordinary shares; |
| "DRDGOLD preference shareholders" | holders of DRDGOLD preference shares; |
| "DRDGOLD shareholders" | DRDGOLD ordinary shareholders and DRDGOLD preference shareholders; |
| "DRDGOLD shares" or "DRDGOLD ordinary shares" | ordinary shares of no par value in the stated capital of DRDGOLD, of which 370 341 981 were in issue at the last practicable date; |
| "DRDGOLD preference shares" | cumulative preference shares having a par value of R0.10 (ten cents) each in the share capital of DRDGOLD, of which 5 000 000 were in issue at the last practicable date; |
| "DRD (IoM)" | DRD (Isle of Man) Limited (Registration number 94445C), a private company incorporated in the Isle of Man and a wholly-owned subsidiary of Emperor; |
| "DRD (Offshore)" | DRD (Offshore) Limited (Registration number 114729C), a private company incorporated in the Isle of Man and a wholly-owned subsidiary of DRDGOLD; |
| "DRD (Porgera)" | DRD (Porgera) Limited (Registration number 1-25740), a private company incorporated in PNG and a wholly-owned subsidiary of DRD (IoM), which holds a 20% interest in the Porgera Joint Venture; |
| "the effective date" | 1 April 2007; |
| "ELs" | exploration licences; |
| "Emperor" or "Emperor Mines" | Emperor Mines Limited (Registration number ACN 007 508 787), a public company incorporated in New South Wales Australia and listed on the ASX, in which DRDGOLD has an indirect 78.72% interest; |
| "the Emperor Notice of Meeting" | the Emperor Notice of Meeting available for download at the Emperor website (www.emperor.com.au); |
| "Emperor shares" | ordinary shares in the stated capital of Emperor, of which 1 046 005 621 were in issue at the last practicable date; |
| "Enga" | the Enga province situated in PNG; |
| "EPS" | earnings per share; |
| "ERPM" | East Rand Proprietary Mines Limited (Registration number 1893/000773/06), a public company incorporated in South Africa and a wholly-owned subsidiary of DRDGOLD SA; |
| "GAAP" | Generally Accepted Accounting Practice; |
| "the general meeting of shareholders" or "the general meeting" | the general meeting of DRDGOLD ordinary shareholders (at which the DRDGOLD preference shareholders shall be entitled to attend but not to vote) to be held at Ebsco House 4, 299 Pendoring Avenue, Blackheath, Randburg, Johannesburg, 2195, at 10.00 (South African time) on Friday, 27 July 2007, for the purposes of considering and, if deemed fit, passing the resolutions approving the disposal and ratifying the grant of the option; |
| "HEPS" | Headline EPS; |
| "IFRS" | International Financial Reporting Standards; |
| "the Independent Technical Report" | the Independent Technical Report compiled by Behre Dolbear Australia Pty Limited dated 20 April 2007, which report is addressed to Emperor and provides comprehensive details regarding the Porgera Joint Venture; |

| | |
|---|---|
| "Indicated Resource" | that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed; |
| "Inferred Resource" | that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability; |
| "Investec" | Investec Bank (Mauritius) Limited (Registration number 8752/3362), a private company incorporated in Mauritius; |
| "the JSE" | JSE Limited (Registration number 2005/022939/06), a company duly registered and incorporated with limited liability under the company laws of South Africa, licensed as an exchange under the Securities Services Act, 2004; |
| "the Joint Venture Interest Sale Deed" | the Joint Venture Interest Sale Deed to be entered into between Barrick, Barrick (Niugini), DRD (Porgera) and Emperor regarding the disposal and to be signed by such parties upon the fulfilment of certain conditions as reflected in the Procurement Deed; |
| "KBG" | Khumo Bathong Gold (Pty) Ltd (Registration number 2005/029832/07), a private company incorporated in South Africa; |
| "KBH" | Khumo Bathong Holdings (Pty) Ltd (Registration number 1998/007546/07), a private company incorporated in South Africa; |
| "Khumo Gold" | Khumo Gold SPV (Pty) Ltd (Registration number 2005/029595/07), a private company incorporated in South Africa and wholly-owned by KBG that holds a 20% interest in DRDGOLD SA; |
| "King II Report" | the second King Report on Corporate Governance for South Africa; |
| "the last practicable date" | 1 June 2007, being the last practicable date prior to the finalisation of this circular; |
| "LIBOR" | London Interbank Offered Rate; |
| "the Listings Requirements" | The JSE Limited Listings Requirements, as amended from time to time by the JSE; |
| "Measured Resource" | that portion of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity; |
| "Mineral Resource" | a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred Resources, Indicated Resources and Measured Resources; |
| "MRE" | Mineral Resources Enga Limited (Registration number 1-32087), a company incorporated in PNG, owned and controlled by the Porgera landowners and the Enga provincial government; |
| "NAV" | net asset value; |
| "NASDAQ" | Nasdaq Capital Market; |
| "the option" | the option that Barrick or its nominee has been granted allowing it to subscribe for 153 325 943 Emperor shares pursuant to the Subscription Agreement; |

| | |
|---|---|
| "Ore Reserve" | the economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided, in order of increasing confidence, into Probable Ore Reserves and Proved Ore Reserves; |
| "the PJV" or "the Porgera Joint Venture" | an unincorporated joint venture formed to develop and operate the gold mine and related infrastructure known as the Porgera Gold Mine in the Enga province of PNG; |
| "the PJV interest" | the 20% interest in the PJV held by DRD (Porgera) which is the subject of the disposal; |
| "PNG" | Papua New Guinea; |
| "Probable Ore Reserve" | the economical mineable part of an Indicated Mineral Resource and, in some cases, Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified; |
| "the Procurement Deed" | the Joint Venture Interest Sale Deed – Procurement Deed, entered into on 12 April 2007 between Barrick and Emperor regarding the disposal and in terms whereof such parties have undertaken to sign and to procure the signatures of their respective subsidiaries, namely Barrick (Niugini) and DRD (Porgera), of the Joint Venture Interest Sale Deed, upon the fulfilment of certain conditions in such deed; |
| "Proven Ore Reserve" | the economically mineable part of a Measured Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, which may include feasibility studies, have been carried out and include consideration of and modification by realistically assumed, mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified; |
| "R" | South African Rand; |
| "SARB" | South African Reserve Bank; |
| "SENS" | the Securities Exchange News Service of the JSE; |
| "SEC" | Securities and Exchange Commission; |
| "South Africa" | the Republic of South Africa; |
| "SOX" | Sarbanes-Oxley Act of 2002; |
| "the SRP" | the Securities Regulation Panel (South Africa); |
| "the Subscription Agreement" | the Subscription Agreement entered into on 12 April 2007 between Barrick and Emperor regarding the option; |
| "TNAV" | tangible net asset value; |
| "Tolukuma" | Tolukuma Gold Mines Limited (Registration number 1-16395), a private company incorporated in PNG, a wholly-owned subsidiary of DRD (IoM), which owns the Tolukuma Gold Mine and extensive exploration tenements in PNG; |
| "the Trust" | the DRDSA Empowerment Trust, an *inter vivos* trust established by oral agreement between Khumo Gold, Masecheaba Palesa Moletsane Ncholo and Mervin Percival Thulo Mogotsi, on 7 September 2006; |
| "US" | United States of America; |
| "US$" | United States dollar; and |
| "Westech" | Westech Gold Pty Limited (Registration number ACN 124 046 788), a private company incorporated in Australia. |

The following abbreviations for units of measurement have been used in this circular:

| | |
|---|---|
| "g/t" | grams per tonne; |
| "km" | kilometres; |
| "$km^2$" | square kilometres; |
| "koz" | thousand oz; |
| "kt" | kilotonne; |
| "ktpd" | kilotonnes per day; |
| "ktpm" | kilotonnes per month; |
| "m" | metres; |
| "mm" | millimetres; |
| "Moz" | million oz; |
| "Mt" | million tonnes; |
| "MW" | Megawatt; and |
| "oz" | ounces. |

**DRDGOLD LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number 1895/000926/06)
Nasdaq trading symbol: DROOY
JSE share code: DRD ISIN: ZAE 000058723

**Directors**

G C Campbell^* (*Non-Executive Chairman*)
J W C Sayers (*Chief Executive Officer*)
J H Dissel^^ (*Acting Chief Financial Officer*)
J Turk^^^**
R P Hume^
D Blackmur^***

^ Independent Non-Executive
^^ Alternate
^^^ Non-Executive
* British
** American
*** Australian

## CIRCULAR TO DRDGOLD SHAREHOLDERS

### 1. INTRODUCTION

Announcements were released on SENS on 12 April and 10 May 2007 regarding the conditional agreement for the disposal by Emperor (the 78.72%-held, Australian-listed subsidiary of DRDGOLD) of its indirect 20% interest in the Porgera Joint Venture to Barrick (Niugini) and the grant of the option to Barrick.

The SRP has ruled that Section 228 of the Act, which requires shareholder approval for certain asset disposals, should not apply to the disposal as it does not constitute an affected transaction at the DRDGOLD level. However, the disposal is classified as a Category 1 transaction in terms of the Listings Requirements and the company must therefore obtain the approval of its shareholders in general meeting.

The purpose of this circular is to provide shareholders with all the relevant information relating to the disposal and the option, so as to enable them to make an informed decision as to whether they should vote in favour of the relevant resolutions, as well as to convene a general meeting.

More detailed information in respect of Emperor can be found in the Emperor Notice of Meeting.

### 2. TERMS OF THE DISPOSAL AND THE OPTION

#### 2.1 The disposal

In terms of the Procurement Deed, Emperor has agreed to procure that DRD (Porgera) disposes of the PJV interest to Barrick (Niugini), and Barrick has agreed to procure that Barrick (Niugini) acquires the PJV interest, on the terms and conditions contained in the Joint Venture Interest Sale Deed.

The disposal consideration payable under the Joint Venture Interest Sale Deed is US$250 million, plus an adjustment, to be paid in cash. The adjustment amount is equal to US$37 671 for each day from the effective date (1 April 2007) through to the date of completion of the disposal. Completion is expected to occur within four months from the effective date. Barrick has agreed to provide Emperor with a loan equal to US$37 671 for each day from the effective date through to the date of completion of the disposal. This amount is to be repaid by Emperor at the date of completion. The aggregate of the loan is equal to the adjustment described above.

Under the Joint Venture Interest Sale Deed, Emperor will also conditionally agree to sell its right, title and interest in EL 454 and EL 858 (to the extent that its interest in these tenements does not form part of the PJV interest being sold to Barrick).

2.2 **The option**

In connection with the disposal and under the terms of the Subscription Agreement, Barrick or its nominee has been granted an option to subscribe for 153 325 943 Emperor shares, which would represent approximately 13% of Emperor's share capital after the issue of those shares (based on 1 046 005 621 Emperor shares in issue). The option is exercisable at any time within ten days of the Emperor shareholders' meeting to approve the disposal, with the subscription price being determined by the volume weighted average price of Emperor shares on the ASX over the five trading days immediately preceding Barrick notifying Emperor of its election to exercise the option.

Should the option be exercised, the subsequent issue of Emperor shares would fall within the 15% limitation imposed by ASX Listing Rule 7.1 on the issue of new equity without shareholder approval. The grant of the option will therefore proceed irrespective of the outcome of the vote on Resolution number 2 set out in the notice of meeting which forms part of this circular.

3. **RATIONALE FOR THE DISPOSAL AND APPLICATION OF PROCEEDS**

The disposal is in line with the restructuring plan for the Emperor operations. The directors believe that the consideration to be received by Emperor represents an optimal price for the PJV interest based on various offers received to date as well as the best alternative in terms of the preservation of shareholder value in Emperor. If the disposal is not implemented, Emperor will be subject to an extremely high degree of financial risk and would only be in a position to continue its operations with the ongoing support of DRDGOLD and its bankers ANZ.

The proceeds from the disposal will be used to retire all of the outstanding Emperor debt, which included at 30 April 2007 an amount of US$114.2 million due to ANZ and an amount of US$25.2 million due to DRDGOLD. Following the retirement of debt, Emperor will be in a positive cash position. Based on this positive cash position, and subject to the approval of Emperor shareholders and the successful completion of the disposal, Emperor intends to return 5 cents per Emperor share to Emperor shareholders by way of a capital return out of the surplus cash to be realised from the disposal. This represents an amount of approximately A$52.3 million which will be paid out in cash and lead to an equal reduction in the share capital of Emperor.

4. **CONDITIONS PRECEDENT**

The disposal is still subject to the fulfilment or waiver (where possible) of the following salient conditions precedent:

- the passing and, where necessary, registration of all shareholder resolutions of DRDGOLD and Emperor as may be necessary to implement the disposal;
- the approval of Emperor's existing banker, ANZ; and
- the approvals of such regulatory bodies as required under PNG law to implement the disposal, including the approval of the Bank of Papua New Guinea and the PNG Minister for Mining.

The Joint Venture Interest Sale Deed may be terminated if:

- the approvals from the shareholders of DRDGOLD and Emperor are not obtained within three months of the date of signature of the Procurement Deed; or
- the remaining conditions precedent set out above are not satisfied within six months of the date of signature of the Procurement Deed (except in the case of the approval of the PNG Minister for Mining which approval must be obtained within nine months of the date of signature of the Procurement Deed),

or such later dates as are agreed in writing by the parties to the Joint Venture Interest Sale Deed. In this context the parties to such deed have consented to extending the cut-off date for approval of the disposal by both Emperor and DRDGOLD shareholders until 31 July 2007.

5. **GROUP PROSPECTS**

The successful completion of the disposal will contribute towards the establishment of a solid foundation for the future prospects of both Emperor and DRDGOLD.

Emperor will be able to retire all debt (amounting to US$139.4 million at 30 April 2007) and be in a positive cash position. Its key assets will include the wholly-owned Tolukuma gold mine, as well as a significant PNG gold and copper/gold exploration portfolio. Emperor will continue to evaluate a range of strategic acquisition opportunities including both greenfield and late-stage development opportunities and remains committed to pursuing organic and strategic growth opportunities. More detailed information can be found in the Emperor Notice of Meeting.

DRDGOLD management will be able to refocus on its South African operations with a view to improving operational stability and providing resources to identify new opportunities. In improving operational stability, there will be a strong focus on cost controls and volumes to improve operating margins. In respect of new opportunities, exploration in South Africa will be a major focus of DRDGOLD and current projects include, *inter alia*, the following:

- at ERPM Extension 1, over-stoping on the reef will take place to further define the ore body;
- at Blyvooruitzicht, where uranium was produced up until 1982, work has begun on defining the uranium resource contained in the 110 million tonnes of slimes and 10 million tonnes of rock dump material available; and
- through Kgosi Mining (Pty) Ltd, a joint venture company formed between DRDGOLD and ASX-listed Mintails Limited, exploration for gold and uranium in the West Rand goldfield with a view to opencast and underground mining operations.

Shareholders are also reminded that DRDGOLD is still trading under cautionary on the JSE.

## 6. *PRO FORMA* FINANCIAL EFFECTS

The *pro forma* financial effects set out below have been prepared to assist shareholders in assessing the impact of the disposal and the option on the earnings and headline earnings per DRDGOLD ordinary share for the six months ended 31 December 2006 and the NAV and TNAV per DRDGOLD ordinary share at that date. These *pro forma* financial effects have been prepared in terms of the Listings Requirements for illustrative purposes only in order to provide information on how the disposal and the option might have affected the results, changes in equity and financial position of DRDGOLD and, because of their nature, may not fairly present the actual financial effects of the disposal and the option. The directors are responsible for the *pro forma* financial effects.

### 6.1 *Pro forma* financial effects if the option is not exercised

| | Before the disposal (cents) | After the disposal (cents) | Change (%) |
|---|---|---|---|
| (Loss)/Profit per DRDGOLD ordinary share for continuing operations | (22.1) | 246.1 | 1 214 |
| Headline loss per DRDGOLD ordinary share for continuing operations | (24.5) | (126.4) | (416) |
| NAV per DRDGOLD ordinary share | 23.0 | 303.0 | 1 217 |
| TNAV per DRDGOLD ordinary share | 23.0 | 303.0 | 1 217 |
| Weighted average number of DRDGOLD ordinary shares in issue for the period ended 31 December 2006 | 325 172 488 | 325 172 488 | – |
| Number of DRDGOLD ordinary shares in issue at 31 December 2006 | 334 823 654 | 334 823 654 | – |

**Notes:**

1. The loss and headline loss per DRDGOLD ordinary share for continuing operations, as set out in the "Before the disposal" column of the table, are based on the unaudited and unreviewed financial results of DRDGOLD for the six months ended 31 December 2006.
2. The profit and headline loss per DRDGOLD ordinary share for continuing operations for the six months ended 31 December 2006, as set out in the "After the disposal" column of the table, are based on the following assumptions:
   i. the disposal was effective on 1 July 2006;
   ii. on 1 July 2006, Emperor repaid debt obligations to ANZ of US$80.4 million utilising a portion of the disposal proceeds;
   iii. Emperor made a capital distribution on 1 July 2006 of A$0.05 per Emperor share to shareholders amounting to a total distribution of A$52.3 million;
   iv. Emperor earned interest on the cash received, less the ANZ debt settlement and capital distribution to Emperor shareholders, at a rate of 6% per annum and paid Australian tax at the rate of 30% on the interest earned;
   v. DRDGOLD earned interest on the cash received from Emperor at a rate of 6% per annum and paid South African tax at the rate of 29% on the interest earned;
   vi. a PNG withholding tax at the rate of 10% was applied on the retained earnings of DRD (Porgera); and
   vii. the adjustment amount payable in respect of the disposal was ignored for *pro forma* purposes.
3. The NAV and TNAV per DRDGOLD ordinary share, as set out in the "Before the disposal" column of the table, are based on the unaudited and unreviewed balance sheet of DRDGOLD at 31 December 2006.
4. The NAV and TNAV per DRDGOLD ordinary share, as set out in the "After the disposal" column of the table, are based on the assumption that the disposal was effective on 31 December 2006.

6.2 ***Pro forma* financial effects if the option is exercised**

| | Before the disposal (cents) | After the disposal and exercise of the option (cents) | Change (%) |
|---|---|---|---|
| (Loss)/Profit per DRDGOLD ordinary share for continuing operations | (22.1) | 208.0 | 1 041 |
| Headline loss per DRDGOLD ordinary share for continuing operations | (24.5) | (164.5) | (571) |
| NAV per DRDGOLD ordinary share | 23.0 | 288.7 | 1 155 |
| TNAV per DRDGOLD ordinary share | 23.0 | 288.7 | 1 155 |
| Weighted average number of DRDGOLD ordinary shares in issue for the period ended 31 December 2006 | 325 172 488 | 325 172 488 | – |
| Number of DRDGOLD ordinary shares in issue at 31 December 2006 | 334 823 654 | 334 823 654 | – |

**Notes:**

1. The loss and headline loss per DRDGOLD ordinary share for continuing operations, as set out in the "Before the disposal" column of the table, are based on the unaudited and unreviewed financial results of DRDGOLD for the six months ended 31 December 2006.
2. The profit and headline loss per DRDGOLD ordinary share for continuing operations for the six months ended 31 December 2006, as set out in the "After the disposal and exercise of the option" column of the table, are based on the following assumptions:
   i. the disposal was effective on 1 July 2006;
   ii. on 1 July 2006, Emperor repaid debt obligations to ANZ of US$80.4 million utilising a portion of the disposal proceeds;
   iii. Barrick exercised the option on 1 July 2006 and 153 325 943 new Emperor shares were issued at A$0.12 per Emperor share for a total cash consideration of A$18.4 million, diluting DRDGOLD's shareholding in Emperor from 78.72% to 68.65%;
   iv. Emperor made a capital distribution on 1 July 2006 of A$0.05 per Emperor share to shareholders (including Barrick) amounting to a total distribution of A$59.9 million;
   v. Emperor earned interest on the cash received from the disposal and the exercise of the option, less the ANZ debt settlement and capital distribution to Emperor shareholders, at a rate of 6% per annum and paid Australian tax of 30% on the interest earned;
   vi. DRDGOLD earned interest on the cash received from Emperor, at a rate of 6% per annum and paid SA tax at the rate of 29% on the interest earned;
   vii. a PNG withholding tax at the rate of 10% was applied on the retained earnings of DRD (Porgera); and
   viii. the adjustment amount payable in respect of the disposal was ignored for *pro forma* purposes.
3. The NAV and TNAV per DRDGOLD ordinary share, as set out in the "Before the disposal" column of the table, are based on the unaudited and unreviewed balance sheet of DRDGOLD at 31 December 2006.
4. The NAV and TNAV per DRDGOLD ordinary share, as set out in the "After the disposal and exercise of the option" column of the table, are based on the assumption that the disposal was effective and the option exercised on 31 December 2006.

The *pro forma* financial information included in this circular does not purport to be in compliance with Regulation S-X of the rules and regulations of the US SEC.

The *pro forma* income statement and balance sheet of DRDGOLD showing the effects of the disposal and the option, and the accountants report on the *pro forma* financial effects of the disposal and the option, are set out in Annexure 1 and 2, respectively.

7. **DESCRIPTION OF THE BUSINESS OF DRDGOLD**

DRDGOLD is a medium-sized, unhedged gold producer with investments in South Africa and Australasia.

In South Africa, DRDGOLD has a 74% interest in DRDGOLD SA, the balance of which is held by its Black Economic Empowerment partners Khumo Gold (20%) and the Trust (6%). DRDGOLD SA wholly-owns and operates the Blyvooruitzicht and ERPM gold mining operations and the Crown surface retreatment operations.

In Australasia, DRDGOLD has a 78.72% interest in Emperor, which owns and operates the Tolukuma gold mine in PNG. Emperor, prior to the disposal, had an indirect 20% stake in the Porgera Joint Venture in PNG, which is managed by Barrick.

DRDGOLD is a public company with its primary listing on the JSE and a secondary listing on NASDAQ. The company does not have a major or controlling shareholder and its directors provide strategic direction on behalf of its shareholders.

## 8. INFORMATION ON DRD (PORGERA) AND THE PJV

The following is a brief overview of DRD (Porgera) and the PJV. A more detailed discussion on the PJV is contained in the technical report which is set out in Annexure 5 to this circular.

### 8.1 Introduction

DRD (Porgera)'s principal asset is an undivided, duly registered 20% interest in mineral tenements of the Porgera Mine in PNG and its corresponding participation in an unincorporated joint venture, established in terms of a joint venture agreement between the holders of the remaining interest in the Porgera mineral tenements, Barrick and MRE, to explore and mine the mineral deposits held under these tenements.

The PJV attributable gold production for the quarter ended 31 March 2007 was 214 000 tonnes at a recovered grade of 2.69g/t, producing 18 526 ounces at a cash operating cost of US$597/oz. In December 2006, the PJV had an estimated amount of 9 405 000 oz of reserves and 3 626 000 oz of resources.

### 8.2 History

*Acquisition of the PJV*

Effective 14 October 2003, DRDGOLD entered into an agreement with Oil Search Limited to acquire a 20% interest in the PJV, being 15% from Orogen Minerals (Porgera) Limited and 5% from Mineral Resources (Porgera) Limited. The transaction was effected through the amalgamation of Orogen Minerals (Porgera) Limited and Mineral Resources (Porgera) Limited and DRDGOLD's wholly?owned subsidiary, Dome Resources (PNG) Limited which was subsequently renamed DRD (Porgera) Limited. The transaction resulted in DRDGOLD acquiring an effective 20% interest in the Porgera Joint Venture.

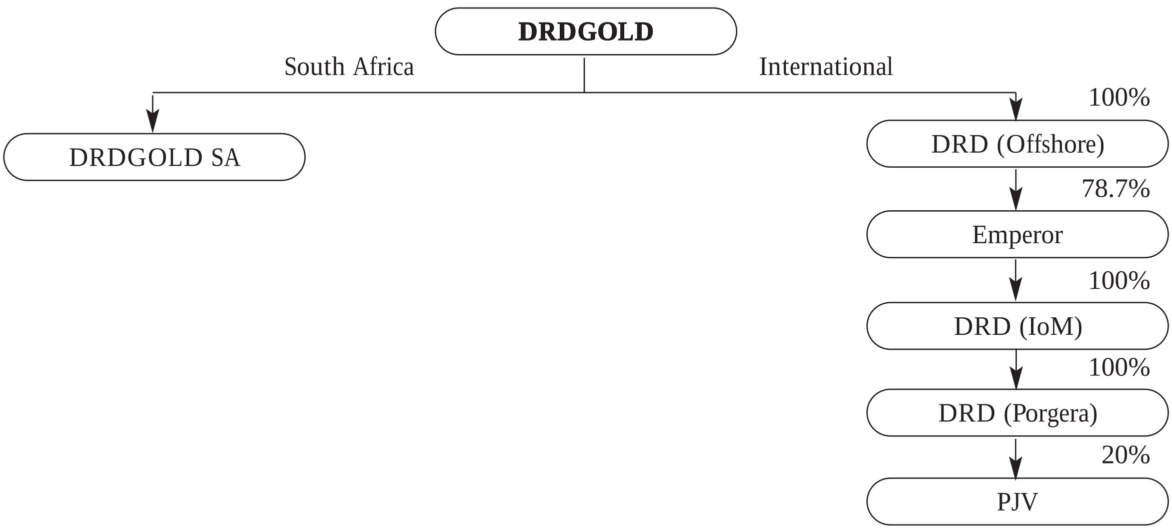
The final purchase price of US$77.1 million was comprised of US$60.3 million in cash and 6 643 902 DRDGOLD ordinary shares (US$16.7 million based on the prevailing market value on 22 November 2003, being the final settlement date). Included in the purchase price was an amount of US$4.1 million in respect of costs.

*Increase in Emperor shareholding and disposal of DRD (IoM) to Emperor for Emperor shares*

During the period from December 2002 through to July 2004, DRDGOLD acquired a 43.33% interest in Emperor, which at that time had a single gold mine based in Vatukoula, Fiji and exploration assets in Fiji. This was done primarily through a conditional takeover offer to shareholders on the basis of five DRDGOLD ordinary shares for every twenty-two Emperor shares held, which resulted in acceptances from Emperor shareholders representing approximately 25.55% of Emperor's issued share capital. The balance was acquired through open market share purchases.

On 16 November 2005, DRDGOLD concluded a sale and purchase agreement with Emperor, pursuant to which, on 6 April 2006, Emperor acquired DRDGOLD's wholly-owned subsidiary, DRD (IoM) (which in turn held DRD (Porgera) with the 20% interest in the PJV, the 100% interest in Tolokuma and all the exploration tenements in PNG), from DRD (Offshore). After the issue of Emperor shares to DRDGOLD in settlement of the purchase consideration, DRDGOLD held 88.3% of Emperor. This shareholding was subsequently diluted to 78.72% following a number of share issues by Emperor in which DRDGOLD did not participate.

DRDGOLD currently holds the interest in the PJV through Emperor as follows:



8.3 **Location**

The Porgera gold mine is located in the Enga Province in the Western Highlands of PNG, approximately 600km northwest of Port Moresby. The area is mountainous and the mine is at an elevation of 2,500m, within a Special Mining Lease covering an area of approximately 22 square kms. The climate is wet and tropical, with annual rainfall averaging 3,600mm per year.

8.4 **Production**

Historical production figures of the Porgera gold mine for the last ten years are summarised in the table below:

| Item | Unit | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ore Milled | Mt | 4.38 | 5.75 | 5.60 | 6.02 | 5.76 | 4.40 | 5.66 | 6.25 | 6.07 | 5.32 |
| Grade Au | g/t | 6.9 | 5.3 | 5.40 | 5.79 | 4.93 | 5.15 | 5.34 | 5.82 | 4.76 | 3.48 |
| Recovery Au | % | 73.1 | 75.3 | 77.9 | 78.9 | 81.6 | 84.8 | 87.5 | 88.4 | 87.2 | 88.4 |
| Recovered Au | kozs | 710 | 727 | 755 | 910 | 761 | 642 | 852 | 1,020 | 810 | 542 |

**Note:**

1. Calendar years January-December.

Gold production in 2006 totalled an uncharacteristically low 542,000 oz, the lowest production since the mine opened. The sharp reduction from previous years is a direct consequence of a significant failure in the west wall of the pit, which is impacting on production and requires the diversion of equipment to undertake a substantial cutback to stabilise the wall. During the period that the wall failure continues to be addressed (to mid-year 2007), plant feed will be supplemented from stockpiled ore to maintain the tonnage throughput. However, lower grades from the stockpile will constrain annual gold production and increase unit costs.

8.5 **Reserves and resources**

The Porgera mine resource and reserve estimates as of December 2006 (for 100% of the PJV) are shown below:

| Reserve/Resource | Category | Tonnage Mt | Grade g/t Au | %S | Contained Gold Ozs |
|---|---|---|---|---|---|
| **Reserves** | | | | | |
| Open Pit (Red) | Proved/Probable | 37.93 | 3.99 | 2.36 | 4 862 400 |
| Open Pit (Blue) | Proved/Probable | 7.36 | 1.63 | 1.91 | 385 800 |
| Underground | Proved/Probable | 8.12 | 8.74 | 1.32 | 2 283 700 |
| Stockpiles (Red) | Proved | 11.81 | 2.67 | 2.33 | 1 013 200 |
| Stockpiles (Blue) | Proved | 12.06 | 2.22 | 2.75 | 859 900 |
| **Total Reserves** | | **77.28** | **3.79** | **2.27** | **9 405 000** |
| **Additional Resources** | | | | | |
| Open Pit | Meas/Ind | 39.65 | 1.74 | 1.34 | 2 222 500 |
| | Inferred | 12.31 | 2.01 | 1.51 | 795 300 |
| | *Sub-total Open Pit* | *51.96* | *1.80* | *1.38* | *3 017 800* |
| Underground | Meas/Ind | 0.61 | 6.04 | 0.94 | 119 400 |
| | Inferred | 1.50 | 9.09 | 1.31 | 488 800 |
| | *Sub-total U/G* | *2.11* | *8.21* | *1.20* | *608 200* |
| **Total Resources** | | **54.07** | **2.05** | **1.37** | **3 626 000** |

**Notes:**

1. The resource figures quoted are additional to the ore reserves.
2. Red Ore is high grade, Blue ore is medium/low grade; resources are based on an economic break even cut-off within a US$525/oz pit shell for open pit and 4.5g/t Au cut-off for underground; open pit reserves are based on a break even cut-off using US$475/oz of gold; underground reserves are based on a 5g/t Au cut-off.

Open pit resources and reserves are determined using an in-house pit optimisation program that considers the cost of removal of each block, its sulphur and gold content and metallurgical recoveries. The pit shell for the resource estimate for December 2006 was defined at a gold price of US$525/oz, while the in pit reserves were estimated using the three-year average gold price of US$475/oz, which is a requirement for US listed companies. The remaining resources for the open pit are defined as mineralisation not included within the reserve outline but located within the US$525/oz pit shell.

In-pit marginal ore (Blue ore) is defined as mineralisation of a grade sufficient to recover reclaim costs from stockpile, processing and overhead costs. No mining costs are applied when defining marginal ore as these costs are incurred anyway whether the material is mined and placed on a waste dump or on a marginal ore stockpile.

The current underground resource has been estimated using a 4.5g/t Au cut-off grade while reserves are estimated using a 5.0g/t Au cut-off. Remaining resources for the underground are defined as mineralisation located in stope selvages between the reserve cut-off grade (5g/t Au) and the resource cut-off grade (4.5g/t Au).

8.6 **Summary of historical financial information**

The following is a summary of the historical financial information of DRD (Porgera). More detailed historical information on DRD (Porgera) is contained in the report of historical financial information set out in Annexure 3 to this circular.

| **in US$'000** | **For the 6 months ended 31 Dec 2006** | **For the 12 months ended 30 Jun 2006** | **For the 12 months ended 30 Jun 2005** | **For the 18 months ended 30 Jun 2004** |
|---|---|---|---|---|
| Revenue | 29 030 | 65 206 | 83 019 | 60 592 |
| Operating costs | (22 287) | (57 192) | (53 476) | (41 952) |
| Operating profit | 6 743 | 8 014 | 29 543 | 18 640 |
| Finance costs | (1 480) | (1 092) | (1 044) | (1 103) |
| Profit before taxation | 5 263 | 6 922 | 28 499 | 17 537 |
| Taxation | (111) | (4 094) | (5 294) | (8 475) |
| Profit after taxation | 5 152 | 2 828 | 23 205 | 9 062 |

No material facts or circumstances have arisen between the interim results of DRD (Porgera) for the six months ended 31 December 2006 and the date of issue of this circular, other than the disposal.

DRD (Porgera) has not made any substantial disposals or acquisitions in the current or preceding year.

8.7 **Material change**

The directors of DRD (Porgera) are not aware of any material changes that have taken place in the financial position or nature of the company between 31 December 2006 and the date of this circular, other than those arising in the normal course of business.

8.8 **Material loans**

DRD (Porgera) had no material external borrowings at the last practicable date.

8.9 **Material contracts**

DRD (Porgera) has not entered into any material contracts (either verbally or in writing) otherwise than in the ordinary course of business within the two years prior to the date of issue of this circular or earlier and which contain an obligation or settlement which is material to DRD (Porgera) at the date of issue of this circular.

8.10 **Litigation**

DRD (Porgera) is not involved in any legal or arbitration proceedings, nor are the directors of DRD (Porgera) aware of any proceedings which are pending or threatened in respect of DRD (Porgeera), which may have or have had, in the 12-month period preceding the date of issue of this circular, a material adverse effect on the financial position of DRD (Porgera).

9. **INFORMATION ON DIRECTORS**

9.1 **Directors and management**

The directors of DRDGOLD are set out in the table below:

| Director | Portfolio | Business address |
|---|---|---|
| **Executive** | | |
| John William Cornelius Sayers | Chief Executive Officer | Ebsco House 4, 299 Pendoring Avenue, Blackheath, Johannesburg, 2195 |
| **Non-executive** | | |
| Geoffrey Charles Campbell | Chairman | 42 Half Moon Lane, London, SE24 9NU United Kingdom |
| James Turk | Director | ASL House, 12-14 David Place, St. Helier Jersey, British Channel Islands, JE2 4TD |
| Robert Peter Hume | Independent Director | Sasfin Frankel Pollak, Beach Road East London, 5210 |
| Douglas John Meldrum Blackmur | Independent Director | 25 Bay Hill Terrace, Sunset Links Milnerton, Cape Town, 7441 |
| **Alternate** | | |
| Jacob Hendrik (Kobus) Dissel | Acting Chief Financial Officer | Ebsco House 4, 299 Pendoring Avenue Blackheath, Johannesburg, 2195 |

9.2 **Directors' emoluments**

Details of the directors' emoluments for the year ended 30 June 2006 are set out in the table below:

| **in Rand**<br>**Director** | **Board fees** | **Salaries** | **Bonuses and performance-related payment** | **Pension Provident Scheme contributions** | **End of contract payment** | **Total** |
|---|---|---|---|---|---|---|
| **Executive** | | | | | | |
| M M Wellesley-Wood[1] | – | 3 640 378 | 4 660 915 | – | 1 759 803 | 10 061 096 |
| J W C Sayers[1,2] | – | 1 691 550 | – | – | – | 1 691 550 |
| I L Murray[2] | – | 1 740 573 | 800 920 | 50 000 | 1 440 972 | 4 032 465 |
| | – | 7 072 501 | 5 461 835 | 50 000 | 3 200 775 | 15 785 111 |
| **Non-executive** | | | | | | |
| G C Campbell | 535 577 | – | 227 210 | – | – | 762 787 |
| R P Hume | 209 170 | – | 93 968 | – | – | 303 138 |
| M P Ncholo | 123 747 | – | 216 000 | – | – | 339 747 |
| D J M Blackmur | 231 192 | – | 101 799 | – | – | 332 991 |
| J Turk | 172 407 | – | 171 320 | – | – | 343 727 |
| | 1 272 093 | – | 810 297 | – | – | 2 082 390 |
| **Alternate** | | | | | | |
| J H Dissel[1] | – | – | – | – | – | – |
| **Total** | **1 272 093** | **7 072 501** | **6 272 132** | **50 000** | **3 200 775** | **17 867 501** |

**Notes:**

1. Mr M M Wellesley-Wood's contract as Chief Executive Officer expired on 31 December 2006 and he was succeeded by Mr J W C Sayers with effect from 1 January 2007. Concurrently, Mr Sayers relinquished his position as Chief Financial Officer to Mr J H Dissel who is fulfilling this role in an acting capacity and as an alternate director.
2. Mr I L Murray relinquished his position as Chief Financial Officer on 5 September 2005 to Mr J W C Sayers and resigned as a director with effect from 30 November 2005.
3. Mr M P Ncholo resigned from the board with effect from 1 November 2005.

9.3 **Directors' interests in shares**

At the last practicable date, the directors of DRDGOLD beneficially held an aggregate of 154 500 DRDGOLD shares, 96 500 directly and 58 000 indirectly. The interests of directors in the DRDGOLD share capital are as follows:

| | Number of DRDGOLD shares held | | | |
|---|---|---|---|---|
| **Director** | **Beneficial direct** | **Beneficial indirect** | **Total holding** | **Holding as a percentage of issued DRDGOLD shares** |
| **Executive** | | | | |
| J W C Sayers | – | – | – | – |
| **Non-executive** | | | | |
| G C Campbell | 60 000 | – | 60 000 | 0.016 |
| R P Hume | 15 000 | 30 000 | 45 000 | 0.012 |
| D J M Blackmur | 20 000 | – | 20 000 | 0.005 |
| J Turk | – | 28 000 | 28 000 | 0.008 |
| **Alternate** | | | | |
| J H Dissel | 1 500 | – | 1 500 | n/a |
| **Total** | 96 500 | 58 000 | 154 500 | 0.042 |

No director of DRDGOLD held any DRDGOLD shares as a non-beneficial interest.

The changes in directors' interests in DRDGOLD shares between 30 June 2006 (the previous financial year-end) and the last practicable date are as follows:

| | Number of DRDGOLD shares held | | |
|---|---|---|---|
| **Director** | **Holding at 30 June 2006** | **Holding at last practicable date** | **Percentage change** |
| **Executive** | | | |
| J W C Sayers | – | – | – |
| | **–** | **–** | **–** |
| **Non-executive** | | | |
| G C Campbell | 20 000 | 60 000 | 200 |
| R P Hume | 25 000 | 45 000 | 80 |
| D J M Blackmur | 20 000 | 20 000 | – |
| J Turk | 13 000 | 28 000 | 115 |
| | 78 000 | 153 000 | 96 |
| **Alternate** | | | |
| J H Dissel | – | 1 500 | n/a |
| **Total** | **78 000** | **154 500** | **98** |

9.4 **Directors' interests in share options**

At the last practicable date, the directors of DRDGOLD held the following share options, issued in terms of the DRDGOLD (1996) Share Option Scheme:

| **in Rand**<br>**Director** | **Number of options** | **Average strike price** | **Share option lapse period** |
|---|---|---|---|
| **Executive** | | | |
| J W C Sayers | – | – | – |
| **Non-executive** | | | |
| G C Campbell | 57 994 | 19.35 | 17/06/2015 |
| R P Hume | 77 907 | 16.92 | 27/10/2013 |
| D J M Blackmur | – | – | – |
| J Turk | – | – | – |
| **Alternate** | | | |
| J H Dissel | 188 548 | 18.62 | 01/11/2014 |

9.5 **Directors' interests in transactions**

Other than the fact that J W C Sayers and G C Campbell are non-executive directors of Emperor, none of the directors of DRDGOLD had or has any interests in any transactions that were undertaken by DRDGOLD, which are or were in their nature or condition material to the business of DRDGOLD and that were effected by DRDGOLD during the current or immediately preceding financial year, or during an earlier financial year and which remain in any respect outstanding or unperformed.

9.6 **Directors' service contracts**

Service contracts have been concluded with the executive as well as the non-executive directors of DRDGOLD. Details of the service contracts, as at 31 March 2007, are set out in the table below:

| **Director** | **Title** | **Date of appointment** | **Term** | **Unexpired term of the director's service contract** |
|---|---|---|---|---|
| J W C Sayers | CEO | 1/01/2007 | 2 years | 21 months |
| J H Dissel (alternate) | Acting CFO | 1/01/2007 | No fixed contract | n/a |
| R P Hume | Non-executive director | 1/10/2004 | 2 years | 17 months |
| G C Campbell | Non-executive chairman | 1/11/2005 | 2 years | 6 months |
| D J M Blackmur | Senior Independent Non-executive director | 1/11/2005 | 2 years | 6 months |
| J Turk | Non-executive director | 1/11/2004 | 2 years | 18 months |

10. **SHARE CAPITAL**

DRDGOLD's share capital comprised the following authorised and issued share capital as at the last practicable date:

| **Share capital** | **R'000** |
|---|---|
| **Authorised** | |
| 600 000 000 ordinary shares of no par value[1] | |
| 5 000 000 cumulative preference shares of 10 cents each | |
| **Issued** | |
| 370 341 981 ordinary shares of no par value | 4 069 159 |
| 5 000 000 cumulative preference shares of 10 cents each | 500 |

**Note:**

1. At the annual general meeting of DRDGOLD held on 8 December 2006, a special resolution was passed by shareholders for the increase of the authorised capital of DRDGOLD from 600 million to 1 billion ordinary shares of no par value. The purpose for which the resolution was passed fell away and accordingly the resolution was not registered within the statutory period of six months by CIPRO. By virtue of Section 202 of the Act the resolution was accordingly rendered null and void.

## 11. MAJOR SHAREHOLDERS

The name and shareholding of the only shareholder (excluding the directors of DRDGOLD) who, insofar as is known to DRDGOLD, at 26 April 2007 was beneficially interested, directly or indirectly, in 5% or more of the issued share capital of DRDGOLD is set out below:

| | **Number of DRDGOLD shares held** | **Percentage of issued DRDGOLD shares** |
|---|---|---|
| Bank of New York (on behalf of ADR clients) | 275 508 757 | 74.83 |

## 12. MATERIAL CHANGE

As released on SENS on 22 March 2007, Emperor disposed of all its Fijian assets, including the Vatukoula Mine, to Westech. Under the agreement, Emperor sold 100% of its shares in the Australian incorporated companies which owned the Fijian assets of the Emperor group, to Westech. With immediate effect, all assets and liabilities of the Emperor Fijian operations were then transferred to Westech.

Other than as disclosed above, there have been no material changes in the financial or trading position of the DRDGOLD group of companies since the preparation of the unaudited interim results for the six months ended 31 December 2006.

## 13. GENERAL

### 13.1 Material loans

Other than those mentioned below, the DRDGOLD group of companies had no other material external borrowings at the last practicable date.

***Facility agreement between DRD (Porgera) and Tolukuma and ANZ, dated 20 March 2006***

Under this agreement, ANZ provided DRD (Porgera) and Tolukuma a Project Debt Facility of up to US$35 million and a Working Capital Facility of up to US$7 million. The loans are secured over the assets of the Porgera Joint Venture and Tolukuma and bear interest at LIBOR plus 2% margin per annum. In January 2007, the agreement was amended to include a further facility of US$22 million that bears interest at LIBOR plus 4% margin per annum. If the loan is not repaid by 30 June 2007, a fee of US$250 000 is payable on the last day of each calendar month until the loan is repaid, which will be funded from additional ANZ facilities. The full amount of the loans plus interest will be repaid immediately following the successful conclusion of the disposal.

***Emperor hedge book***

Emperor closed off its gold forward-sell hedge book of 145 695 ounces at a spot price of US$670/oz, effective 14 May 2007. The hedge book was closed out for a total of US$34.2 million, and ANZ has agreed to defer the settlement of the amount to 31 December 2007, following the receipt of the proceeds from the disposal. This deferral facility attracts an interest rate of LIBOR plus 3.7% margin per annum, also payable on settlement in December 2007.

***Facility B Loan Agreement between Investec Bank (Mauritius) Limited and DRD (Offshore), dated 13 September 2006***

This agreement made available to DRD (Offshore) a loan facility for a maximum of US$35 million. This agreement provides for the repayment of the loan under the loan facility with DRDGOLD ordinary shares or cash. The loan is secured over DRDGOLD's shareholding in Emperor and bears interest at the one month LIBOR rate plus 3% per annum. The outstanding amount of US$3.8 million is repayable within the next 12 months and will be settled through cash generated by the operations and through the issue of shares for cash under the general authority granted to the DRDGOLD board.

### 13.2 Material contracts

Other than those mentioned below, the DRDGOLD group has not entered into any material contracts (either verbally or in writing) otherwise than in the ordinary course of business within the two years prior to the date of issue of this circular or earlier and which contain an obligation or settlement which is material to the DRDGOLD group at the date of issue of this circular.

*Several terms and company names have been defined or abbreviated in this paragraph for ease of reading only and such terms are not used elsewhere in this circular.*

***Memorandum of Understanding between DRDGOLD and KBH, dated 6 July 2005***

Under this Memorandum of Understanding the parties agreed that ERPM, Crown and Blyvooruitzicht would be consolidated under one subsidiary, namely DRDGOLD SA. Furthermore KBH would subscribe for an initial 15% stake in DRDGOLD SA and subsequently a KBH-led broad based black economic empowerment consortium would subscribe for a further 11% in DRDGOLD SA.

***Convertible Loan Facility Agreement between DRDGOLD and Emperor, dated 8 July 2005***

Under this agreement, DRDGOLD agreed to provide a US$7.6 million (A$10.0 million) convertible loan facility for financial and operational assistance to Emperor. The term of this facility is for 2.5 years with a fixed interest of 9% per annum. The facility is secured by a first ranking charge over Emperor's 100% interest in the Tuvatu Gold Prospect in Fiji. The facility is repayable upon either the receipt of proceeds expected from the sale of Emperor's interest in the Tuvatu Gold Prospect or by 31 December 2007. This facility is also convertible at DRDGOLD's election into Emperor ordinary shares. On 25 January 2006, Emperor announced that it had not granted a further extension for the sale of the Tuvatu Gold Prospect and the agreement was terminated.

***Cession Agreement entered into among the Industrial Development Corporation of South Africa Limited ("IDC"), DRDGOLD, Business Ventures Investment No. 750 (Pty) Ltd ("BVI 750") and Business Ventures Investment No. 751 (Pty) Ltd ("BVI 751"), dated 13 July 2005***

Under this agreement, the IDC sold its claims against Crown, ERPM and BVI 750 and BVI 751 and the debentures it subscribed for in ERPM to DRDGOLD in return for the payment of the purchase price of 4 451 219 DRDGOLD ordinary shares to the value of approximately US$4.3 million (R29.0 million), which shares have already been allotted and issued to the IDC.

***Share Sale Agreement entered into among the IDC, DRDGOLD, BVI 750 and BVI 751, dated 13 July 2005***

Under this agreement DRDGOLD acquired, from the IDC, 60 ordinary shares in BVI 750, representing 60% of the total issued share capital of BVI 750, and 60 ordinary shares in the BVI 751, representing 60% of the total issued share capital of BVI 751, for the purchase price of approximately US$18.30 (R120.00).

***Option Agreement entered into by and between DRDGOLD and M5 Developments (Pty) Limited ("M5"), dated 21 July 2005***

Under this agreement M5 was granted an option, for a non-refundable fee of US$0.1 million (R0.5 million) per month, until exercise of the option, to acquire Durban Deep's mine village for US$2.2 million (R15.0 million). The option period initially expired on 19 September 2005, but was extended to 19 November 2005. If the option was exercised the option fee would be deemed part payment of the purchase consideration. If not, the option fee would be forfeited to DRDGOLD.

On 18 November 2005, M5 exercised the option and provided a guarantee for payment. Prior to registration of transfer occurring, DRDGOLD was notified by Rand Leases Properties (Pty) Ltd ("Rand Leases") (formerly JCI Properties Ltd) of an alleged pre-emptive right in respect of the property in terms of an agreement entered into during December 1996, and demanded that the property be sold to them on similar terms. DRDGOLD have since repudiated the agreement of sale with M5, but have also notified Rand Leases that DRDGOLD does not intend offering the property to such company. Both parties have indicated that they intend to institute legal proceedings for the sale and transfer of the property and DRDGOLD awaits service of legal process from M5. On 15 December 2006, Rand Leases instituted action against DRDGOLD claiming that the latter must make an offer to Rand Leases in respect of the Durban Deep mine village and that the property be transferred to Rand Leases. DRDGOLD is defending the matter and a plea has been filed.

***Memorandum of Agreement between DRDGOLD, Simmer & Jack Mines Limited and Simmer & Jack Investments (Proprietary) Limited ("S&J Companies"), dated 31 August 2005***

Under this agreement, DRDGOLD agreed to sell 13 000 460 ordinary no par value shares in Buffelsfontein Gold Mines Limited (in provisional liquidation) to the S&J Companies for US$0.0015 (R0.01) per share as part of a scheme of arrangement between the S&J Companies and Buffelsfontein's creditors in terms of section 311 of the Act. This agreement is conditional upon the S&J Companies assuming all existing and future obligations relating to the pumping and management of underground water in the Klerksdorp/Orkney/Stilfontein/Hartebeesfontein area and providing DRDGOLD with indemnity against all liability arising in this regard.

***Deed of loan, cession, payment and set-off entered between DRDGOLD, ERPM, Crown and Blyvooruitzicht, dated 7 November 2005***

Under this agreement, DRDGOLD loaned approximately US$1.4 million (R9.2 million) to ERPM. ERPM instructed DRDGOLD to pay that amount to KBH on its behalf in respect of an agreement between KBH and ERPM in terms of which ERPM acquired from KBH shareholders claims against Crown.

***Share sale agreement between BVI 750 and DRDGOLD SA, dated 8 November 2005***

Under this agreement, BVI 750 sold to DRDGOLD SA 60 ordinary shares ("the sale shares"), which BVI 750 held in Crown. DRDGOLD SA paid the purchase price of R1.00 (US$0.15) in cash for the sale shares.

***Share sale agreement between BVI 751 and DRGOLD SA, dated 8 November 2005***

Under this agreement, BVI 751 sold approximately 160 000 000 ordinary shares ("the sale shares") to DRDGOLD SA which BVI 751 held in ERPM. DRDGOLD SA paid the purchase price of R1.00 (US$0.15) in cash for the sale shares.

***Subscription agreement between DRDGOLD and DRDGOLD SA, dated 9 November 2005***

Under this agreement, DRDGOLD subscribed for 850 000 fully paid ordinary shares in DRDGOLD SA of R0.001 (US$0.00015) each ("the subscription shares"), for a total subscription price (being the aggregate of nominal value and premium) of R130 million (US$19.3 million). As consideration for the subscription shares, DRDGOLD transferred approximately 50 million ordinary shares in Blyvooruitzicht, all of which were held by DRDGOLD, to DRDGOLD SA in full and final discharge of the subscription price of R130 million (US$19.3 million).

***Share sale agreement between Crown Consolidated Gold Recoveries Ltd ("CCGR") and DRDGOLD SA, dated 14 November 2005***

Under this agreement, CCGR sold and DRDGOLD SA purchased 40 ordinary shares held by CCGR in Crown, which CCGR Crown had acquired through the exercise of rights held under a deed of pledge. The purchase price for the 40 ordinary shares was R1.00 (US$0.15) payable in cash.

***Subscription agreement between DRDGOLD SA and Khumo Gold, dated 18 November 2005***

Under this agreement, Khumo Gold subscribed for 150 000 fully paid ordinary shares in DRDGOLD SA of R0.001 (US$0.00015) each against a payment of approximately R13.2 million (US$2 million) (being the aggregate of the nominal value and premium payable in respect of each share).

***Subscription agreement between DRDGOLD and Khumo Gold, dated 18 November 2005***

Under this agreement, Khumo Gold offered to DRDGOLD and DRDGOLD accepted the offer to subscribe for 31 811 Khumo Gold Class A cumulative participating compulsorily redeemable preference shares in the share capital of Khumo Gold with a par value of R1.00 (US$0.15) and a premium of R999.00 (US$149.85) each. DRDGOLD discharged the obligation to subscribe for the Khumo Gold Class A preference shares by paying the issue price of R31.8 million.

***Cession agreement between DRDGOLD and Khumo Gold and KBH, dated 18 November 2005***

Under this agreement, DRDGOLD ceded to Khumo Gold upon fulfilment of the suspensive condition (receipt of a written opinion from an independent expert that this agreement is fair and reasonable to DRDGOLD shareholders) and upon receipt of the purchase consideration, all claims DRDGOLD had against KBH arising from and in respect of the loan owed by KBH to DRDGOLD in terms of a written loan agreement dated 12 June 2002, in terms of which KBH at 9 November 2005 shall be indebted to DRDGOLD in an amount of R7.9 million (US$1.2 million). Khumo Gold was obliged to pay the purchase consideration of R7.9 million (US$1.2 million) to DRDGOLD by no later than 18 November 2005, or upon fulfilment of the suspensive condition, by procuring the transfer from the proceeds of the issuance of the Khumo Gold Preference shares an amount equal to the purchase consideration, to DRDGOLD.

***Cession Agreement between DRDGOLD, IDC, BVI 750 and BVI 751, dated 18 November 2005***

Under this agreement, the parties recorded the terms on which the IDC agreed to sell and transfer the claims, the indemnities and the debenture, and waive in pledge of the shareholders loan by KBH to Crown in favour of DRDGOLD.

***Option agreement between DRDGOLD and Khumo Gold and DRDGOLD SA, dated 18 November 2005***

Under this agreement, DRDGOLD granted Khumo Gold, the latter acting as promoter of and on behalf of an Employee Trust to be formed, an option to purchase 60 000 ordinary shares in DRDGOLD SA. The option expires on the third anniversary of the signature date of this agreement. Khumo Gold was also granted an option to buy 50 000 ordinary shares in DRDGOLD SA.The parties agreed that Khumo Gold shall pay R4.3 million (US$0.6 million) for the purchase of the 50 000 ordinary shares and approximately R5.0 million (US$0.8 million) for the purchase of the 60 000 ordinary shares.

***Offer of Class A Preference share between Khumo Gold and ERPM, dated 18 November 2005***

Under this agreement, Khumo Gold subscribed for one Class A cumulative participating preference share in the share capital of ERPM at the subscription price of approximately R4.1 million (US$0.6 million).

***Offer of Class A Preference share between Khumo Gold and Blyvooruitzicht Gold, dated 18 November 2005***

Under this agreement, Khumo Gold subscribed for one Class A cumulative participating preference share in the share capital of Blyvooruitzicht at the subscription price of approximately R3.9 million (US$0.6 million).

***Offer of Class A Preference share between Khumo Gold and Crown, dated 18 November 2005***

Under this agreement, Khumo Gold subscribed for one Class A cumulative participating preference share in the share capital of Crown at the subscription price of approximately R2.7 million (US$0.4 million).

***Shareholders' agreement between DRDGOLD, Khumo Gold and DRDGOLD SA, dated 24 November 2005***

Under this agreement, DRDGOLD acquired 85% of the issued share capital in DRDGOLD SA. Khumo Gold holds the balance of 15% of the issued share capital of DRDGOLD SA. This agreement was entered into in order to establish the manner in which DRDGOLD SA is to be managed and it sets out the terms governing the parties' relationship as shareholders in DRDGOLD SA.

***Sale and subscription agreement between DRDGOLD and DRD (Offshore), dated 4 January 2006***

Under this agreement DRDGOLD sold its entire shareholding in DRD (IoM) to DRD (Offshore) in consideration for the issue to DRDGOLD of three ordinary shares of GBP 1.00 each in the share capital of DRD (Offshore). The consideration for the sale of the sale shares in DRD (IoM) was US$230.0 million (R1.5 billion) and DRD (Offshore) issued share certificates in favour of DRDGOLD which became the 100% holding company of DRD (Offshore).

***Share Sale agreement between DRD (IoM) and DRD (Offshore), dated 22 February 2006***

Under this agreement, DRD (IoM) sold, as beneficial owner free from all liens, pledges and any other encumbrances to DRD (Offshore) the entire shareholding, or the shares, of DRD (IoM) in the issued share capital of Emperor. The consideration for the shares was the US$ amount equal to the value of the shares, calculated by using the closing market price of Emperor shares on the ASX and the A$/US$ exchange rate as at the close on the date of completion. The date of completion was the fifth business day after shareholders' approval and Investec's approval on this share sale agreement. The parties agreed that DRD (IoM) shall lend the consideration referred to above to DRD (Offshore). The consideration was deemed to have been advanced to DRD (Offshore) on 1 January 2006 and used by DRD (Offshore) to pay DRD (IoM) for the shares. It was agreed that that loan shall be interest free.

***Restructure deed between DRD (Offshore), DRD (IoM), Emperor, Emperor Gold Mining Company Limited ("EGM") and ANZ, dated 24 February 2006***

Under this agreement, and in consideration of the payment of the loan transfer amount of approximately US$7.4 million by DRD (Offshore) to DRD (IoM) in a form agreed between those two parties, DRD (IoM) must novate to DRD (Offshore) all of DRD (IoM)'s right, title and interest in the loan agreement, or the loan interest, entered into by EGM. DRD (IoM) and Emperor on 8 July 2005. As between the parties, property in, title to and risk associated with DRD (IoM)'s right, title and interest in the said loan agreement will accrue to DRD (Offshore) as if the restructure of that loan interest had occurred on 1 January 2006.

***Settlement of loans agreement between DRD (IoM) and DRD (Offshore), dated 23 March 2006***

In terms of this agreement, DRD (IoM) and DRD (Offshore) agree that the loans, including all outstanding claims, loans and/or debts between the parties arising prior to or as a result of the DRD (IoM) re-organisation, so that subsequent to the DRD (IoM) re-organisation there shall be no amount due or payable as between the parties. The DRD (IoM) re-organisation included the transfer of assets out of DRD (IoM), assignment of some material contracts by DRD (IoM) to DRD (Offshore), termination of some material contracts, repayment or capitalisation of inter-company loans, repayment and termination or variation of the Investec Facility Agreement to remove any recourse to DRD (Offshore) or DRDGOLD and remain as an undrawn facility available for DRD (IOM) after completion.

***Option exercise agreement between DRDGOLD, Khumo Gold and the Trustees for the time being of the Trust, dated 10 October 2006***

Under this agreement, the Trust and Khumo Gold exercised the option for Khumo Gold to acquire an additional 5% shareholding in DRDGOLD SA resulting in a total holding of 20% for Khumo Gold and the Trust holding 6% in DRDGOLD SA.

***Class B Preference share subscription agreement between DRDGOLD and Khumo Gold, dated 24 October 2006***

Under this agreement, DRDGOLD subscribed for 11 849 shares in Khumo Gold at the subscription price of R11.849 million, R4.3 million of which was to be paid back to DRDGOLD for the acquisition of the 26% interest in DRDGOLD SA by the Trust and Khumo Gold. R1.280 million, R0.910 million and R5.360 million was to be paid by Khumo Gold for its acquisition of shares in Blyvooruitzicht, Crown and ERPM, respectively.

***Three Class B Preference share subscription agreements between Khumo Gold, Blyvooruitzicht, Crown and ERPM, dated 24 October 2006***

Under these agreements, Khumo Gold subscribed for Class B cumulative participating preference shares at R1.00 per share at the subscription price of R1.280 million, R0.910 million and R5.360 million for Blyvooruitzicht, Crown and ERPM, respectively.

***Three Class C Preference share subscription agreement between the Trustees for the time being of the Trust, dated 24 October 2006***

Under these agreements the Trust subscribed for class C cumulative participating preference shares at R1.00 per share at the subscription price of R1.535 million, R1.091 million and R6.432 million for Blyvooruitzicht, Crown and ERPM, respectively.

***Joint venture agreement between Mintails Limited (listed on the ASX) and DRDGOLD, dated 26 April 2007***

In terms of an agreement between DRDGOLD, Mintails SA (Pty) Ltd (wholly-owned by Mintails Limited) and Mineral & Mining Reclamation Services (Pty) Ltd ("MMRS"), the parties are to consolidate their West Rand Goldfield projects (comprising Rand Leases, Durban Roodepoort Deep, East Champ D'Or, Luipaardsvlei and West Rand Consolidated (including West Wits)) and form a 45:45:10 joint venture company in South Africa to explore, evaluate and potentially mine gold and uranium by opencast and underground mining methods in the Western Rand Goldfield of South Africa's Witwatersrand Basin.

***Disposal agreement between Emperor and Westech, dated 22 March 2007, regarding the disposal of its Fijian assets***

In terms of this agreement, Emperor sold 100% of its shares in the Australian-incorporated companies which owned all of its Fijian assets, including the Vatukoula Mine, to Westech for A$1. With immediate effect, all the assets and liabilities of the Emperor Fijian operations were transferred to Westech.

### 13.3 History of change

Other than as set out below, DRDGOLD and its subsidiaries have not had a change in controlling shareholder or trading objects in the previous five years.

*Emperor*

(a) Initial acquisition of 45.33% interest in Emperor

Over the period December 2002 to July 2004, DRDGOLD acquired a 45.33% interest in Emperor, which at the time had a single gold mine based in Vatukoula, Fiji and exploration assets in Fiji. The interest in Emperor was acquired through a series of transactions, which are listed below:

- As of 31 December 2002, DRDGOLD had acquired 14.15% of Emperor for approximately A$11.9 million (US$6.7 million).
- By April 2003, DRDGOLD had increased its percentage holding in Emperor to 19.81% through additional purchases on the open market at a total additional cost of A$4.3 million (US$2.6 million).
- At 30 June 2004, DRDGOLD's effective holding had decreased to 19.78% as a result of a rights offer by Emperor during 2004, in which DRDGOLD did not participate.
- On 8 March 2004, DRDGOLD announced a conditional takeover offer to acquire all of the outstanding shares in Emperor that were not already owned by DRDGOLD for a consideration of one DRDGOLD share for every five shares in Emperor held. At that time, the offer valued Emperor at approximately A$105.0 million (US$79.8 million). On 10 June 2004, DRDGOLD announced a revised final offer of five

DRDGOLD shares for every twenty two shares in Emperor held, representing a 14% increase over the previous offer. On 30 July 2004, the offer to Emperor's shareholders closed with DRDGOLD having received acceptances from Emperor's shareholders representing approximately 25.55% of Emperor's issued capital, thereby increasing the shareholding in Emperor to 45.33%. Accordingly, DRDGOLD issued 6 612 676 shares in exchange for the 29 097 269 Emperor shares to the value of US$16.6 million, based on the market value of DRDGOLD shares on the date issued.

(b) Subsequent transactions resulting in a holding of 78.72% in Emperor

On 16 November 2005, DRDGOLD concluded a sale and purchase agreement with Emperor pursuant to which, on 6 April 2006, Emperor acquired DRDGOLD's wholly-owned subsidiary, DRD (IoM), which at the time held DRDGOLD's PNG assets, comprising the 20% interest in the Porgera Joint Venture, the 100% interest in Tolukuma and all the exploration tenements in PNG. The purchase consideration of US$237.3 million was subject to certain completion adjustments and included 751 879 699 new Emperor shares and a cash consideration of $37.3 million. An amount of US$5.0 million was outstanding on the cash consideration and, subsequent to 30 June 2006, the board of DRD (Offshore) agreed to convert this loan to equity. After the issue of the new Emperor shares, DRDGOLD held 88.3% of Emperor, which has been subsequently diluted to 78.72% following a number of Emperor share issues in which DRDGOLD did not participate.

## 14. COSTS OF THE DISPOSAL

The estimated costs (excluding VAT) relating to the disposal which are for DRDGOLD's account are set out in the table below:

| Description | R |
|---|---:|
| Feinsteins (legal fees) | 300 000 |
| JSE (documentation fees) | 24 200 |
| KPMG (accounting fees) | 35 000 |
| Printing, publication and distribution costs | 500 000 |
| QuestCo (corporate advisory fees) | 1 600 000 |
| Rothschild Australia Limited (corporate advisory fees) | 650 000 |
| SRP (fee in respect of ruling) | 2 800 |
| | **3 112 000** |

## 15. STATEMENT AS TO THE ADEQUACY OF WORKING CAPITAL

The directors of DRDGOLD, having considered the effect of the disposal, are of the opinion that for a period of 12 months from the date of issue of this circular:

- the DRDGOLD group will be able in the ordinary course of business to pay its debts;
- the assets of the DRDGOLD group will be in excess of the liabilities of the DRDGOLD group. For this purpose the assets and liabilities have been recognised in accordance with the accounting policies used in the latest audited consolidated annual financial statements of DRDGOLD;
- the share capital and reserves of the DRDGOLD group will be adequate for ordinary business purposes; and
- the working capital of the DRDGOLD group will be adequate for ordinary business purposes.

## 16. DIRECTORS' OPINION AND RECOMMENDATION

The directors are of the opinion that the terms of the disposal and the option are beneficial to the shareholders of DRDGOLD and, accordingly, the board recommends that DRDGOLD shareholders vote in favour of all the ordinary resolutions to be proposed at the DRDGOLD general meeting. Those members of the board who hold DRDGOLD shares undertake to do the same.

## 17. DIRECTORS' RESPONSIBILITY STATEMENT

The directors, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading, and that they have made all reasonable enquiries to ascertain such facts and that this circular contains all the information required by law and the Listings Requirements.

## 18. LITIGATION STATEMENT

Other than those mentioned below and any litigation in respect of material contracts as set out in paragraph 13.2 above, the DRDGOLD group is not involved in any legal or arbitration proceedings, nor are the directors of DRDGOLD aware of any proceedings which are pending or threatened in respect of DRDGOLD, which may have or have had, in the 12-month period preceding the date of issue of this circular, an adverse material effect on the financial position of DRDGOLD.

*Several terms and a "company name" have been defined in this paragraph for ease of reading only and same are not used elsewhere in this circular.*

### 18.1 Competition Tribunal case

On 23 September 2002, DRDGOLD and Harmony Gold Mining Company Limited, another South African gold mining company, filed a complaint with the South African Competition Commission against Mittal Steel South Africa Limited ("Mittal"), a South African steel producer. The complaint alleged that Mittal was abusing its dominant position by charging excessive prices for its local flat steel products and providing inducements for steel purchasers to refrain from importing competing steel products. The Competition Commission dismissed the claim, and the matter was referred to the Competition Tribunal ("the Tribunal"), which has the authority to overrule the determination of the Competition Commission. Evidence by a number of witnesses was adduced during March and April 2006 and, on 27 March 2007, the Tribunal delivered its judgment in terms of which the following findings were made:

- that Mittal has abused its dominant position by engaging in excessive pricing; and
- that Mittal did not induce customers not to deal with its competitors.

The parties will now present submissions to the Tribunal on the penalty or penalties which the Tribunal may impose against Mittal.

### 18.2 Litigation regarding environmental issues

On 2 August 2006 and 4 September 2006, two virtually identical applications were brought against DRDGOLD and its directors for relief under the Mineral and Petroleum Resources Development Act ("MPRDA") by the Legal Resources Centre on behalf of the residents of two communities, Davidsonville and Kagiso, who reside adjacent to tailings deposition sites of the now dormant Durban Roodepoort Deep Mine and of West Witwatersrand Mine, respectively. Whilst no financial compensation is sought, the communities are seeking orders for the revision of the environmental management programmes of both sites, and for the sites to be rehabilitated and closed in accordance with the standards of the MPRDA. DRDGOLD has filed its Appearance to Defend in respect of both matters in the High Court.

## 19. GENERAL MEETING OF SHAREHOLDERS

A general meeting of DRDGOLD ordinary shareholders will be held at 10:00 on Friday, 27 July 2007, at the registered office of DRDGOLD at Ebsco House 4, 299 Pendoring Avenue, Blackheath, Johannesburg, 2195, for the purpose of considering and if deemed fit, passing, with or without modification, the necessary ordinary resolutions, to approve the disposal and ratify the grant of the option. A notice convening the general meeting is attached hereto, and forms part of, this circular. DRDGOLD preference shareholders may attend the general meeting but are not entitled to vote.

A form of proxy *(pink)* for use by certificated shareholders and "own name registered" dematerialised shareholders who are unable to attend the general meeting, but who wish to be represented thereat, is attached to and forms part of this circular.

Dematerialised shareholders (other than "own name registered" dematerialised shareholders) who wish to attend the general meeting should obtain from their CSDP or broker the necessary authorisation to attend the general meeting or advise their CSDP or broker as to what action they wish to take in respect of voting at the general meeting.

20. **EXPERTS' CONSENT**

The reporting accountants, KPMG Inc., whose reports are set out in Annexures 2 and 4 to this circular, and the independent technical expert, BDA, whose technical report is set out in Annexure 5 to this circular, have all given their consents and have not, prior to the date of issue of this circular, withdrawn their consents to the inclusion of their reports and/or letter and to the inclusion of their name in this circular in the form and context in which they appear.

21. **DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents, or copies thereof, will be available for inspection during normal office hours on any business day from 20 June 2007 to 27 July 2007, both days inclusive, at the registered office of DRDGOLD, Ebsco House 4, 299 Pendoring Avenue, Blackheath, Johannesburg, 2195:

- DRDGOLD's memorandum and articles of association;
- DRD (Porgera)'s memorandum and articles of association;
- the disposal agreements;
- the material contracts and directors service contracts;
- the audited annual financial statements of DRDGOLD for the three financial years ended 30 June 2006;
- the audited annual financial statements of DRD (Porgera) for the 18-month period ended 30 June 2004, the year ended 30 June 2005 and the stamped audit package for the year ended 30 June 2006;
- the ruling from the SRP regarding the disposal;
- the reports by the reporting accountants set out in Annexures 2 and 4;
- the report by the independent technical expert set out in Annexure 5;
- a copy of the Exchange Control approval for the disposal; and
- a signed copy of this circular signed by all directors of DRDGOLD personally or by J W C Sayers in terms of the authority given to him by way of a directors' resolution.

*By order of the board*

**DRDGOLD Limited**

**J W C Sayers**
*Chief Executive Officer*

Johannesburg
20 June 2007

# *PRO FORMA* CONSOLIDATED INCOME STATEMENT AND BALANCE SHEET

Set out below are the unaudited *pro forma* income statement and balance sheet of DRDGOLD for the six-month period ended 31 December 2006 showing the effects of the disposal and the option. The unaudited *pro forma* income statement and balance sheet are provided for illustrative purposes only and, because of their *pro forma* nature, may not fairly present the results, financial position and changes in equity of DRDGOLD. The directors of DRDGOLD are responsible for the preparation of the unaudited *pro forma* income statement and balance sheet.

It has been assumed for purposes of the unaudited *pro forma* financial information that the disposal took place with effect from and the option was exercised on 1 July 2006 for income statement purposes and on 31 December 2006 for balance sheet purposes.

## 1. *PRO FORMA* INCOME STATEMENT AND BALANCE SHEET IF THE OPTION IS NOT EXERCISED

**Unaudited *pro forma* income statement**

| | Before the disposal[1] R'm | Adjustments relating to the disposal[2] R'm | After the disposal[3] R'm |
|---|---|---|---|
| **Continuing operations** | | | |
| Gold and silver revenue | 1 123.2 | (210.0)[a] | 913.2 |
| Cash operating costs | (952.4) | 153.5[a] | (798.9) |
| **Cash operating profit** | **170.8** | **(56.5)** | **114.3** |
| Corporate administration and other expenses | (113.0) | 18.1[a] | (94.9) |
| Share-based payments | (3.9) | – | (3.9) |
| Exploration costs | (7.1) | – | (7.1) |
| Care and maintenance costs | (4.9) | – | (4.9) |
| **Cash profit from operations** | **41.9** | **(38.4)** | **3.5** |
| Investment income | 5.3 | 33.4[a,b] | 38.7 |
| Finance charge | (39.5) | 19.6[a,c] | (19.9) |
| **Net operating profit** | **7.7** | **14.6** | **22.3** |
| Rehabilitation | (6.2) | – | (6.2) |
| Depreciation | (86.1) | (70.8)[a] | (156.9) |
| (Loss)/Profit on financial instruments | (10.6) | 10.6[d] | – |
| Movement in gold in process | 53.1 | (44.5)[a] | 8.6 |
| **Loss before taxation** | **(42.1)** | **(90.1)** | **(132.2)** |
| Taxation | 5.7 | (44.7)[a,e] | (39.0) |
| Deferred taxation | (8.6) | 39.1[a] | 30.5 |
| **Loss after taxation** | **(45.0)** | **(95.7)** | **(140.7)** |
| (Loss)/Profit on sale of assets/investment | (7.8) | 1 203.4[f] | 1 195.6 |
| Impairments | 15.6 | – | 15.6 |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | (181.6) | 16.8[g] | (164.8) |
| Impairments from discontinued operation | (783.1) | – | (783.1) |
| **Net loss for the period** | **(1 001.9)** | **1 124.5** | **122.6** |
| Attributable to: | | | |
| Minority interest | (208.4) | 239.3 | 30.9 |
| Ordinary shareholders | (793.5) | 885.2 | 91.7 |
| | **(1 001.9)** | **1 124.5** | **122.6** |

1. **Unaudited *pro forma* income statement (continued)**

| | Before the disposal[1] R'm | Adjustments relating to the disposal[2] R'm | After the disposal[3] R'm |
|---|---|---|---|
| Headline loss per share (cents) | | | |
| – from continuing operations | (24.5) | (101.9) | (126.4) |
| – from total operations | (68.5) | (97.8) | (166.3) |
| Basic profit/(loss) per share (cents) | | | |
| – from continuing operations | (22.1) | 268.2 | 246.1 |
| – from total operations | (244.0) | 272.2 | 28.2 |
| Calculated on the weighted average ordinary shares issued of: | 325 172 488 | – | 325 172 488 |
| Diluted headline loss per share (cents) | (24.5) | (101.9) | (126.4) |
| Diluted basic profit/(loss) loss per share (cents) | (244.0) | 272.2 | 28.2 |

**Notes:**

1. The figures in this column are extracted from the unaudited and unreviewed income statement of DRDGOLD for the six-month period ended 31 December 2006.
2. The adjustments for the income statement are as follows:
   (a) the reversal of the operating results of DRD (Porgera) for the six months ended 31 December 2006;
   (b) the inclusion in investment income of interest earned in respect of:
      (i) Emperor on the cash received from the disposal of US$250 million, less the ANZ debt settlement of US$80.4 million and capital distribution to Emperor shareholders of A$52.3 million, at a rate of 6% per annum; and
      (ii) DRDGOLD on the cash received from Emperor at a rate of 6% per annum;
   (c) the reversal of interest provision on ANZ facilities;
   (d) the reversal of mark-to-market fair value adjustment on call options in respect of the hedge book;
   (e) the inclusion in taxation of an amount in respect of PNG withholding tax at the rate of 10% applied on the retained earnings of DRD (Porgera) and tax on interest earned in respect of:
      (i) Emperor at an Australian tax rate of 30%; and
      (ii) DRDGOLD at a South African tax rate of 29%;
   (f) the profit on sale of DRD (Porgera) assets less liabilities; and
   (g) the reversal of interest provision on the ANZ loans from the discontinued Vatukoula operation.
3. The figures in this column reflect the *pro forma* income statement of DRDGOLD after the adjustments relating to the disposal as set out in the previous note have been taken into account.

**Unaudited *pro forma* balance sheet**

| | Before the disposal[1] R'm | Adjustments relating to the disposal[2] R'm | After the disposal[3] R'm |
|---|---|---|---|
| **Assets** | | | |
| Property plant and equipment | 680.3 | – | 680.3 |
| Investments | 61.8 | – | 61.8 |
| Environmental trust funds | 67.0 | – | 67.0 |
| Current assets | 1 178.3 | 293.9 | 1 472.2 |
| Inventories | 109.5 | – | 109.5 |
| Accounts receivable | 68.4 | (1.0) | 67.4 |
| Financial assets | 9.8 | (9.8)[a] | – |
| Cash and cash equivalents | 134.3 | 1 146.0[b] | 1 280.3 |
| Assets classified as held for sale | 856.3 | (841.3)[c] | 15.0 |
| | 1 987.4 | 293.9 | 2 281.3 |
| **Equity and liabilities** | | | |
| Equity | 109.5 | 1 134.6 | 1 244.1 |
| Shareholders' equity | 77.1 | 937.4 | 1 014.5 |
| Minority shareholders interest | 32.4 | 197.2 | 229.6 |
| Long-term borrowings | 278.0 | (8.3)[d] | 269.7 |
| Post-retirement and other employee benefits | 21.1 | – | 21.1 |
| Provision for environmental rehabilitation | 281.4 | – | 281.4 |
| Deferred mining and income taxes | 99.5 | (93.2) | 6.3 |
| Current liabilities | 1 197.9 | (739.2) | 458.7 |
| Accounts payable and accrued liabilities | 450.5 | (2.2)[d] | 448.3 |
| Financial liabilities | 207.5 | (207.5)[d] | – |
| Current portion of long-term borrowings | 406.8 | (396.4)[d] | 10.4 |
| Liabilities classified as held for sale | 133.1 | (133.1)[e] | – |
| | 1 987.4 | 293.9 | 2 281.3 |

**Notes:**

1. The figures in this column are extracted from the unaudited and unreviewed balance sheet of DRDGOLD at 31 December 2006.
2. The adjustments for balance sheet purposes are as follows:
   (a) the close out of call options on 1 July 2006 in respect of the Emperor hedge book;
   (b) the net cash in flow at a DRDGOLD Group level after the settlement of all Emperor's debt obligations to ANZ of US$80.4 million and a capital distribution to Emperor shareholders of A$52.3 million;
   (c) the disposal of DRD (Porgera) assets held for sale at 31 December 2006;
   (d) the repayment by Emperor of its debt obligations to ANZ of US$80.4 million utilising a portion of the disposal proceeds; and
   (e) the disposal of DRD (Porgera) liabilities held for sale at 31 December 2006.
3. The figures in this column reflect the *pro forma* balance sheet of DRDGOLD after the adjustments relating to the disposal as set out in the previous column have been taken into account.

2. ***PRO FORMA* INCOME STATEMENT AND BALANCE SHEET IF THE OPTION IS EXERCISED**

**Unaudited *pro forma* income statement**

| | Before the disposal[1] R'm | Adjustments relating to the disposal and exercise of the option[2] R'm | After the disposal and the exercise of the option[3] R'm |
|---|---|---|---|
| **Continuing operations** | | | |
| Gold and silver revenue | 1 123.2 | (210.0)[a] | 913.2 |
| Cash operating costs | (952.4) | 153.5[a] | (798.9) |
| **Cash operating profit** | **170.8** | **(56.5)** | **114.3** |
| Corporate administration and other expenses | (113.0) | 18.1[a] | (94.9) |
| Share-based payments | (3.9) | – | (3.9) |
| Exploration costs | (7.1) | – | (7.1) |
| Care and maintenance costs | (4.9) | – | (4.9) |
| **Cash profit from operations** | **41.9** | **(38.4)** | **3.5** |
| Investment income | 5.3 | 33.4[a,b] | 38.7 |
| Finance charge | (39.5) | 19.6[a,c] | (19.9) |
| **Net operating profit** | **7.7** | **14.6** | **22.3** |
| Rehabilitation | (6.2) | – | (6.2) |
| Depreciation | (86.1) | (70.8)[a] | (156.9) |
| (Loss)/Profit on financial instruments | (10.6) | 10.6[d] | – |
| Movement in gold in process | 53.1 | (44.5)[a] | 8.6 |
| **Loss before taxation** | **(42.1)** | **(90.1)** | **(132.2)** |
| Taxation | 5.7 | (44.7)[a,e] | (39.0) |
| Deferred taxation | (8.6) | 39.1[a] | 30.5 |
| **Loss after taxation** | **(45.0)** | **(95.7)** | **(140.7)** |
| (Loss)/Profit on sale of assets/investment | (7.8) | 1 203.4[f] | 1 195.6 |
| Impairments | 15.6 | – | 15.6 |
| **Discontinued operation** | | | |
| Loss for the period from discontinued operation | (181.6) | 16.8[g] | (164.8) |
| Impairments from discontinued operation | (783.1) | – | (783.1) |
| **Net loss for the period** | **(1 001.9)** | **1 124.5** | **122.6** |
| *Attributable to:* | | | |
| Minority interest | (208.4) | 249.9 | 41.5 |
| Ordinary shareholders | (793.5) | 874.6 | 81.1 |
| | **(1 001.9)** | **1 124.5** | **122.6** |
| Headline loss per share (cents) | | | |
| – from continuing operations | (24.5) | (140.0) | (164.5) |
| – from total operations | (68.5) | (130.8) | (199.3) |
| Basic profit/(loss) per share (cents) | | | |
| – from continuing operations | (22.1) | 230.1 | 208.0 |
| – from total operations | (244.0) | 268.9 | 24.9 |
| Calculated on the weighted average ordinary shares issued of: | 325 172 488 | – | 325 172 488 |
| Diluted headline loss per share (cents) | (24.5) | (140.0) | (164.5) |
| Diluted basic profit/(loss) per share (cents) | (244.0) | 268.9 | 24.9 |

**Notes:**

1. The figures in this column are extracted from the unaudited and unreviewed income statement of DRDGOLD for the six-month period ended 31 December 2006.
2. The adjustments for the income statement are as follows:

   (a) the reversal of the operating result of DRD (Porgera) for the six months ended 31 December 2006;

(b) the inclusion in investment income of interest earned in respect of:

(i) Emperor on the cash received from the disposal of US$250 million and the exercise of the option on 1 July 2006, less the ANZ debt settlement of US$80.4 million and the capital distribution to Emperor shareholders of A$59.9 million, at a rate of 6% per annum; and

(ii) DRDGOLD on the cash received from Emperor at a rate of 6% per annum;

(c) the reversal of the interest provision on ANZ facilities;

(d) the reversal of the mark-to-market fair value adjustment on the call options of the Emperor hedge book;

(e) the inclusion in taxation of an amount in respect of PNG withholding tax at the rate of 10% applied on the retained earnings of DRD (Porgera), and tax on interest earned in respect of:

(i) Emperor at an Australian tax rate of 30%; and

(ii) DRDGOLD at a South African tax rate of 29%;

(f) the profit on sale of DRD (Porgera) assets less liabilities; and

(g) the reversal of the interest provision on the ANZ loans from the discontinued Vatukoula operation.

3. The figures in this column reflect the *pro forma* income statement of DRDGOLD after the adjustments relating to the disposal as set out in the previous note and the exercise of the option have been taken into account.

**Unaudited *pro forma* balance sheet**

| | Before the disposal[1] R'm | Adjustments relating to the disposal and exercise of the option[2] R'm | After the disposal and the exercise of the option[3] R'm |
|---|---|---|---|
| **Assets** | | | |
| Property plant and equipment | 680.3 | – | 680.3 |
| Investments | 61.8 | – | 61.8 |
| Environmental trust funds | 67.0 | – | 67.0 |
| Current assets | 1 178.3 | 353.7 | 1 532.0 |
| Inventories | 109.5 | – | 109.5 |
| Accounts receivable | 68.4 | (1.0) | 67.4 |
| Financial assets | 9.8 | (9.8)[a] | – |
| Cash and cash equivalents | 134.3 | 1 205.8[b] | 1 340.1 |
| Assets classified as held for sale | 856.3 | (841.3)[c] | 15.0 |
| | 1 987.4 | 353.7 | 2 341.1 |
| **Equity and liabilities** | | | |
| Equity | 109.5 | 1 194.4 | 1 303.9 |
| Shareholders' equity | 77.1 | 889.7 | 966.8 |
| Minority shareholders interest | 32.4 | 304.7[f] | 337.1 |
| Long-term borrowings | 278.0 | (8.3)[d] | 269.7 |
| Post-retirement and other employee benefits | 21.1 | – | 21.1 |
| Provision for environmental rehabilitation | 281.4 | – | 281.4 |
| Deferred mining and income taxes | 99.5 | (93.2) | 6.3 |
| Current liabilities | 1 197.9 | (739.2) | 458.7 |
| Accounts payable and accrued liabilities | 450.5 | (2.2)[d] | 448.3 |
| Financial liabilities | 207.5 | (207.5)[d] | – |
| Current portion of long-term borrowings | 406.8 | (396.4)[d] | 10.4 |
| Liabilities classified as held for sale | 133.1 | (133.1)[e] | – |
| | 1 987.4 | 353.7 | 2 341.1 |

**Notes:**

1. The figures in this column are extracted from the unaudited balance sheet of DRDGOLD at 31 December 2006.
2. The adjustments made to the balance sheet are as follows:
   (a) the close out of call options on 1 July 2006 in respect of the Emperor hedge book;
   (b) the net cash in flow at a DRDGOLD Group level after the settlement of all Emperor's debt obligations to ANZ of US$80.4 million and a capital distribution to Emperor shareholders of A$59.9 million;
   (c) the disposal of DRD (Porgera) assets held for sale at 31 December 2006;
   (d) the repayment by Emperor of its debt obligations to ANZ of US$80.4 million utilising a portion of the disposal proceeds;
   (e) the disposal of DRD (Porgera) liabilities held for sale at 31 December 2006; and
   (f) the exercise by Barrick of the option on 1 July 2006 and the issue of 153 325 943 new Emperor shares at A$0.12 per share for a total cash consideration of A$18.4 million, diluting DRDGOLD's shareholding in Emperor from 78.72% to 68.65%.
3. The figures in this column reflect the *pro forma* income balance sheet of DRDGOLD after the adjustments relating to the disposal and the exercise of the option as set out in the previous column have been taken into account.

# ACCOUNTANTS' REPORT ON THE *PRO FORMA* FINANCIAL EFFECTS OF THE DISPOSAL AND THE OPTION ON DRDGOLD AND DRDGOLD'S *PRO FORMA* INCOME STATEMENT AND BALANCE SHEET

The text of a letter from KPMG Inc. concerning the *pro forma* financial information relating to the disposal and the option is set out below:

"The Directors
Ebsco House 4
299 Pendoring Avenue
Blackheath
Johannesburg
2195

29 May 2007

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS ASSURANCE REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION OF DRDGOLD LIMITED**

**Introduction**

We have performed our limited assurance engagement in respect of the *pro forma* financial information set out on paragraph 6 and Annexure 1 to the circular to shareholders, dated on or about 6 June 2007, issued in connection with the disposal by Emperor of the interest in the Porgera Joint Venture ("the circular"). The *pro forma* financial information has been prepared in accordance with the requirements of the JSE Limited ("JSE") Listings Requirements, for illustrative purposes only, to provide information about how the disposal may have affected the reported historical financial information presented, had the disposal been undertaken at the commencement of the period or at the date of the *pro forma* balance sheet being reported on.

**Responsibility of the directors**

The directors are responsible for the compilation, contents and presentation of the *pro forma* financial information contained in the circular and for the financial information from which it is being prepared. Their responsibility includes determining that: the *pro forma* information is properly compiled on the basis stated; the basis is consistent with the accounting policies of DRDGOLD Limited; and the *pro forma* adjustments are appropriate for the purposes of the *pro forma* financial information disclosed in terms of the JSE Listings Requirements.

**Responsibility of the independent reporting accountants**

Our responsibility is to express our limited assurance conclusion on the *pro forma* financial information included in the circular to DRDGOLD Limited shareholders. We conducted our assurance engagement in accordance with *International Standard on Assurance Engagements applicable to Assurance Engagements Other Than Audits or Reviews of Historical Information* and *the Guide on Pro Forma Financial Information issued by SAICA.*

This standard requires us to obtain sufficient appropriate audit evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* financial information, beyond that owed to those to whom those reports were addressed by us on the dates of their issue.

**Sources of information and work performed**

Our procedures consisted primarily of comparing the unadjusted financial information with the source documents, considering the *pro forma* adjustments in light of the accounting policies of DRDGOLD Limited, considering the evidence supporting the *pro forma* adjustments and discussing the *pro forma* financial information with the directors of the company in respect of the corporate actions that are subject of the circular.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of DRDGOLD Limited and other information from various public, financial and industry sources.

While our work performed has involved an analysis of historical published audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any underlying financial information conducted in accordance with International Standard in Auditing or International Standards on Review Engagements and accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

**Conclusion**

Based on our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that, in terms of Sections 8.17 and 8.30 JSE Listings Requirements:

- the *pro forma* financial information has not been properly compiled on the basis stated,
- such basis is inconsistent with the accounting policies of the issuer and,
- the adjustments are not appropriate for the purposes of the *pro forma* financial information as disclosed.

**KPMG Inc.**

*Per* **S A Barnfather**
*Chartered Accountant (SA)*
*Registered Auditor*
Director

KPMG Crescent
85 Empire Road
Parktown
2193”

# HISTORICAL FINANCIAL INFORMATION ON DRD (PORGERA)

Historical financial information on DRD (Porgera) is set out below. The information presented has been extracted without adjustment from the reviewed condensed financial information of DRD (Porgera) for the six months ended 31 December 2006, the stamped audited package for the year ended 30 June 2006, the audited annual financial statements of DRD (Porgera) for the year ended 30 June 2005 and the 18-month period ended 30 June 2004. The audit report for the year ended 30 June 2004 was qualified. The details of the qualifications are listed in the reporting accountants' report attached as Annexure 4 to this circular. The audit report for the year ended 30 June 2005 contained an emphasis of matter drawing attention to the effect of the qualifications in 2004 on the opening balances of 2005. The details of the emphasis of matter are also set out in the reporting accountants' report attached as Annexure 4 to this circular. The audit report on the audit pack for the year ended 30 June 2006 was not qualified.

The following information on DRD (Porgera) is presented:

- a reviewed income statement, balance sheet, cash flow statement and statement of changes in equity for the six-month period ended 31 December 2006;
- the stamped audit package for the year ended 30 June 2006;
- audited income statements, balance sheets, cash flow statements and statements of changes in equity for the year ended 30 June 2005 and for the 18-month period ended 30 June 2004;
- the notes to such statements; and
- the accounting policies of DRD (Porgera),

(collectively, the "Historical Financial Information").

KPMG Inc. were the auditors of DRD (Porgera) for the historical periods presented.

The Historical Financial Information is prepared in accordance with IFRS.

The Historical Financial Information has been prepared by and is the responsibility of the directors of DRDGOLD and has been reported on by KPMG Inc, the reporting accountants. The reporting accountants report prepared by KPMG Inc. is included in Annexure 4.

***Geographical segments***

DRD (Porgera) operates in PNG and its assets comprise the 20% interest in the Porgera Joint Venture.

***Business segments***

The secondary reporting format is by business segment, namely gold mining.

The segment revenues, segment assets and acquisitions of mine property, plant and equipment for the business and geographical segment is equal to the results disclosed in the Historical Financial Information as the entity operates in only one business and geographical segment which is gold mining and in PNG, respectively.

***Loans to related parties***

No loans were made or security given by DRD (Porgera) to a manager, associate or a director of DRD (Porgera).

**INCOME STATEMENT**

| in US$'000 | Notes | For the 6 months ended 31 December 2006 | For the 12 months ended 30 June 2006 | For the 12 months ended 30 June 2005 | For the 18 months ended 30 June 2004 |
|---|---|---|---|---|---|
| Revenue | 1 | 29 030 | 65 206 | 83 019 | 60 592 |
| Operating costs | | (22 287) | (57 192) | (53 476) | (41 952) |
| Operating profit | | 6 743 | 8 014 | 29 543 | 18 640 |
| Finance costs | | (1 480) | (1 092) | (1 044) | (1 103) |
| Profit before taxation | | 5 263 | 6 922 | 28 499 | 17 537 |
| Taxation | 2 | (111) | (4 094) | (5 294) | (8 475) |
| Profit after taxation | | 5 152 | 2 828 | 23 205 | 9 062 |
| Earnings per share (cents) | | 20.2 | 11.1 | 91.2 | 35.6 |
| Weighted average number of shares in issue | | 25 458 000 | 25 458 000 | 25 458 000 | 25 458 000 |

**STATEMENT OF CHANGES IN EQUITY**

| in US$'000 | For the 6 months ended 31 December 2006 | For the 12 months ended 30 June 2006 | For the 12 months ended 30 June 2005 | For the 18 months ended 30 June 2004 |
|---|---|---|---|---|
| Balance at beginning of period | 53 621 | 67 202 | 43 997 | 43 308 |
| Shares issued in the year | – | – | – | 50 000 |
| Foreign currency translation reserve on first-time application of IAS 21 | 53 | (10 290) | – | – |
| Redistribution of capital | – | (3 000) | – | – |
| Cancellation of shares on amalgamation | – | – | – | (49 463) |
| Prior period adjustments | – | (3 119) | – | (8 910) |
| Net profit for period | 5 152 | 2 828 | 23 205 | 9 062 |
| Balance at the end of period | 58 826 | 53 621 | 67 202 | 43 997 |

**CASH FLOW STATEMENT**

| in US$'000 | For the 6 months ended 31 December 2006 | For the 12 months ended 30 June 2006 | For the 12 months ended 30 June 2005 | For the 18 months ended 30 June 2004 |
|---|---|---|---|---|
| Cash flow from operating activities | 2 256 | 11 215 | 37 444 | 26 213 |
| Cash flow from investing activities | (4 537) | (17 035) | (17 174) | (5 765) |
| Cash flow from financing activities | (1 405) | 7 070 | (18 647) | (14 941) |
| Net (decrease)/increase in cash | (3 686) | 1 250 | 1 623 | 5 507 |
| Cash and cash equivalents at the beginning of period | 9 206 | 7 956 | 6 333 | 826 |
| **Cash and cash equivalents at end of period** | **5 520** | **9 206** | **7 956** | **6 333** |

**BALANCE SHEET**

| in US$'000 | Notes | At 31 December 2006 | At 30 June 2006 | At 30 June 2005 | At 30 June 2004 |
|---|---|---|---|---|---|
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment | 3 | – | 48 519 | 66 238 | 61 741 |
| Ore stockpile – Inventory | 4 | – | 30 149 | 32 103 | 30 313 |
| Total non-current assets | | – | 78 668 | 98 341 | 92 054 |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | | 648 | 9 206 | 7 956 | 6 333 |
| Accounts receivable | | 1 712 | 2 859 | 1 546 | 2 180 |
| Due from related parties | | 4 622 | 3 075 | 2 126 | 1 858 |
| Inventories | 4 | – | 11 365 | 9 059 | 9 192 |
| Asset held for sale | 7 | 77 216 | – | – | – |
| Total current assets | | 84 198 | 26 505 | 20 687 | 19 563 |
| **TOTAL ASSETS** | | 84 198 | 105 173 | 119 028 | 111 617 |
| **NON-CURRENT LIABILITIES** | | | | | |
| Borrowings | 9 | – | 21 984 | – | – |
| Provisions | 5 | – | 7 601 | 8 824 | 7 388 |
| Deferred tax liability | | 42 | 8 831 | 14 308 | 21 108 |
| Amounts owing to group companies | | 1 126 | – | 10 965 | 29 344 |
| Total non-current liabilities | | 1 168 | 38 416 | 34 097 | 57 840 |
| **CURRENT LIABILITIES** | | | | | |
| Accounts payable | | 3 204 | 9 970 | 14 062 | 8 044 |
| Borrowings | 9 | 21 000 | – | – | – |
| Provisions | 5 | – | 3 166 | 3 667 | 1 736 |
| Total current liabilities | | 24 204 | 13 136 | 17 729 | 9 780 |
| **TOTAL LIABILITIES** | | 25 372 | 51 552 | 51 826 | 67 620 |
| **NET ASSETS** | | **58 826** | **53 621** | **67 202** | **43 997** |
| **EQUITY** | | | | | |
| Paid up capital | 6 | 22 458 | 22 458 | 25 458 | 25 458 |
| Reserves | 8 | (10 237) | (10 290) | – | – |
| Retained earnings | | 46 605 | 41 453 | 41 744 | 18 539 |
| **TOTAL EQUITY** | | **58 826** | **53 621** | **67 202** | **43 997** |
| NAV per share (cents) | | 231.1 | 210.6 | 264.0 | 172.8 |
| NTAV per share (cents) | | 231.1 | 210.6 | 264.0 | 172.8 |
| Number of shares in issue | | 25 458 000 | 25 458 000 | 25 458 000 | 25 458 000 |

**NOTES TO HISTORICAL FINANCIAL INFORMATION**

| in US$'000 | For the 6 months ended 31 December 2006 | For the 12 months ended 30 June 2006 | For the 12 months ended 30 June 2005 | For the 18 months ended 30 June 2004 |
|---|---|---|---|---|
| 1. **REVENUE** | | | | |
| Gold and silver sales | 28 950 | 65 137 | 83 019 | 60 583 |
| Interest income | 80 | 87 | – | 9 |
| | 29 030 | 65 224 | 83 019 | 60 592 |
| 2. **TAXATION** | | | | |
| The *prima facie* tax charge on the profit for the period is reconciled to the income tax expense as follows: | 5 263 | 6 922 | 28 499 | 17 537 |
| Income tax for the period at 30% | (1 579) | (2 077) | (8 550) | (5 261) |
| Timing differences | 352 | (2 120) | 3 256 | 68 |
| Over/(Under) provision in prior periods | 1 116 | 103 | | (3 282) |
| | (111) | (4 094) | (5 294) | (8 475) |

| in US$'000 | As at 31 December 2006 | As at 30 June 2006 | As at 30 June 2005 | As at 30 June 2004 |
|---|---|---|---|---|
| 3. **PROPERTY, PLANT AND EQUIPMENT** | | | | |
| Land and buildings | | | | |
| Opening net book amount | 777 | 2 728 | 3 153 | 3 450 |
| Additions | – | 186 | 79 | – |
| Disposals | – | – | – | – |
| Current depreciation | (373) | (733) | (504) | (297) |
| First time application of IAS 21 | – | (1 404) | – | – |
| Exchange differences | 125 | – | – | – |
| Transfer to assets held for sale | (529) | – | – | – |
| Closing net book value | **–** | **777** | **2 728** | **3 153** |
| Site rehabilitation asset | | | | |
| Opening net book amount | 2 179 | 5 040 | 5 498 | 6 220 |
| Additions | – | – | – | – |
| Disposals | – | – | – | – |
| Current depreciation | (116) | 446 | (458) | (722) |
| First time application of IAS 21 | – | (3 307) | – | – |
| Transfer to assets held for sale | (2 063) | – | – | – |
| Closing net book value | **–** | **2 179** | **5 040** | **5 498** |

| in US$'000 | At 31 December 2006 | At 30 June 2006 | At 30 June 2005 | At 30 June 2004 |
|---|---|---|---|---|

3. **PROPERTY, PLANT AND EQUIPMENT (continued)**

| | | | | |
|---|---|---|---|---|
| Mine development | | | | |
| Opening net book amount | 41 453 | 17 577 | 33 135 | 35 901 |
| Additions | 5 094 | 12 940 | 2 192 | 4 756 |
| Disposals | (7) | – | (902) | (1 751) |
| Reclassification | – | 13 179 | (13 179) | – |
| Current depreciation | (3 419) | (4 597) | (3 669) | (5 771) |
| First time application of IAS 21 | – | 2 354 | – | – |
| Exchange differences | 1 127 | – | – | – |
| Transfer to assets held for sale | (44 248) | – | – | – |
| Closing net book value | – | **41 453** | **17 577** | **33 135** |
| Plant and equipment | | | | |
| Opening net book amount | 4 110 | 40 893 | 19 955 | 21 252 |
| Additions | 829 | 3 910 | 14 901 | 1 184 |
| Disposals | (37) | (38) | (162) | (11) |
| Reclassification | – | (13 179) | 13 179 | – |
| Current depreciation | (92) | (2793) | (6 980) | (2 470) |
| First time application of IAS 21 | – | (24 683) | – | – |
| Exchange differences | (588) | – | – | – |
| Transfer to assets held for sale | (4 222) | – | – | – |
| Closing net book value | – | **4 110** | **40 893** | **19 955** |
| **Total** | | | | |
| Opening net book amount | 48 519 | 66 238 | 61 741 | 66 823 |
| Additions | 5 923 | 17 036 | 17 172 | 5 940 |
| Disposals | (44) | (38) | (1 064) | (1 762) |
| Current depreciation | (4 000) | (7 677) | (11 611) | (9 260) |
| First-time application of IAS 21 | – | (27 040) | – | – |
| Exchange differences | 664 | – | – | |
| Transfer to assets held for sale | (51 062) | – | – | – |
| **Closing net book value** | – | **48 519** | **66 238** | **61 741** |

There have been no major changes in the nature or policy regarding the use of property, plant and equipment during the period under review.

4. **INVENTORIES**

| | | | | |
|---|---|---|---|---|
| **Current** | | | | |
| Refined gold at costs | – | 1 889 | 3 098 | 1 645 |
| Consumable stock | – | 7 989 | 5 961 | 5 856 |
| Ore in stockpile-NRV | – | 1 487 | – | 1 691 |
| – | | 11 365 | 9 059 | 9 192 |
| **Non-current** | | | | |
| Ore in stockpile–NRV | – | 30 149 | 32 103 | 30 313 |
| | – | **41 514** | **41 162** | **39 505** |

| in US$'000 | At 31 December 2006 | At 30 June 2006 | At 30 June 2005 | At 30 June 2004 |
|---|---|---|---|---|

5. **PROVISIONS**

| | | | | |
|---|---|---|---|---|
| **Current:** | | | | |
| Employee entitlements | **–** | **3 166** | **3 667** | **1 736** |
| **Non-current:** | | | | |
| Employee entitlements | – | – | – | 576 |
| Site restoration | – | 7 601 | 8 824 | 6 400 |
| Infrastructure | – | – | – | 412 |
| | **–** | **7 601** | **8 824** | **7 388** |

6. **PAID-UP CAPITAL**

| | | | | |
|---|---|---|---|---|
| 25 458 000 ordinary shares issued and fully paid shares | 22 458 | 22 458 | 25 458 | 25 458 |
| The shares have no par value | | | | |
| **Paid-up:** | | | | |
| Shares at beginning of the year | 22 458 | 25 458 | 25 458 | – |
| 8 972 276 fully paid shares issued on 1 January 2003 | – | – | – | 8 972 |
| 33 514 000 shares cancelled in the period | – | – | – | (33 514) |
| 50 000 000 fully paid shares issued in the period | – | – | – | 50 000 |
| 3 000 000 shares redistributed in the period | – | (3 000) | – | – |
| Balance at end of period | **22 458** | **22 458** | **25 458** | **25 458** |

7. **ASSETS HELD FOR SALE**

DRD (Porgera) is presenting its interest in the Porgera Joint Venture as held for sale for reporting purposes as a plan to sell that asset had been initiated prior to 31 December 2006. This was following a strategic review by DRD (Porgera)'s parent company, Emperor, who is pursuing a restructure in order to retire debt. The sale of the 20% interest in the Porgera Joint Venture to Barrick was announced on 12 April 2007.

8. **FOREIGN CURRENCY TRANSLATION RESERVE**

The financial statements of the Porgera Joint Venture are reported in PNG Kina, which is the functional currency of the primary economic environment in which the Porgera Joint Venture operates. The financial statements of DRD (Porgera) are presented in US$s. The revision in IAS 21, effective 1 July 2005, on the accounting of the Porgera Joint Venture transactions in DRD (Porgera) resulted in translation of assets and liabilities at the closing rates and revenues and expenses at the appropriate averages. All exchange rate differences are recognised as a separate component on equity as foreign currency translation reserve.

9. **BORROWINGS**

On March 21 2006, DRD (Porgera)'s parent company, Emperor, announced the signing of documentation between ANZ and Emperor for a new project debt facility for US$42 million. The proceeds from the facility were utilised to fund the cash consideration payable to DRDGOLD by Emperor in respect of the acquisition by DRDGOLD of Emperor. The security in relation to this facility is as follows:

(a) fixed and floating charge over the assets of DRD (Porgera), other than which require the consent of the Porgera co-joint ventures, in Papua New Guinea and Western Australia;

(b) mortgage over the shares of DRD (Porgera);

(c) tripartite agreements with key suppliers and contract counterparties; and

(d) fixed and floating charge over the assets of DRD (IoM), the holding company of DRD (Porgera).

The loan bears interest at LIBOR plus 2% per annum.

At 31 December 2006, covenants on the DRD (Porgera) loan facility with ANZ had been breached, making amounts owing under these facilities repayable on demand and therefore requiring reclassification from non-current to current. Emperor is currently pursuing a restructuring to retire debt and this process has the full support of its major credit providers, ANZ and DRDGOLD. Emperor has sought waivers in relation to these breaches and does not expect to be called upon to repay these amounts until the current restructuring process underway is completed.

## STATEMENT OF ACCOUNTING POLICIES

The Historical Financial Information is presented in accordance with the IFRS approved for use in PNG by the Accounting Standards Board (ASB). The ASB has adopted IFRS and Interpretations issued by the Standing Interpretations Committee as the applicable financial reporting framework.

## GENERAL ACCOUNTING POLICIES

The fundamental accounting assumptions recognised as appropriate for the measurement and reporting of results, cash flows and the financial position have been followed in the preparation of these financial statements.

The historical cost method, as modified by the revaluation of certain assets, has been followed. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

The Historical Financial Information has been prepared on the basis of the company being a going concern. The company's shareholders have provided an undertaking that they will continue providing necessary financial support for the next 12 months for the company to meet its liabilities as and when they fall due in the ordinary course of business.

## PARTICULAR ACCOUNTING POLICIES

The following particular accounting policies, which significantly affect the measurement of profit and of financial position, have been applied:

### (i) Receivables and revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

***Gold and silver***

Gold and silver revenue is recognised upon delivery when title passes.

***Interest***

Control of a right to receive consideration for the provision of, or investment in, assets has been attained taking into account the effective yield on the asset;

***Dividends***

Control of a right to receive consideration for the investment in assets is attained, usually evidenced by approval of the dividend at a meeting of shareholders.

***Sale of non-current assets***

The date control of the goods passes to the buyer, usually when an unconditional contract of sale is signed.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

**(ii) Foreign currencies**

Foreign currency transactions are converted at the exchange rates in effect at the date of the transaction except where forward currency contracts have been taken out to cover short term forward currency commitments. Where short-term forward currency contracts have been taken out the transaction is translated at the rate contained in the contract. Monetary assets and liabilities arising from trading transactions or overseas borrowings are translated at the closing rates. Gains and losses due to currency fluctuation on these items are included in the profit and loss account.

**(iii) Property, plant and equipment**

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service.

The cost of each item of buildings, machinery and equipment is written off over its expected economic life or mine ore reserves. Each item's economic life has due regard both to its own physical life limitations and to present assessments of economically recoverable resources of the mine property at which the item is located, and to possible future variations in those assessments. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The total net carrying value of mine buildings, machinery and equipment at each mine property are reviewed regularly and, to the extent to which these values exceed their recoverable amounts, that excess is fully provided against in the financial year in which this is determined. Major spares purchased specifically for particular plant are included in the cost of plant and are depreciated accordingly.

**(iv) Leased assets**

Leases under which the company assumes substantially all the risks and rewards incidental to ownership have been classified as finance leases and are capitalised. The asset and corresponding liability are recorded at inception of the lease at the fair value of the leased asset, at amounts equivalent to the minimum lease payments including residual values.

Finance charges are apportioned over the terms of the respective leases using the actuarial method.

**(v) Depreciation**

Depreciation is applied to plant and equipment so as to expense the cost of each item over the shorter of its estimated useful life or that of the reserves with which it is associated with.

Depreciation and amortisation is charged against assets at the following rates:

| | |
|---|---|
| Buildings | 10% |
| Property, plant and equipment | 10% |
| Mobile equipment | 20% |
| Mine development | Unit of production |

**(vi) Inventories**

Inventories represent the 20% share of the Porgera Joint Venture stores, spare parts and consumable supplies, gold in circuit and ore stockpiles. Ore stock piles are carried at the lower of the production costs and net realisable value. In determining net realisable value, the value of ore stock piles together with future processing costs as supplied by the Porgera Joint Venture, overheads, social rehabilitation costs and depreciation are compared with the gold price.

From 30 June 2005 the spot gold price was used as compared to the 10-year average forecasted gold price as supplied by Standard Chartered Bank at 30 June 2004. This refinement is to reflect the current projected timing of the processing of the ore stock piles.

Stores, spare parts and consumable stocks are valued at the lower of weighted average cost and net realisable value

**(vii) Taxation**

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the accounts and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a deferred tax asset or deferred tax liability. Tax losses and timing differences are not carried forward as an asset unless the benefit is virtually certain of being realised.

**(viii) Components of cash and cash equivalents**

For the purposes of the statement of cash flows, cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts. Cash equivalents are stored in vault that are regarded highly convertible to known amounts of cash when sold.

**(ix) Provisions**

A provision is recognised when there is a present obligation to transfer economic benefits as a result of past events. The amount provided is the best estimate of the expenditure that would be required to settle the obligation that existed at the balance sheet date.

**(x) Exploration, evaluation and development expenditure**

To comply with US GAAP requirements, the company's policy in respect of exploration expenditure is that all such expenditures are expensed in the period incurred.

**(xi) Royalties and other mining imposts**

Ad valorem royalties and other mining imposts are accrued and charged against earnings when the liability from production or sale of the mineral crystallises.

**(xii) Reporting period**

The 30 June 2004 financial year's reporting period covered by the financial statements was for an 18-month period to align its reporting period to that of its ultimate holding company which has 30 June as the financial year-end rather than the traditional 31 December.

The financial statements of DRD (Pogera) for the year ended 30 June 2006 incorporates the revision in IAS 21, effective 1 July 2005, resulting in translation differences recognised as a separate component on equity as foreign currency translation reserve. The revision has been prospectively applied.

## MATERIAL CHANGES

The directors of DRD (Porgera) are not aware of any material changes that have taken place in the financial position or nature of the company between 31 December 2006 and the date of the report, other than those arising in the normal course of business as set out in this circular.

## DIRECTORS' COMMENTARY

### Period ended 30 June 2004

The financial statements are the first since the amalgamation in early October 2003, when DRDGOLD entered into an agreement with Oil Search Limited to acquire 20% interest in the PJV, being 15% from Orogen Minerals (Porgera) Limited and 5% of Mineral Resources (Porgera) Limited. The transaction was completed on 21 November 2003 and the amalgamated company was called DRD (Porgera), which acquired all the assets and liabilities based on book value and that no excess or loss was realised.

### Year ended 30 June 2005

For the 12 month period to 30 June 2005, DRD (Porgera) reported a profit of US$23 million from production of 195 394 oz. The cash inflow from operating activities for the period was US$37 million and cash outflow on investing activities of US$17 million. Cash and cash equivalents at the end of the period was US$8 million.

### Year ended 30 June 2006

For the 12 month period to 30 June 2006, DRD (Porgera) reported a profit of US$3 million from production of 128 238 oz. The cash inflow from operating activities for the period was US$11 million and cash outflow on investing activities of US$17 million. Cash and cash equivalents at the end of the period was US$9 million.

DRDGOLD's interest in the Porgera Joint Venture was previously owned via DRD (IoM). During the year Emperor completed the acquisition of DRD (IoM), hence acquiring the 20% stake of the Porgera Joint Venture.

On 21 March 2006, DRD (Porgera)'s parent company, Emperor, announced the signing of documentation between ANZ and Emperor for a new project debt facility for US$42 million. The proceeds from the facility were utilised to fund the cash consideration to DRDGOLD by Emperor. During the year, the company paid a capital redistribution of $3 million to DRD (IoM).

**Six months ended 31 December 2006**

For the six-month period to 31 December 2006, DRD (Porgera) reported a profit of US$5 million from production of 53 043 oz. The cash inflow from operating activities for the period was US$2 million and cash outflow on investing activities of US$5 million. Cash and cash equivalents at the end of the period was US$6 million.

On 31 December 2006, covenants on DRD (Porgera) loan facility with ANZ had been breached, making amounts owing under these facilities repayable on demand and therefore requiring reclassification from non-current to current. Emperor is currently pursuing a restructuring to retire debt and this process has the full support of the major credit providers, ANZ and DRDGOLD. Emperor has sought waivers in relation to these breaches and does not expect to be called upon to repay these amounts until the current restructuring process underway is completed. The sale of the Porgera Joint Venture was announced on 12 April 2007 to Barrick.

# INDEPENDENT ACCOUNTANTS' REPORT ON DRD (PORGERA)

The text of a letter from KPMG Inc. concerning the historical financial information of DRD (Porgera), as presented in Annexure 3, is set out below:

"The Directors
DRDGOLD Limited
Ebsco House 4
299 Pendoring Avenue
Blackheath
Johannesburg
2195

29 May 2007

Dear Sirs

**INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF DRD (PORGERA) LIMITED**

## Introduction

At your request, we present our Reporting Accountants' Report on the Report of Historical Financial Information of DRD (Porgera) Limited for the six months ended 31 December 2006, the 18 month period ended 30 June 2004, year ended 30 June 2005 and year ended 30 June 2006 as set out in Annexure 3 ("Historical Financial Information"), for the purposes of complying with the Listings Requirements of the JSE Limited (the "JSE Listings Requirements") and for inclusion in the circular posted to shareholders dated on or about 6 June 2007 ("the circular"). We are the independent auditors to DRD (Porgera) Limited.

## Responsibility of the Directors

The directors of DRDGOLD Limited are responsible for the compilation, contents and preparation of the circular in accordance with the JSE Listings Requirements and the Companies Act of South Africa. The directors of DRD (Porgera) Limited are responsible for the fair presentation in accordance with International Financial Reporting Standards of the Historical Financial Information contained therein to which this Independent Reporting Accountants' Report relates.

## Responsibility of the independent reporting accountants

Our responsibility is to express a review opinion on the reviewed Historical Financial Information for the six months ended 31 December 2006 and an audit opinion on the audited Historical Financial Information for the 18 month period ended 30 June 2004, year ended 30 June 2005 and year ended 30 June 2006, included in Annexure 3 to the circular, based on our review and audits respectively.

## Historical Financial Information for the six months ended 31 December 2006

### *Introduction*

We have reviewed the Historical Financial Information for the six months ended 31 December 2006, attached as Annexure 3 to the circular prepared in accordance with International Financial Reporting Standards.

### *Scope of review*

We conducted our review of the Historical Financial Information for the six months ended 31 December 2006 in accordance with the procedures described in International Standards on Review Engagements ISRE 2410: *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Historical Financial Information for the six months ended 31 December 2005 on the basis of our review.

***Conclusion on Historical Financial Information for the six months ended 31 December 2006***

Based on our review, nothing has come to our attention that causes us to believe that the Historical Financial Information for the six months ended 31 December 2006 included in the circular is not fairly presented, in all material respects, in accordance with the recognition and measurement requirements of International Financial Reporting Standards, the presentation and disclosure requirements of the International Financial Reporting Standard on Interim Financial Reporting (IAS 34: Interim Financial Reporting) and in the manner required by the JSE Listings Requirements.

**Historical Financial Information for the 18 month period ended 30 June 2004, year ended 30 June 2005 and year ended 30 June 2006**

***Introduction***

We have audited the Historical Financial Information for the 18 month period ended 30 June 2004, the year ended 30 June 2005 and the year ended 30 June 2006 attached as Annexure 3 to the circular prepared in accordance with International Financial Reporting Standards.

***Responsibility of the Independent Reporting Accounts' on the Historical Financial Information for the 18 month period ended 30 June 2004, the year ended 30 June 2005 and the year ended 30 June 2006***

We conducted our audit of the Historical Financial Information *for the 18 month period ended 30 June 2004, the year ended 30 June 2005 and the year ended 30 June 2006* 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 about whether the Historical Financial Information for the 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006 is free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the abovementioned Historical Financial Information for 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information for the 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Historical Financial Information for the 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006 in order to design audit procedures that are appropriate to 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 Historical Financial Information for 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The evidence included that previously obtained by us in the conduct of our audits of the annual financial statements of DRD (Porgera) Limited underlying the Historical Financial Information for the18 month period ended 30 June 2004 and the two years ended 30 June 2006.

***Opinion on Historical Financial Information for the 18 month period ended 30 June 2004 and the year ended 30 June 2005 and 2006***

In our opinion except for any effects of the qualifications contained in the audit report on the financial statements of DRD (Porgera) Limited for the 18 month period ended 30 June 2004 on the Historical Financial Information, the Historical Financial Information for 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006 included in the circular presents fairly, in all material respects, the financial position of the DRD (Porgera) Limited and the its performance and its cash flows for the 18 month period ended 30 June 2004 and the years ended 30 June 2005 and 2006 in accordance with International Financial Reporting Standards and in the manner required by the JSE Listings Requirements.

***Qualifications Contained in the Audit Report on The Financial Statements of DRD (Porgera) Limited for the 18 month period ended 30 June 2004***

*Limitation in scope – accounting for the amalgamation and opening balance sheet*

DRD Porgera Limited became a subsidiary of DRDGOLD Limited ("DRD") of South Africa on 14 October 2003 subsequent to the amalgamation of Mineral Resources Porgera Limited ("MRP"), Orogen Minerals Porgera Limited ("OMP") and Dome Resources PNG Limited ("Dome").

OMP and MRP held a 15% interest and 5% interest respectively, in Porgera Joint Venture ("PJV"), an unincorporated joint venture, which operates the Porgera Gold mine. Dome Resources PNG Limited was a dormant subsidiary of DRD.

The accounting records of Mineral Resources Porgera Limited and Orogen Minerals Porgera Limited for the period between 1 January 2003 and 14 October 2003 were maintained by Oil Search Limited, the previous owner of Mineral Resources Porgera Limited and Orogen Minerals Porgera Limited.

We were not the auditors of Mineral Resources Porgera Limited and Orogen Minerals Porgera Limited (two of the entities that amalgamated into DRD (Porgera) Limited) at 1 January 2003 nor were we auditors for the period prior to amalgamation, i.e. 1 January 2003 to 14 October 2003

The accounting entries in the books of OMP and MRP for their share of the movement of the assets and liabilities in PJV are based on financial reports prepared by PJV in PNG Kina which are converted into US Dollars based on the spot rates at the end of each month.

We have been provided with journals for OMP and MRP which show the entries made for the movement in the PJV balances and the PJV cost reports for the period 1 January 2003 to 30 September 2003. We are not able to agree the respective percentages of the PJV cumulative balance sheet balances as at 30 September 2003 to the corresponding general ledger balances due to the exchange conversions as stated above.

At the date of amalgamation significant differences existed between the balances relating to the share of the PJV and 20% of the PJV balance sheet. Journal entries were effected in November and December of 2003 to rectify errors and agree the balances relating to the PJV in the books of DRD (Porgera) Limited with 20% of PJV's reported amounts. These entries have been included in as adjustments to reserves as part of the amalgamation. We have not been able to verify if any of these adjustments are required to be made against the results for the period.

As a result we are unable to obtain sufficient audit evidence concerning the accuracy and completeness of the opening balances of assets and liabilities recorded in the general ledger as at 1 January 2003. We have not been able to satisfy ourselves that the results of the eighteen months period have been fairly stated. We are unable to determine whether the accounting for the amalgamation of Mineral Resources Porgera Limited, Orogen Minerals Porgera Limited and Dome Resources PNG Limited has been properly taken up.

*Limitation in scope – Business Combination*

DRD (Porgera) Limited became a subsidiary of DRDGOLD Limited of South Africa on 14 October 2003 subsequent to the amalgamation of MRP, OMP and Dome.

OMP and MRP held a 15% interest and 5% interest, respectively, in PJV. Dome Resources PNG Limited was a dormant subsidiary of DRDGOLD Limited.

We note that disclosures as required under International Accounting Standards 22 on Business Combinations have not been made in the financial statements. The effect of the amalgamation is incorrectly disclosed in the statement of cash flows.

We are unable to state the effect of the omission of the disclosure on the true and fair view of the financial statements.

*Limitation in scope – valuation of ore stockpile*

PJV has a number of separate stockpiles for each grade of ore ranging from high-grade ore to very low-grade ore. PJV financial statements state that "Piled ore is accounted for at cost and no assessment of net realisable value of piled ore is made in the PJV accounts. That assessment will be made by each individual Participant and any adjustments arising will be recorded in the books of the individual Participant." It is the responsibility of each PJV partner to make adjustments if they consider cost is in excess of NRV.

We have noted that the ore stockpiles have been accounted at cost in the books of DRD (Porgera) Limited as provided by PJV. We have not been provided with evidence of any impairment review made by DRD (Porgera) Limited in respect of the stockpiled ore. Accordingly we are not able to determine the accuracy of the valuation of the ore stockpiles. Accordingly we are unable to express an opinion on whether the balance of the ore stockpiles of approximately US$32,004,000 in the balance sheet has been valued in accordance with the requirements of International Accounting Standards 2 on inventories.

*Limitation in scope – related party balances*

As stated earlier, the accounting records of OMP and MRP for the period between 1 January 2003 and 14 October 2003 were maintained by Oil Search Limited, their previous owner.

We were not provided with details of movements in related party balances for the period 1 January 2003 to 14 October 2003 and how these have been resolved at amalgamation.

We have not been able to obtain sufficient and appropriate audit evidence regarding the transactions with related parties nor have we been able to obtain independent confirmations in respect of the transactions. We are unable to express an opinion on the balance of related parties recorded in the balance sheet as at the date of amalgamation or the income and expenses attributable to transactions with related parties.

*Limitation in scope – restatement of Dome balances*

At 30 June 2003, Dome had amounts outstanding to Dome Resources NL which was payable in foreign currency. This amount was not restated at date of amalgamation (14 October 2003) of Dome, OMP and MRP.

The balance sheet of Dome has been converted into US$ from PNG Kina using the spot rate applicable at the date of amalgamation. We are not satisfied the conversion of Kina balances at the date of amalgamation into US$ balances using the spot rate for the day is in accordance with the requirements of International Accounting Standards.

*Limitation in scope – deferred tax balances*

PJV prepares a detailed tax package at 31 December of each year. PJV did not prepare a detailed tax package at 30 June 2004. DRD (Porgera) Limited was unable to tax effect their share of the operations of PJV for the period 1 January 2004 to 30 June 2004. DRD (Porgera) Limited has assumed the tax written down value of fixed assets by deducting from the tax written down value at 31 December 2003, 50% of the tax depreciation attributable to the year 2003. This balance has been used for tax effect accounting purposes. No effect has been made for any acquisitions and disposals of fixed assets for the period 1 January 2004 to 30 June 2004. We are unable to ascertain what other tax effect adjustments are required as a result of the PJV operations for the period 1 January 2004 to 30 June 2004.

As a result, we have not been able to obtain sufficient and appropriate audit evidence regarding the deferred tax balances. We are unable to express an opinion on the balance of deferred tax balances recorded in the balance sheet.

***Emphasis of matter***

*Amalgamation of OMP, MRP and Dome*

The amalgamated entity financial statements incorporates results for OMP for the period from 1 January 2003 to 30 June 2004, MRP from 1 January 2003 to 30 September 2003 and Dome from 1 July 2003 to 30 September 2003.

The inclusion of MRP and Dome results overstates the results for the period and the retained earnings and understates the reserves of the company. Therefore in our view this should be brought to the attention of the financial statements users.

Yours faithfully

*Per* **S A Barnfather**
*Chartered Accountant (SA)*
*Registered Auditor*
Director

KPMG Crescent
85 Empire Road
Parktown
2193”

# TECHNICAL REPORT ON THE PJV

The text of the technical report on the PJV prepared by BDA is set out below:

“Mr Brad Gordon
Chief Executive Office
Emperor Mines Limited
400 Upper Edward Street
Brisbane QLD 4000

20 April 2007

Dear Sir

**INDEPENDENT TECHNICAL REVIEW**
**PORGERA GOLD MINE**
**BEHRE DOLBEAR AUSTRALIA PTY LIMITED**

## 1. INTRODUCTION

Emperor Mines Limited (“EML”) and Rothschild Australia Limited (“Rothschild”) have commissioned Behre Dolbear Australia Pty Ltd (“BDA”) to provide an independent technical review of EML’s 20% interest in the Porgera open cut and underground gold mining operations in Papua New Guinea (“PNG”) in connection with a possible transaction involving either outright sale of the EML interest, or joint venture or merger with a third party.

Porgera, in the Western Highlands of PNG, is a joint venture (the Porgera Joint Venture, or “PJV”) between Barrick Australia Pacific Inc. (“Barrick”), Mineral Resources Enga Limited (“MRE”) and EML. Barrick controls a 75% interest in the PJV and is the operator; EML holds a 20% interest and MRE owns 5%.

BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously in North America and worldwide since 1911. The Sydney office of BDA has undertaken the technical review work for this report. The report is based on information received from EML and the PJV. BDA consultants made site visits to Porgera during February 2007 and have conducted reviews of the mining and processing operations, the resource and reserve estimates, the 2005 and 2006 production statistics, the 2007 budget, the life of mine (“LOM”) plan (Strategic Business Plan 2006 or “SBP 2006”), the SBP 2006 Addendum (dated February 2007) and environmental and community issues.

The report is provided to the Directors of EML, Rothschild and their advisors in connection with a possible transaction relating to EML, and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without our written consent to the form and context in which it appears.

## 2. PORGERA MINE

### 2.1 Overview

The Porgera gold mine is located in the Enga Province in the Western Highlands of PNG, approximately 600 kilometres (“km”) northwest of Port Moresby, 130km west northwest of Mount Hagen by road, and 680km west northwest of Lae, the port of entry for most of the project’s supplies. The area is mountainous with steep-sided valleys and sharp peaks reaching to 3,800 metres (“m”). The mine is at an elevation of 2,500m, within a Special Mining Lease covering an area of approximately 22 square kilometres (“sq kms). The climate is wet and tropical but temperatures are moderated by the elevation and range from 10°C – 25°C. The annual rainfall is high, averaging 3,600 millimetres (“mm”) per year.

Gold was first discovered in the Porgera Valley around 1938. Alluvial and small-scale mining operations took place over the following 40 years, but major mine development only came in 1984 with the discovery of the high grade Zone VII, an east-west trending mineralised zone associated with the Roamane Fault.

An exploration adit was developed in 1985 and this was followed by mine construction in 1989. The first gold from the operation was poured in September 1990. The initial underground mine was small but very high grade, with over one million ounces ("ozs") produced in the first year. The ore was partially refractory and as the grade dropped it was decided to introduce pressure oxidation to improve recoveries. Three autoclaves were installed in 1991 and a fourth was added in 1992 when open pit mining commenced to supplement underground feed. Underground mining was temporarily discontinued in October 1997, but recommenced in 2002.

A series of mine and plant expansions took place to maintain gold production levels as the head grade progressively decreased with the increasing proportion of lower grade open pit ore. The open pit was developed in a series of cutbacks and currently extends over a 2km strike.

Historical production figures for the last ten years are summarised in Table 2.1.

**Table 2.1**
**Porgera Ten Year Production Record – 1996 to 2005**

| Item | Unit | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Ore Milled | Mt | 4.38 | 5.75 | 5.60 | 6.02 | 5.76 | 4.40 | 5.66 | 6.25 | 6.07 | 5.32 |
| Grade Au | g/t | 6.9 | 5.3 | 5.40 | 5.79 | 4.93 | 5.15 | 5.34 | 5.82 | 4.76 | 3.48 |
| Recovery Au | % | 73.1 | 75.3 | 77.9 | 78.9 | 81.6 | 84.8 | 87.5 | 88.4 | 87.2 | 88.4 |
| Recovered Au | kozs | 710 | 727 | 755 | 910 | 761 | 642 | 852 | 1,020 | 810 | 542 |

**Note** – *calendar years January – December; Mt = million tonnes; g/t Au = grams per tonne; kozs = thousand ounces.*

Gold production in 2006 totalled an uncharacteristically low 542,000ozs. The sharp reduction from previous years is a consequence of a significant failure in the west wall of the pit, which has required the diversion of equipment to undertake a substantial cutback to stabilise the wall. During the period that the wall failure continues to be addressed (to mid-year 2007), plant feed will be supplemented from stockpiled ore to maintain the tonnage throughput. However, lower grades from the stockpile will constrain annual gold production and increase unit costs.

The December 2006 Resource/Reserve Statement is summarised in Table 2.2. PJV estimates resources and reserves using a range of gold prices and grade cut-offs. The resources are based on a gold price of US$525/oz and reserves on a gold price of US$475/oz. The underground resource cut-off is 4.5g/t Au while the reserve cut-off is 5.0g/t Au.

**Table 2.2**
**Porgera Reserves and Resources – December 2006**

| Reserve/Resource | Category | Tonnage Mt | g/t Au | Grade %S | Contained Gold Ozs |
|---|---|---|---|---|---|
| **Reserves** | | | | | |
| Open Pit (Red) | Proved/Probable | 37.93 | 3.99 | 2.36 | 4,862,400 |
| Open Pit (Blue) | Proved/Probable | 7.36 | 1.63 | 1.91 | 385,800 |
| Underground | Proved/Probable | 8.12 | 8.74 | 1.32 | 2,283,700 |
| Stockpiles (Red) | Proved | 11.81 | 2.67 | 2.33 | 1,013,200 |
| Stockpiles (Blue) | Proved | 12.06 | 2.22 | 2.75 | 859,900 |
| **Total Reserves** | | **77.28** | **3.79** | **2.27** | **9,405,000** |
| **Additional Resources** | | | | | |
| Open Pit | Measured/Indicated | 39.65 | 1.74 | 1.34 | 2,222,500 |
| | Inferred | 12.31 | 2.01 | 1.51 | 795,300 |
| | *Sub-total Open Pit* | *51.96* | *1.80* | *1.38* | *3,017,800* |
| Underground | Measured/Indicated | 0.61 | 6.04 | 0.94 | 119,400 |
| | Inferred | 1.50 | 9.09 | 1.31 | 488,800 |
| | *Sub-total Underground* | *2.11* | *8.21* | *1.20* | *608,200* |
| **Total Resources** | | **54.07** | **2.05** | **1.37** | **3,626,000** |

**Note** – *Red Ore is high grade, Blue ore is medium/low grade; resources are based on an economic breakeven cut-off within a US$525/oz pit shell for open pit and 4.5g/t Au cut-off for underground; open pit reserves are based on a break even cut-off using US$475/oz of gold; underground reserves are based on a 5g/t Au cut-off.*

Open pit mining is now progressing in Stages 5 and 6, and the feasibility of a Stage 7 cut back is being reviewed as the final potential open pit stage. Currently open pit mining is scheduled to be completed in 2016.

The underground mine was re-started with the objective of extracting several comparatively small, but high-grade, ore zones, below the open pit. Since then, significant additional resources have been delineated and the underground mine life at increased output has been projected to extend to 2017.

Mine and mill production projections are based on the SBP 2006 (February 2007 update); future production is from the open pit and underground, supplemented by treatment of stockpiled material. Mill operations are projected to continue until 2022, at an average throughput of slightly under 6 million tonnes per annum ("Mtpa"), with operations post 2017 based entirely on the treatment of medium and low grade ore stockpiles. Production over the next ten years is typically in a range of 650 – 850 000ozs of gold.

## 2.2 Geology, resources and reserves

### Geology and mineralisation

Gold mineralisation at Porgera occurs within the Late Miocene to Early Pliocene Porgera Intrusive Complex, within intrusive diorite and porphyry bodies and adjacent hornfelsed (metamorphosed) and altered sediments. The sediments are of Jurassic to Cretaceous age and comprise shales and mudstones with calcareous and dolomitic siltstones (Chim Formation), generally referred to at Porgera as the Black Sediments. The sediments have been folded, brecciated in part, and altered by the intrusives, and hydrothermal activity. The intrusive rocks range from gabbros through to feldspar porphyries; the predominant rock types are hornblende diorite and augite diorite.

Epithermal style gold-pyrite-quartz-carbonate-roscoelite mineralisation is strongly associated with intrusive contacts, faults and breccias, and occurs as disseminations, veins and stockworks, and within the breccia matrix. High grade mineralisation is closely associated with dominant structural trends, in particular the east-west trending Roamane Fault (Zone VII), which formed the focus for the early underground mining and also controls much of the open pit mineralisation. A number of other structural trends, including the Hanging Wall Shear zone and the Footwall Splay zone, also contain zones of economic grade mineralisation. The mineralised system is terminated to the west by the Western Boundary Fault.

The main control to mineralisation is related to fracturing in the competent lithologies within the Porgera Intrusive Complex and the surrounding altered and silicified, within and around the Roamane Fault Zone and adjacent structures. The host rocks to the gold mineralisation consist of the fractured dioritic intrusives and the adjacent fractured and silicified mudstones while the waste units are dominated by soft unaltered sediments.

Current underground mining is based on extensions of the Roamane Fault and major southerly dipping structures in the footwall of the Roamane shear. The principal mineralised structures defined to date by underground drilling and development include the Central, North and Far North Structures; other underground lodes, the East Zone, Link Zone, Eastern Deeps and Cubby Zone appear to be essentially extensions or splays off these structures. The North and East Zones contain the bulk of the underground resources.

The known ore zone extends for over 1,000m east-west along strike. Within the pit the orebody generally has a maximum width of 100m, but more commonly is around 20 – 30m. However, including the underground structures, mineralisation is known to occur within a north-south corridor over 600m wide. Gold has been recognised in four mineral associations:

- auriferous pyrite with sphalerite and galena;
- coarse euhedral auriferous pyrite;
- fine-grained anhedral auriferous arsenical pyrite; and
- gold and electrum (the source of exceptionally high grades in the Roamane Fault).

Although around 25% of the gold is free, 75% occurs as sub-microscopic gold associated with, and disseminated within, the pyrite. As the metallurgical process includes sulphide flotation followed by oxidation of the sulphide minerals in an autoclave, the sulphur content of the ore, as well as gold content, is an important parameter.

After over 20 years' of mine development and production operations, the geology and mineralisation distribution are relatively well known. Under the currently proposed Stage 6 cut-back proposal, the open pit is completed in 2016. Additional drilling within the Stage 6 pit limits has been undertaken during 2006 mainly targeting the high grade zones associated with the Roamane Fault. Detailed grade control drilling (blast hole drilling) continues to refine the in-pit reserves. A number of the deeper ore lenses remain open and drilling is continuing to define the strike and dip extents of the underground lodes and structures and to explore for further extensions. In BDA's opinion there is significant potential to define additional underground resources and reserves.

## Geological data

*Drill hole data*

The drill hole database on which the resources and reserves are based consists of 6 223 holes, comprising:

- 4 439 underground and 883 surface core holes (HQ and NQ core size);
- 558 in-pit Reverse Circulation Percussion ("RCP") holes (these are in portions of the deposit that have been mined so are excluded from the current resource database);
- 343 geotechnical core holes – only some of these have been assayed.

All drill hole collars are surveyed, with down-hole surveys taken at 50m intervals. All cores are photographed prior to sampling and all holes are logged for lithology, alteration, fractures, mineralisation and structure. Core recovery is recorded and is typically around 98%. Nominal hole spacings are as follows:

- open pit – generally 50 x 50m spacing with some in-fill holes; and
- underground – generally 20 x 20m; a 40 x 40m spacing is used in some areas but is in-filled to 20 x 20m as required.

In BDA's view there could be some advantages with a closer in-pit drill spacing; it is noted that in recent years the reserve model has generally underestimated the actual tonnes and grade as indicated by grade control drilling and mill reconciliation.

*Sampling and assaying procedures*

Whole core samples are taken for assay generally over a 2m down-hole interval, with the exception of the underground drilling where a 1m sampling interval is adopted. Half core is retained from one or two holes on each section as a geological record. While whole core sampling is not necessarily ideal from a geological record perspective, this removes one source of sampling variance and provides a relatively large sample. Given the bulk nature of the open pit mining the 2m sample interval is probably appropriate, but BDA concurs with the reduction to 1m to provide greater detail for underground mining.

Open pit grade control is undertaken using 229mm diameter blast holes with a hole spacing of 6.3 x 5.5m. A review by PJV of sampling procedures indicated that the blast hole data provided acceptable grade control results and this is supported by the good reconciliation between the grade control results and the tonnes and grade through the mill.

Underground grade control is primarily based on chip sampling based on mapped geology. Samples from stope definition drilling are also collected and analysed as are muck samples from the stopes, although results from the latter are not used in assigning grades.

All samples are prepared and assayed at Porgera's on-site laboratory, which is NATA (National Association of Testing Authorities) registered. The principal analyses carried out at the laboratory are for gold and sulphur. After drying and crushing, samples are split and a 4kg split pulverised to 90% minus 106 microns. While taking a split of a relatively coarsely-crushed sample is not optimum, numerous check and repeat procedures are in place to ensure reasonable monitoring and control.

The pulp sample is fire assayed for gold. A number of check procedures are in place including analysis of standards, blanks and repeat samples. Every sample which assays over 1g/t Au is re-assayed. If a sample assays over 4g/t Au a second split is taken from the coarse reject, and assayed in duplicate. In addition monthly check samples are sent off-site for analysis at an independent laboratory. The data is compiled and statistical check procedures undertaken to ensure that sampling and assaying errors are within acceptable limits and that there is no discernible bias. No sample standards or blanks are submitted but re-numbered duplicate samples are submitted for re-assaying. Overall, reasonable Quality Assurance/Quality Control ("QA/QC") procedures are in place and there are no obvious areas of concern.

*Density*

Bulk density data used in the resource and reserve estimates is based on core measurements using the weight in air/weight in water method. A total of 1,759 historical bulk density measurements are available in the database covering the main lithologies at Porgera. There is no ongoing routine bulk density measurement on new core but overall, the large database of historical bulk density measurements provides a reasonable basis for resource tonnage estimation.

### Resource and reserve definitions

The Porgera resources and reserves have been reviewed in accordance with the Australasian Joint Ore Reserve Committee ("JORC") Code. The JORC Code differentiates between resources, which are effectively an inventory of mineralisation, and reserves, which represent that part of the resource which is planned to be mined, including mining dilution and mining losses, and for which the necessary mine planning and design work has been carried out.

A mineral resource is defined in the JORC Code as an identified *in situ* mineral occurrence from which valuable or useful minerals may be recovered. Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate. A Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known. An Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability. An Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An ore reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Reserves are based on Measured and Indicated Resources respectively. Under the JORC Code, Inferred Resources are deemed to be too poorly delineated to be transferred into a reserve category.

In external reporting the PJV reports resources as additional to the reserves; BDA has followed this procedure in this report.

### Resource and reserve estimation procedures

Resource and reserve estimations are undertaken annually, with a datum of 31 December. BDA has reviewed the drilling, sampling, assaying, check analysis, data storage and data manipulation procedures as well as the methodologies employed in the resource estimation process. BDA considers that appropriate quality assurance and quality control procedures are followed and that the resources and reserves reported are in compliance with the JORC Code.

The procedures adopted by the PJV with respect to resource estimation are as follows:

- manual orebody interpretation is undertaken initially, followed by 3-D wire framing using Datamine software;
- separate domain models are generated for both gold and sulphur, with domain boundaries based on a combination of lithology, structure, mineralisation styles and trends; a total of 36 domains have been defined for the open pit (with 13 domains for underground);
- block modelling is undertaken using a combination of indicator kriging, ordinary kriging and ID2 interpolation for gold depending on the domain and ordinary kriging for all sulphur domains; fixed or variable search ellipsoids are used depending on the drilling density in each domain;
- block sizes are 10m (northing), 15m (easting) and 10m (elevation) for the open pit and 6m (northing), 1m (easting) and 1m (elevation) for underground;
- formerly a 1g/t Au lower cut-off was used in the open pit; this has been replaced with a cut-off grade based on an economic breakeven for each lithology, over a representative range of sulphur grades using both the Red and Blue cost models and the recovery model;
- Ordinary Kriging is used to interpolate gold and sulphur grades for the Central, East and North underground zones with Indicator Kriging used for the Eastern Deeps zone; ID2 is used to interpolate background grades into the underground blocks; and
- the deposit is characterised by localised, extremely high, gold values; separate cutting statistics have been developed for gold and sulphur for each domain to avoid smearing of high grade values and top-cuts have been developed for each domain and range from 0-800g/t Au; the underground sulphur grades are also cut with the upper cut ranging from 2% – 10% S.

Over the last five years the reserve model has significantly underestimated the tonnage and grade (and therefore the contained ounces) of ore mined in the open pit which is discussed in detail below.

Open pit resources and reserves are determined using an in-house pit optimisation program that considers the cost of removal of each block, its sulphur and gold content and metallurgical recoveries. The pit shell for the resource estimate for December 2006 was defined at a gold price of US$525/oz, while the in pit reserves were estimated using the three year average gold price of US$475/oz, which is a requirement for US listed companies. The remaining resources for the open pit are defined as mineralisation not included within the reserve outline but located within the (US$525/oz) pit shell.

In-pit marginal ore (Blue ore) is defined as mineralisation of a grade sufficient to recover reclaim costs from stockpile, processing and overhead costs. No mining costs are applied when defining marginal ore as these costs are incurred anyway whether the material is mined and placed on a waste dump or on a marginal ore stockpile.

The current underground resource has been estimated using a 4.5g/t Au cut-off grade while reserves are estimated using a 5.0g/t Au cut-off. Remaining resources for the underground are defined as mineralisation located in stope selvages between the reserve cut-off grade (5g/t Au) and the resource cut-off grade (4.5g/t Au).

BDA has reviewed the resource and reserve processes and procedures and considers them generally appropriate, in accordance with industry standards and in compliance with the JORC Code. It should be noted however that Stage 6 has been included in the December 2006 reserves although the feasibility study is still in progress and will not be completed until the third quarter of 2007. BDA has no reason to doubt that Stage 6 will proceed although it is possible that the feasibility study could result in some changes to the overall pit design. Stage 7 is dependent on gold prices remaining high around current levels or higher (certainly >US$650/oz).

**Resource and reserve estimates**

The Porgera resource and reserve estimates as of December 2006 are shown in Table 2.3. The resource figures quoted are additional to the ore reserves.

The reserves at Porgera include open pit ore, underground ore and ore on stockpile. The underground reserves are located below and to the north of the open pit reserves. Open pit mining is scheduled for completion in 2016 under the Stage 6 cut back scenarios, while underground mining, which resumed in January 2002, is currently forecast to continue until 2017. Treatment of low grade stockpiles continues until 2022.

There is a reasonable probability that much of the in-pit Inferred Resource material will be confirmed with detailed grade control drilling although, based on the grade shown on Table 2.3 above a significant proportion of this material may convert to low grade “Blue” ore and therefore be stockpiled. This material is not included in current schedules.

BDA considers there is good potential that further drilling will continue to expand the underground resources, particularly the North and East Zones.

**Table 2.3**
**Porgera Resource and Reserve Estimates at December 2006 (100% of Project)**

| Reserve/Resource | Category | Tonnage Mt | g/t Au | Grade %S | Contained Gold Ozs |
|---|---|---|---|---|---|
| **Reserve** | | | | | |
| Open Pit (Red Ore) | Proved | 24.85 | 4.21 | 2.42 | 3,364,900 |
| | Probable | 13.08 | 3.56 | 2.24 | 1,497,500 |
| | *Sub-total Open Pit* | *37.93* | *3.99* | *2.36* | *4,862,400* |
| Underground | Proved | 2.81 | 8.83 | 0.93 | 799,100 |
| | Probable | 5.31 | 8.70 | 1.53 | 1,484,600 |
| | *Sub-total Underground* | *8.12* | *8.74* | *1.32* | *2,283,700* |
| Stockpiles | Proved | 11.81 | 2.67 | 2.33 | 1,013,200 |
| *Sub-total* | | *57.86* | *4.39* | *2.21* | *8,159,300* |
| Marginal (Blue Ore) | Proved | 4.06 | 1.65 | 1.97 | 215,300 |
| | Probable | 3.30 | 1.61 | 1.83 | 170,500 |
| Stockpiles | Proved | 12.06 | 2.22 | 2.75 | 859,900 |
| *Sub-total (Marginal)* | | *19.42* | *2.00* | *2.43* | *1,245,700* |
| **Total Reserves** | | **77.28** | **3.79** | **2.27** | **9,405,000** |
| **Additional Resources** | | | | | |
| Open Pit | Measured | 20.42 | 1.94 | 1.35 | 1,276,100 |
| | Indicated | 19.23 | 1.53 | 1.32 | 946,400 |
| | *Sub-total Measured/Indicated* | *39.65* | *1.74* | *1.34* | *2,222,500* |
| | Inferred | 12.31 | 2.01 | 1.51 | 795,300 |
| | *Sub-total Open Pit* | *51.96* | *1.80* | *1.38* | *3,017,800* |
| Underground | Measured | 0.24 | 6.84 | 0.73 | 53,400 |
| | Indicated | 0.37 | 5.52 | 1.07 | 66,000 |
| | *Sub-total Measured/Indicated* | *0.61* | *6.04* | *0.94* | *119,400* |
| | Inferred | 1.50 | 9.09 | 1.31 | 488,800 |
| | *Sub-total Underground* | *2.11* | *8.21* | *1.20* | *608,200* |
| **Total Resources** | | **54.07** | **2.05** | **1.37** | **3,626,000** |

**Note** – *resources are based on an economic breakeven cut-off within a US$525/oz pit shell for open pit and 4.5g/t Au cut-off for underground; open pit reserves are based on a break even cut-off using US$475/oz of gold; underground reserves are based on a 5g/t Au cut-off.*

**Stockpiles**

A significant proportion of the remaining reserve at Porgera is based on ore stockpiles. As of December 2006, 38% of the reserve tonnage and 26% of the contained gold related to stockpiled material. The significance of the stockpiled material will grow progressively post completion of open pit mining in 2016. The amended Life of Mine Plan indicates that only stockpiled ore will be treated from 2017 onwards.

A number of the stockpiles at Porgera have been in existence over a long period, and are used both to supply ore to the plant and to accept ore from the pit. There is some uncertainty with respect to the accuracy of the reported grade and tonnage of these stockpiles given the ongoing transfer of material on and off stockpile and the irregular surface on which the stockpiles are stored. However, the stockpiles have been derived from material that has been sampled by detailed blast hole sampling and systematically surveyed to provide estimates of volume. The accuracy of tonnage and grade estimates of large stockpiles is a common problem in large mining operations; BDA anticipates that there are likely to be significant variances in tonnes and grades of individual stockpiles compared with projections, as the stockpiles are reclaimed, but there is no indication of any systematic bias, and the practices and procedures adopted by PJV are such that the reported stockpile tonnes and grades can be accepted as a reasonable estimate.

PJV has commenced grade control drilling of the various stockpiles at Porgera using a blast hole rig; this work is still at an early stage.

**Reconciliation**

Prior to 2002, reconciliation between the resource block model and grade control estimates based on the detailed blast hole sampling were generally good, particularly with respect to overall contained metal. The mill production data generally confirmed the accuracy of the grade control estimates. In detail however some significant variances between the resource model tonnes and grades and the ore defined in the pit were evident, particularly when considering the lower grade (Blue ore) and higher grade (Red ore) individually. Typically, gains were experienced in the Red ore and losses in the Blue ore, but overall the variations tended to compensate, resulting in acceptable reconciliation results for the total material mined. Where reconciliation problems were identified, they could commonly be traced back to areas of unusually high grade.

In more recent years the reserve model has tended to under predict the grade control and mill reconciled results (Table 2.4). Modifications have been progressively made to the block modelling in an attempt to reduce the underestimation. In terms of contained ounces, over the last five years the mill figures have exceeded the reserve model by an average of 23%.

**Table 2.4**
**Reconciliation Results – Percentages**

| **Period** | **Grade Control vs Block Model** | | | **Mill vs Block Model** | | | **Mill vs Grade Control** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Tonnes** | **Grade** | **Ozs** | **Tonnes** | **Grade** | **Ozs** | **Tonnes** | **Grade** | **Ozs** |
| 2002 | 114 | 112 | 124 | 114 | 118 | 131 | 99 | 112 | 111 |
| 2003 | 105 | 127 | 131 | 99 | 125 | 124 | 97 | 104 | 101 |
| 2004 | 128 | 101 | 130 | 133 | 95 | 127 | 102 | 96 | 98 |
| 2005 | 121 | 92 | 112 | 119 | 99 | 120 | 90 | 110 | 98 |
| 2006 | 126 | 95 | 120 | 131 | 87 | 113 | 101 | 92 | 93 |
| **Average** | **119** | **105** | **123** | **119** | **105** | **123** | **98** | **103** | **100** |

**Note** – *Panel 1 of the table shows the grade control results as a percentage of the block model values; Panel 2 shows the mill results compared with the block model predictions; Panel 3 shows the mill results compared with the grade control projections; positive reconciliations (gains) are shown as >100 and negative (losses) as <100.*

Investigation of the reconciliation discrepancies by the PJV indicates that much of the variance relates to areas of Indicated and Inferred resources where the drill density is low. By definition, areas of Inferred resources are excluded from reserves, and thus any ore defined in these areas by grade control drilling will be additional to the reserve projections. Detailed blast hole drilling and sampling typically identifies significantly more ore in such areas than predictions based on the initial more widespread diamond drilling. PJV continues to review and modify the block model procedures in an attempt to more accurately model the *in situ* tonnes and grades.

There are undoubtedly a number of issues underlying the reconciliation variances. However, these variances are positive, and more gold is being produced from the pit than projected by the resource and reserve modelling.

**Reserve basis for 2006 LOM plan**

Under Barrick management, two LOM plans have been defined, named Tier 1 and Tier 2, respectively. Tier 1 is based on the December 2006 reserve which includes the Stage 6 open pit cut back and the underground. Stage 6 involves the removal of 257.4Mt of which 235.9Mt is waste, 18.3Mt is Red ore and 3.2Mt is Blue ore. A total of 78.1Mt is processed through the plant up to and including 2021, producing 8.04Mozs.

Tier 2 is identical` to Tier 1 with respect to the open pit (based on the larger Stage 6 cutback) but assumes an additional 1Mt of underground ore containing 0.52Moz Au which is expected to be derived from extensions to the North and East Zones. Tier 2 involves treating a total of 79.5Mt ore through the plant up to 2021 to recover 8.55Moz of gold.

A feasibility study is currently underway on the Stage 6 cut back and should be completed in the 3rd quarter of calendar 2007. The removal of Stage 7 (Tier 3) from the LOM is a result of the re-optimisation of the open pit development using a US$475/oz gold price to define reserves. PJV plans to review the potential for a Stage 7 cutback and will be undertaking a Stage 7 scoping study in parallel with the current Stage 6 feasibility study.

In BDA's opinion:

- Tier 1 is founded on well-established Proved and Probable reserves; the primary reserve risk relates to the gold price (US$475/oz level at which the open pit reserves have been calculated, although this is well below current prices) and successful rehabilitation of the west wall to allow completion of the Stage 6 design pit. BDA considers this base case is relatively conservative and low risk.
- BDA considers that the Tier 2 assumptions with respect to a 0.52Moz increase of reserves in the underground are reasonable given the consistent track record of increasing the underground reserves and the fact that the North and East Zones are open along strike and at depth.

- Positive reconciliations over the last five years suggest that the open pit reserves are conservative and in BDA's opinion there is a strong likelihood of recovering 10 – 15% more gold than is currently indicated in the reserve estimate. Exploration during 2006 added 1.3Mozs to reserves to replace mining depletion. Underground prospectivity remains high and, in BDA's opinion, a high proportion of the estimated Inferred resource is likely to be converted to reserves.

The LOM plans are generally consistent with the 2006 reserve estimate. The production tonnages and grades incorporated in the LOM Tier 2 schedule incorporate some additional assumptions in relation to conversion of Inferred material to reserves, but overall BDA considers the assumptions reasonable and achievable.

***Conclusions***

*After over 20 years' of mine development and production operations, the geology and mineralisation distribution are relatively well known.*

*Data collection procedures are generally appropriate and in accordance with industry standards. BDA has not reviewed the laboratory operations in detail but the sampling, assaying and QA/QC procedures appear reasonable and appropriate. Density data used in the resource and reserve estimates relies on historical information.*

*Based on the Stage 6 cutback, the open pit will continue providing ore to 2016, and significantly longer should a future decision be made to proceed with Stage 7. Substantial drilling is planned to define the strike and dip extents of the underground lodes and structures and to explore for further extensions. The main underground ore zones, the North and East Zones, remain open and in BDA's opinion there is significant potential to define additional underground resources and reserves.*

*BDA has reviewed the resource and reserve processes and procedures and considers them generally appropriate, in accordance with industry standards and in compliance with the JORC Code. BDA has not re-estimated the resources or reserves, or undertaken an audit. PJV undertakes a thorough and professional annual resource/reserve review using specialists from its various mine sites. A number of deficiencies have been identified and these are being addressed.*

*The reconciliation between grade control and mill has historically been within acceptable limits, providing confidence that the estimation and grade control procedures adopted are appropriate. However, in recent years there has been a consistent, and often significant, under call of the reserve model to grade control.*

*Reconciliation data suggests that the in-pit mineable reserves may be underestimated by at least 10% – 15% of contained gold. The in-pit reserve is likely to prove a conservative estimate of the recoverable tonnes and grade.*

*The proportion of the remaining reserve within long term stockpiles represents some risk to the LOM plan. There is commonly a significant uncertainty relating to the tonnage and grade estimates of large stockpiles although any significant impact is likely to occur in the final years of the project. The PJV has commenced a grade control programme on the stockpiles. An added uncertainty relates to the metallurgical recovery of the stockpile material, in particular the flotation characteristics of material which has been on stockpile for a number of years.*

*The 2007 LOM Tier 1 and Tier 2 cases are generally consistent with the December 2006 reserve estimate except that Tier 2 incorporates an additional 1Mt of ore containing 450 000ozs Au, derived from extensions to the underground North and East zones. BDA considers the assumptions reasonable and achievable. Based on recent project history there is a likelihood that the open pit reserve model may under estimate the reserve ounces and in BDA's opinion it would not be unreasonable to anticipate that at least 10% additional gold might be derived from the open pit. Based on the LOM this could translate into around 1Moz of additional contained gold delivered to the mill over that indicated by the reserve models.*

## 2.3 Exploration

During 2006 PJV has continued surface drilling in the area of the Stage 6 cutback and drill testing from underground of a number of the high grade underground zones. The Stage 6 cutback drill programme confirmed the presence of base metal-sulphide veining as well as quartz-roscoelite veins. Numerous zones of Red and Blue ore were intersected. Due to the geometry of the north wall, holes often had a sub-optimal orientation resulting in the holes intersecting the mineralised zones at low angles.

Underground drilling was targeted at both the further delineation and the potential extensions to the known zones. This work indicated that a number of the smaller zones became narrower at their peripheries and had limited potential for significant extensions. Drill testing of the larger North and East zones continued to produce encouraging results and these zones remain open laterally and at depth.

A five hole programme totalling 6 500m was planned to test the depth extensions of the high grade Porgera mineralised system (Porgera Deeps). Progress was slow due to numerous drilling problems. Intersections have been made of altered sediments and intrusives, and the second hole intersected the Roamane Fault Zone between 720 – 725m, although only unmineralised black sediments were intersected in the zone.

A review of exploration results from earlier regional exploration within the SML has identified a number of targets for follow-up investigation.

***Conclusions***

*BDA considers there is good potential to outline additional underground resources and reserves, principally as down dip and along strike extensions to the North and East Zones. At this stage the Porgera Deeps programme is not sufficiently advanced to be able to assess the potential for economically viable mineralisation to be developed at depth below the current underground mine. Similarly the regional exploration effort within the SML is at an early stage*

## 2.4 Mining

### Open pit

Current mining capacity is generally sufficient to satisfy the proposed ore and waste schedules, but additional waste removal from the west wall failure since 2005 has had an adverse effect on pit ore production, with higher rates of stripping in 2006 and 2007 than budgeted, with the result that the 2006 production was the lowest on record at 542,000oz. Under normal circumstances, ore delivery to the mill from the mine and stockpiles averages around 17,000tpd, with excess high grade ore placed on "Red" stockpiles (above 2.5g/t Au) and low grade ore placed on "Blue" stockpiles, with a cut-off of around 1.5 – 1.7g/t Au. The effect of removing the additional west wall waste material and losing in-pit ore mining capacity has been that significantly higher tonnages than originally planned have been reclaimed from the high-grade stockpiles. The planned waste stripping on the West Wall amounts to 9.1Mt in 2007 and is due to be complete by around June.

The existing mining fleet is sufficient and suitable to meet current production requirements, with 27 x Caterpillar 789 and 8 x Caterpillar 77B trucks and 6 x RH200 O&K hydraulic shovels representing the primary ore loading and haulage units. The trucking fleet is aging and extensive repairs have been required to many of the truck frames. While this problem has been addressed, it has added to the maintenance cost and reduced the fleet capacity while repairs were completed. Truck allocations to shovels are run through a computerised truck dispatch system, with trucks being assigned to particular shovels to maintain the maximum digging rates and haulage capacity utilisation.

Ore is mined from the pit in 10m high benches, with waste benches varying from 10 – 15m. Berms have been narrowed to 8m and there is generally a 30m bench between berms, but final pit berms will be wider in some of the critical areas. Red ore is dumped directly into the primary crusher or onto the ROM pad, while Blue ore is trucked to one of the low-grade stockpiles. Blue ore is referred to as marginal and is stockpiled for milling at the end of the mine life. Depending on rock type and geotechnical characteristics, waste is trucked to one of several dumps for disposal.

*Waste rock disposal*

The economics of the Porgera operation are largely driven by the cost of waste disposal and the distances required to haul the material. The precipitous terrain in the area of the mine and the high levels of rainfall limit the available space in which to dispose of waste. In addition, areas surrounding the mine are owned by various local groups requiring negotiation on acquisition of land, compensation and relocation to alternative sites.

Competent waste is consigned to conventional dumps. However, erodible brown mudstones and black sediments, which break down rapidly under weathering, have been consigned to "erodible dumps". PNG statutory authorities have accepted the use of erodible dumps as part of the project approval and licensing conditions. The method involves material being dumped into areas where the combination of weathering action, natural rainfall, and the effects of gravity act to transport the material progressively through the river system. Although the river systems have a naturally high level of turbidity, this process increases the suspended solids load, and where possible the operator plans to minimise the extent of erodible dumps in the future.

There are some risks associated with the waste dumps in relation to possible major seismic events. In particular, the Kogai dump, while keyed into the basement rock on the lower boundary, sits on what is reported as an alluvial basement carrying material of relatively high moisture content. The dumps have reportedly been designed to withstand a 1 in 100 year seismic event, being rated as 7.5 – 8 on the Richter Scale. The potential impact of a high intensity earthquake could cause the basement of the Kogai dump to become unstable and serious failure of the dump structure could threaten major plant and infrastructure components. While this possibility appears remote, the mine is within 40km of the continental plate boundary and is prone to regular minor seismic events. Portions of the erodible dumps may also be prone to failure in such an event.

*Life of Mine plans*

The current life of mine plan, the Tier 2 Case of SBP 2006, provides for mining rates of around 190,000tpd, with production of up to 20,000tpd of red ore, which is achievable and consistent with current operations. Stripping has started on the Stage 5 cut-back, but is awaiting the completion of the west wall failure clean-up and some harder waste material for the west wall abutment will be mined from what is effectively top of the Stage 6 cutback. This stage represents the final cut-back currently planned, with open pit mining under this plan due to be completed in 2017. A further cut-back (Stage 7) is contemplated; the material being moved as part of the west wall failure partially reduces the Stage 6 strip ratios, and current gold prices are well in excess of those used for pit optimisation.

Pit slopes range from 35° – 52°, with slopes in the brown and black sediments generally at 35°; extensive studies have been completed to determine the practical limits for pit design. In spite of the relatively flat angles, there are still areas where significant failures occur. At the time of the BDA site visit, the operation was dealing with the last remnants of a significant failure in the upper section of the western wall. BDA believes that additional waste in the north and south sections of the west wall may have to be removed which will add to the total amount of waste material to be moved in 2007; an additional 5Mt of waste removal during 2007 is a possibility.

As the pit depth increases, there is some additional risk of slope failure, particularly with high rainfall or the occurrence of a major seismic event, as previously discussed. PJV personnel acknowledge that bench designs are aggressive, but consider that overall inter-ramp and pit angles are relatively conservative, and the designs adopted comply with geotechnical recommendations. Thus bench-scale failures are not unexpected and are dealt with in the normal course of mining, but major inter-ramp or final wall failures such as recently seen in the west wall present serious production issues, as they restrict access to the lower ore benches. Wall drainage and geotechnical monitoring, with survey stations and extensometers, are used to minimise the potential for such occurrences. A drainage tunnel under the floor of the current final pit design provides pit drainage and is also used for underground ventilation.

The greatest continuous vertical height of the north wall in the current pit design, as used in the latest reserve estimate, is 516m, extending from 2616RL to 2100RL. This section includes a 35m wide ramp at approximately 2575RL. The base of the north wall is in strong Footwall Diorite material and there is a berm of almost 100m at the toe, separating the north wall and the north-west corner of the pit from the active mining areas. The toe of the north wall does not represent the deepest section of the pit however, which is centred on the Main Zone (Roamame Fault Zone) at 2050 RL and is directly beneath the south wall.

The BDA view on open pit risks is that, while there is clearly some risk from further wall failures, whether due to seismic activity or simple failure of underlying material or structures, the critical walls in the final pit design include wide berms and the width of these increases towards the bottom of the pit. There are significant tonnages of red ore available on stockpile at similar, although slightly lower grades, and the effects of even a major failure are unlikely to have a material effect on mill throughput, but will reduce gold output. If sufficiently serious, a major failure could either shorten the life of the open pit or lead to additional mining costs while the failure is cleared. BDA rates the risk to mining from wall failure as 'Medium/High'.

### Underground mining

Underground mining operations at Porgera commenced in 1990 and were suspended in 1997. After the final pit wall was determined with the commencement of Stage 5, of the open pit, further underground reserves were identified and extended with exploration drilling. In 2002 underground mining recommenced from the existing Wangima Decline; stoping has been predominantly from three areas, North, Central and the Eastern Deeps zones, with a total reserve at December 2006 of 8.1Mt at 8.7g/t Au.

The production rate from the underground mine is scheduled to peak at around 1.3Mtpa in the period 2013 – 2015; BDA considers that the current operation at around 690,000t in 2006 is running significantly below potential capacity. To a large extent, achievement of higher production rates is dependent on completing the target development rate and the stope filling schedule. The main haulage ramp requires relocation, presenting an opportunity to redesign a high-production decline and to employ higher-speed, more productive haulage units.

Underground stopes are designed to an assay cut-off, where the material immediately outside the stope is typically still mineralised. As a consequence, dilution considerations have minor impact, as dilutant material is commonly close to cut-off grade. BDA considers that, with the proposed equipment fleet and manning, the projected tonnages shown in the LOM plan should be both practical and achievable.

***Conclusions***

*BDA considers that the open pit mining projections and schedules are reasonable and achievable, with the provision that allowance should be made for some additional waste removal from the West Wall cut-back in 2007. As the pit deepens, there is obviously some additional risk of wall failure, although the overall wall angle designs are generally in accordance with geotechnical advice and are reasonably conservative.*

*Life of mine plans for the Tier 2 open pit are generally regarded as realistic and, while truck maintenance has in the past appeared as an issue, the operation is not currently truck constrained in terms of its ability to provide high grade ore feed to the mill. There may be truck fleet capacity issues if further major waste removal programmes (including Stage 7) are necessary or implemented through plan changes.*

*Underground production schedules and operations appear reasonable and achievable and there is a possibility that the life of the underground operation may be extended, either by further reduction in the ore cut-off grade or by additions through definition drilling. If sufficient reserves are defined, BDA considers there is good potential to increase underground production up to 2Mtpa within three years.*

## 2.5 **Processing**

Porgera's metallurgical flow sheet is more complex than a typical CIP/CIL gold plant due to the refractory nature of the mineralisation. Various expansions and refinements to the plant have taken place during the life of the operation to increase throughput and improve recoveries. A refinement in 2003 involved the incorporation of a new secondary crusher into the crushing circuit to improve throughput through the semi autogenous grinding ("SAG") circuit during periods of treating harder diorite-hosted ores. The throughput for 2006 was 5.23Mtpa, with 5.5Mtpa planned for 2007. Tier 2 target throughputs reach 5.9Mtpa in 2008, and BDA considers that the PJV processing plant is capable of treating the ores at the scheduled rates.

The plant, as currently configured, comprises:

- a gyratory crusher with a jaw crusher as back-up; high grade ore is typically direct tipped into the gyratory crusher and ore can be fed from low grade stockpiles if no high grade is available;
- a recently installed secondary crushing circuit to reduce the ore size fed to the comminution circuit in periods when the plant is grinding circuit constrained;
- a grinding section comprising two 4.5MW SAG mills, two scats crushers, two 2.1MW ball mills and one 4.7MW ball mill, producing a feed of 80% passing 106 microns, which is pumped to the flotation circuit;
- four Knelson concentrators, which take a portion of the ball mill cyclone underflow to produce a gravity concentrate; the gold is recovered from the concentrate using an intensive cyanide leaching process; approximately 27% – 30% of the gold in the ore reports to the gravity concentrate;
- a flotation circuit comprising rougher, scavenger and cleaner flotation to maximise recovery of potential gold-bearing sulphides; the flotation feed typically contains 2% – 2.5% sulphur and the flotation operation aims to produce a concentrate with around 14% sulphur to optimise autoclave conditions;
- regrind of flotation concentrate to 90% passing 38 microns to improve the kinetics and the completeness of the oxidation process; flotation concentrate is thickened and then stored in a tank farm which has six days autoclave feed capacity;
- four steel autoclaves with lead and refractory brick lining and oxygen injection, operating at around 200∞C and 1,750kPa to oxidise the sulphides; up to 40% of the autoclave product is recycled to utilise the acid produced to react with the carbonates in the incoming feed and to provide pre-heating; the oxidised product from the autoclaves is washed in two stages of thickening to separate the oxidised gold-bearing solids from the acidic iron sulphate solution;
- a conventional cyanide leach-CIP plant providing leaching of the oxidised autoclave product and recovery of gold onto carbon for elution, electrowinning, smelting and the production of gold and silver bullion;
- precipitation and volatilisation of cyanide from the CIP tailings using the high iron, high acid wash thickener overflow, followed by neutralisation of the precipitation product using both the carbonate content of the flotation tailings and slaked lime addition; and
- riverine disposal of the combined tailings flow through the erodible dumps.

Over recent years the gold recovery has generally exceeded budget by between 2% – 4%. Gold recovery in 2006 averaged 88.4% compared with a budget of 85.6%. The projected recovery in the Tier 2 LOM plan, from 2007 to plant closure in 2022, averages 87.7%; the projected recoveries are generally in line with plant performance.

The PJV plant is well-operated and maintained, although external problems related to electrical power and water supplies have contributed to significant plant downtime. Good operating practices have been developed that are reflected in the improved gold recoveries and the steady increase in throughput.

PJV has adopted reasonable maintenance practices in the past and reassessment of procedures to further improve the level of planned and preventative maintenance has been routinely practised.

***Conclusions***

*BDA considers that the PJV processing plant is capable of treating the ores as scheduled. In recent years, gold recovery has generally exceeded budget by between 2% and 4% and BDA considers the projected recoveries for the SBP 2006 Tier 2 should be achievable. The PJV plant is well maintained and well operated, although external problems related to electrical power and water supplies have contributed to significant plant downtimes.*

## 2.6 Infrastructure

### Power supply

Power is sourced from the 64MW capacity gas-fired Hides Power Station. The transmission line is 132kVA and 76km long, and in sections crosses over very rugged terrain. In 2002 the Hides power supply was out for around 80 days as a result of damage to a number of power pylons and a further major interruption occurred in 2006 from a lightning strike. Unfortunately outages from vandalism continue to be experienced, although they generally last no more than 2 – 4 days.

The plant power requirement is approximately 60MW. Porgera also has an on-site 16MW diesel-fired backup generating plant that operates at partial capacity almost continuously to supplement the Hides power supply. The backup supply allows the operation to continue when the Hides plant is operating below capacity. PJV advises that the average cost of electrical energy from the Hides plant is around US$0.02/kWh compared with about US$0.17/kWh for the on site diesel generators.

### Road access

All major supplies are brought in by road from the north-coast port of Lae, a distance of approximately 680km. The last section of the road is from Mount Hagen to Porgera (Enga Highway) and is 188km long, with only 25% of the road sealed. PJV maintains the road between Laiagam to Porgera, which is subject to numerous landslides. Road conditions pose a threat to the supply logistics and there is no easy solution to ensure the integrity and permanent availability of the road. Inventories of plant consumables and reagents are maintained at a minimum of two months' supply.

The main problem arising from interrupted road access is the supply of fuel, as the site consumes over 200,000L of fuel per day. On-site storage amounts to 5.4ML, with an additional 1ML at Mount Hagen, providing approximately 30 days' supply. Fuel supply is a significant area of vulnerability and potentially exposes the operation to periodic shortages, although the processing operations could continue over an extended period by reducing mining activities to stockpile reclaim in order to conserve fuel.

### Water supply

Water supply is from the Waile Creek dam, with pumping facilities located 12km south of the open pit. This supply has generally proven reliable, but there have been cases of plant shutdowns in the past because of water shortages. A secondary supply of water is available using three submersible pumps from the Kagai stream adjacent to the plant which provides a relatively cheap source of supply.

***Conclusions***

*The operation is well-established and the infrastructure is adequate for the remaining operations. However, the off-site infrastructure, principally the power line and access roads, are vulnerable to sabotage and other disruptions; these represent the principal off-site risks.*

## 2.7 Environment issues

### Environmental setting and overview

The Porgera Gold Mine is located in Enga Province in the Central Highlands of PNG. The area's high elevation (2,500m), mountainous terrain, high rainfall (3,600mm per annum), weak underlying rocks and potential for ongoing seismic activity present numerous engineering and operational challenges for the mine. In particular, these factors contribute to high rates of runoff and erosion and mudslides into rivers. The rivers in the region are fast-flowing and turbid and have a high capacity to transport large quantities of sediment. Porgera mine has approval to discharge neutralised mine waste tailings to the Porgera River which flows into the Lagaip River and then the Strickland River before becoming the Fly River and entering the Gulf of Papua. In this manner, the mine's influence extends across numerous provinces of PNG.

BDA has not undertaken an environmental audit nor conducted a detailed review of the status of the numerous permits and licences required for the operation. However, from the various documents examined and from discussions with site staff, BDA believes the PJV operations remain in compliance with various environmental regulatory requirements and the PJV's site environmental management practices are generally well planned and executed. Given the geographical setting and the approved method of mine waste disposal, there remain certain environmental risks which could potentially impact upon future PJV operations. These risks can be summarised as riverine metals and sediment impacts downstream, waste rock metal leaching impacts, stability of both the stable and erodible dumps and their impacts, and future mine closure criteria, all of which may result in a significant final mine closure cost increase.

**Agreements, statutory licences and permits**

Approval to proceed with mining at Porgera was obtained in 1989 when the Environmental Plan ("EP") was approved, the Mining Development Contract ("MDC") was signed between the State and the proponent, and a special Mining Lease ("SML") and various Leases for Mining Purposes ("LMP") were granted.

From the permit/licence information provided and on-site discussions with PJV staff, BDA is of the opinion that all necessary permits and licences for the operation are in place, under renewal application or that there are exemptions in place and the project is in compliance in all material respects with the various licence/permit obligations and conditions.

**Waste rock placement and tailings discharge**

Porgera mine has PNG government approval to discharge neutralised tailings to the riverine environment and for the disposal of soft waste rock to erodible dumps constructed in two valleys immediately adjacent to the mine, because of the difficulties with attempting conventional containment of mining waste in such a high-rainfall, mountainous terrain and seismic-prone setting. The approval was based on the environmental impacts predicted in the Porgera Environmental Plan. Approval was also granted for the storage of hard waste rock in designated waste rock emplacement areas with appropriate progressive rehabilitation. The disposal of mine wastes to riverine environments however remains a controversial issue both nationally and internationally.

*Waste rock placement – erodible dumps*

PNG government authorities have approved erodible dumps as part of the project's development. The neutralised tailing slurry from the processing plant is discharged to the river system at the top of the Anawe Erodible Dump. Regular monitoring of local creeks is maintained to check on dissolved metals entering the system from the dumps, open pit or old underground areas; results show no significant incidents of acid mine drainage.

Previous and ongoing disposal of non-competent material in the erodible dumps (Anjolek and Anawe) has had geotechnical impacts on the banks of both the Kaiya and Pongema rivers, causing up-slope erosion which has impacted on a number of communities and is expected to impact further with the continuing expansion and extension of the use of the dumps. These impacts and their short and medium term management issues are acknowledged in the 2006 LOM Plan. The longer term impacts on the relocation communities and the Paiam township and associated costs of possible additional relocations are not insignificant. The 2006 LOM Plan capital cost to manage this issue was estimated at $38M (with Phase 1 estimated at $19M).

*Waste rock placement – stable dumps*

The Kogai Stable Dump currently covers an area of approximately 200ha and, at end 2002, contained 203Mt of competent waste rock. The dump is constructed in a series of 20 – 30m high benches, supported by an engineered toe buttress. Any waste rock with potential to cause metal leaching is selectively handled and encapsulated within the dump. Rehabilitation and revegetation of the Kogai Stable Dump is ongoing.

The Anawe North Stable Dump currently contains approximately 43Mt of competent material and covers about 107ha. As with the Kogai Dump, an engineered under-drain and toe buttress has been constructed and any potential metal-leaching material is encapsulated. The majority of the competent waste rock mined in 2006 was placed in the Anawe North Stable Dump.

The principal waste rock management risk relates to the potential for waste rock metal leaching, resulting from the oxidation of sulphide-bearing waste rock, and the potential for dump instability. Comprehensive monitoring so far indicates that metal leaching associated with the waste rock dumps has not occurred. The Kogai and Anawe North Stable Dumps are designed to withstand a 1 in 100 year seismic event of Richter magnitude 7.5 – 8.0 with an epicentre within 50km of the mine. The last major earthquake (Richter magnitude 7) in the region was in 1954 at Tari, located 45km to the southwest.

*Riverine tailings disposal*

Although the Porgera mine is authorised by the PNG regulatory authorities to undertake riverine tailings disposal, the practice of riverine disposal and its associated downstream ecological risks remains a controversial issue amongst local as well as international environmental interest groups and consequently is an ongoing risk to the project. The biological and river quality monitoring programme, which is regularly undertaken, is an essential component in addressing these concerns and demonstrates that the operation so far has had limited impact upon ecological values downstream. The World Bank's Industry Sector Guidelines for Base Metal and Iron Ore Mining projects does provide for riverine tailings disposal on the basis that "an environmental analysis of the alternative disposal methods and the effects on aquatic resources and downstream users of riverine resources has been undertaken". BDA believes that these two conditions for riverine tailings disposal under the World Bank Guidelines continue to be met at Porgera. PJV plans to commence test work and engineering feasibility studies on the use of tailings in paste backfill in the underground mine, co-disposal of tailings with competent waste rock, and the feasibility of an engineered structure for retention of both tailings and erodible material within the existing SML area. With the prospect of an increased mine life and the consequential increase in quantity of waste rock needing to be stored, the issue of land management and necessary landowner negotiations is expected to be challenging, as it has always been since the mine commenced operations.

### Downstream water quality monitoring and compliance issues

Environmental compliance criteria developed by independent international advisors were set by the PNG Government. PJV is required to monitor concentrations of potential contaminants in the downstream river system and maintain compliance against those criteria at a point known as Stream Gauging Station No. 3 ("SG3"), which is located 160 river-kms downstream of the mine.

Besides statutory compliance monitoring at SG3, additional water quality and bed sediment monitoring on the fate of trace metals from the Porgera operations is conducted at a number of downstream locations, from the mine to the Lake Murray area. Off-river control sites on the Ok Om and the Upper Lagaip River are also monitored for comparative purposes.

Since mining commenced in 1990, the results of ongoing analyses of water taken at SG3 have remained well within compliance limits. BDA's review of the 2005 downstream monitoring results indicates that compliance with SG3 water quality criteria continues to be met. The PJV January 2007 Monthly Report states the results for riverine compliance monitoring at SG3 for December 2006 were well within compliance for all PNG Government criteria.

The principal tailings discharge/downstream water quality risk relates to potential for unforeseen impacts to arise from riverine metals (derived from the mine's tailings discharge) which can bio-accumulate, overbank deposition, and sediment impacts from riverbed aggradation. PJV has a comprehensive ongoing monitoring programme for riverine ecosystems. An independent review of this programme by CSIRO indicates that the original environmental impact predictions have proved to be reasonably accurate and that although total metals have increased significantly, the dissolved metals (which are the more bio-available form) have not increased due to natural attenuating mechanisms in the river system.

### Environmental monitoring and reporting

As indicated above, PJV continues to undertake a regular and comprehensive monitoring programme with hydrological, biological and environmental chemistry analyses along the Porgera–Lagaip–Ok Om and Stickland River systems. Potential changes in species diversity and the concentration of trace metals in prawn and fish tissues are also tracked on the impacted rivers and compared to a control site on the Ok Om River which is not affected by the mine operations. BDA considers these monitoring programmes to be best practice. Considering the geographic location and the logistics in monitoring downstream, the monitoring data collected is of high quality and appears reliable.

### Environmental management systems and practices

PJV's Environmental Management Systems and practices appear well designed and executed, and continue to be improved. This is reflected in the findings of various environmental audits of the site. PJV's Environmental Management System comprises the following components:

- Loss Control/Environmental Management System Manual;
- Environmental Operating Plan ("EOP");
- Environmental Monitoring and Management Plan ("EMMP"); and
- Issues Management Plans ("IMPs").

### International cyanide management code

PJV is a signatory to the International Cyanide Management Code and is currently preparing to be externally audited against this code. This international code has recently been developed as a voluntary industry code to assist the global gold mining industry in improving cyanide management. The significant code conformance issue for PJV relates to the WAD cyanide level at the point of discharge from the mill. The current cyanide destruction method at the plant relies heavily on dilution and acid from the autoclaves achieving a final discharge to the riverine environment at about 1 – 3ppm WAD cyanide. The International Cyanide Management Code targets a discharge limit of less than 0.5ppm WAD cyanide. Studies are planned by PJV to examine alternate cyanide destruction methods (Caro's Acid or INCO/$SO_2$) which may prove suitable for neutralising the cyanide content of tailings prior to discharge, thus enabling conformance with the ICMC discharge requirements.

### Public consultation

Public consultation by PJV continues through an external consultative committee (Porgera Environmental Advisory Komiti or "PEAK") that provides external review of both environmental and social programs, not only within the mine's precinct (impact area) but also within the 'area of influence'. The primary function of PEAK is to enhance understanding and provide transparency to the Porgera Mine's environmental and social issues with external stakeholders and to assist in reviewing environmental performance and public accountability. Recently, PEAK's function has been strengthened with greater external representation and its emphasis is switching to Sustainability and Mine Closure issues.

### Mine closure plan and progressive rehabilitation

At 31 December 2005, reclamation capital and environmental costs were estimated to be US$54M. PJV advises that cost estimates are based on the US system FAS 143 and are updated annually. Mine closure costs are based on unit costs derived from actual operating costs. Proposed rehabilitation treatment for each domain is related to end land use objectives.

A Mine Closure Plan ("MCP") Consultation Document (December 2002) has been prepared identifying the environmental and social issues accompanying mine closure. Rehabilitation work is ongoing to minimise the areas of disturbed land, for example, the Kogai Waste Rock Dump has been covered with soil and groundcover vegetation established. Experience to date indicates that re-vegetation is rapid.

The total area which has been disturbed by PJV's activities to the end of 2005 is 1,137ha, the majority of which is in the Porgera Valley. The areas of land which have already been rehabilitated and the proposed future rehabilitation schedule are detailed in PJV's MCP Consultation Document.

At the present time the Government's closure criteria for the Porgera Mine remains unknown. A Porgera Mine Closure Committee ("PMCC") has been formed from various local and government stakeholders to examine the issues relevant to the Porgera site and adjoining communities. In BDA's opinion the current rehabilitation and final mine closure cost estimate appears reasonable but remains somewhat conceptual given the uncertainty concerning the Government's final mine closure criteria and proposed mine life options currently being considered.

### *Conclusions*

*BDA has not undertaken an environmental audit nor conducted a detailed review of the status of the numerous permits and licences required for the operation. However, from the various documents examined and from discussions with site staff, BDA believes the PJV operations remain in compliance with its various environmental regulatory requirements. PJV's environmental management practices are well planned and executed. Given the geographical setting and the approved method of mine waste disposal, there remain certain environmental risks which may potentially impact upon future PJV operations. These risks can best be summarised as riverine metals and sediment impacts downstream, waste rock metal leaching impacts, stability of both the stable and erodible dumps and their impact on communities, and future mine closure criteria, all of which may result in a final mine closure cost increase.*

## 2.8 Social and community issues

Local community issues remain a significant concern for the project. Of particular concern to the PJV are the illegal miner incursions into the open pit working areas. Porgera mine does experience disruption to its operations as a consequence of disgruntled members of the local community who live within the project's impact areas, but who are not substantial beneficiaries of the mine, either through work or other benefits. As the mine approaches closure, risk to the project's operations from ongoing and potentially increased social disharmony is ranked medium to high by BDA. Of particular concern is obstruction of the Wabag to Porgera road and vandalism of the Hides Power Station to Porgera power transmission line. Community relations activities along the Hides powerline route have been intensified, in an effort to reduce vandalism of the powerline; however, vandalism has continued to be an issue and requires ongoing vigilance and management by PJV.

Land ownership issues and the management of community relations in connection with the array of Porgera mine activities, remain complex and challenging. Disputes regarding land ownership and entitlement to compensation payable have been commonplace, as they are with other projects in PNG. The issue of compensation payable to second generation Porgeran landowning family individuals is likely to increase. A new land management package has been proposed to deal with the emerging issue of relocating earlier relocated households as land in the Porgera valley becomes scarcer and earlier relocated communities become overcrowded.

The changing dynamics of an increased mine life and the sizable extra quantity of waste rock and weak mudstone, both previously dumped and destined in future for dumping into the existing erodable and competent waste dumps, are expected to have a significant impact on the surrounding communities and landowners within the SML. The cost of managing the increased impacts surrounding this issue is estimated in the 2006 LOM Plan at US$38M, with Phase 1 being US$19M.

### Principal compensation agreements and other major obligations

The principal Compensation Agreements in place are:

- 1989 Tripartite Porgera Agreements;
- 1989 Mine Development Contract;
- Land Tenements (12);
- Landowner Agreements;
- Fly-In Fly-Out ("FIFO") Agreement.

All major obligations are covered by one or other of the formal Agreements. The PJV Community Affairs Department has the primary role of implementing the terms of the various agreements, including royalty and compensation payments for impact, occupation, community assets, relocation and environment compensation.

### Hides corridor power pylon vandalism

The infrastructure external to the mine site is vulnerable to sabotage, as experienced in 2003 with two power pylons vandalised and in 2002 during the National elections when more than 30 towers were felled or damaged along the 76km powerline, with power supply cut for around 80 days.

PJV has increased liaison with the people, set up new programmes and initiated a new system of tower protection and security at Hides Power Station. In 2005, four towers were vandalised and in 2006 the number of attacks dropped markedly, with only one instance of power line pylon vandalism in the last 12 months, which is a significant improvement. The reduced frequency of attacks to power transmission lines is considered important, as it indicates a lower level of risk than may be indicated by the historical levels. PJV is also in discussion with PNG Power and the Government to take other actions that would further mitigate risks to transmission.

### Illegal miners

Incursions by illegal miners into the open pit working areas continue to be a major concern for PJV operations. PJV has implemented a strategy for handling these incursions which include a negotiated National Court sanctioned process for the implementing an Illegal Miner Action Plan. Implementation of this plan includes the permanent rotation of Police Mobile Squads to the Porgera valley area and has resulted in some reduction in numbers of illegal miners entering the PJV property, less aggressive incidents between illegal miners and employees and less damage to property. The illegal miner issue is expected to remain a significant management challenge to PJV and ongoing risk to the project.

#### Mine closure and management of community expectations

There is a strong desire in the local community for greater benefits from the operation as closure draws nearer and opportunities for new benefits are perceived to be diminishing. In order to manage community expectations, communication to stakeholders of expected changes will be increasingly important and consultation with landowners regarding end use will be ongoing. Stakeholders continue to be assisted to develop inputs to the Mine Closure Plan. The new social monitoring role of PEAK (which includes churches and local NGO representation) increased community engagement through the Conceptual Closure Plan. A national level Porgera Mine Closure Committee has been established with both local and national government representation.

One issue already of concern to Porgera residents is the ability of the community to look after the town of Paiam after the mine closes. Yelgun Limited, the PJV subsidiary that has played a significant role in the establishment of the town as it is today, manages and provides corporate services to Ipili Porgera Investments ("iPi"), the Porgera landowner-owner umbrella company. Yelgun is focused on developing a scheme of arrangement that will grow during the period of mine operation and survive mine closure, while also providing goods and services to the Porgera Valley. The Porgera Sustainability Plan establishes baseline criteria for an assessment of the community's ability to sustain itself and provide the means by which progress towards this end can be measured.

The measures being instigated by PJV to manage community expectations surrounding mine closure are many, and, critically, oriented towards local ownership of initiatives, their management and their outcomes. The social risk over this period will inevitably escalate and the situation may become unpredictable, particularly if in-migration continues to escalate; however, PJV is seemingly taking all responsible measures to minimise this risk. A total of US$54M has been allowed for progressive rehabilitation and mine closure costs.

#### *Conclusions*

*Operational risks resulting from local community disharmony remains a significant concern for the project, despite the PJV having undertaken extensive and comprehensive community development projects, set up various partnerships and instigated multiple communications and stakeholder engagement programmes.*

*Porgera mine continues to experience disruptions to its operations as a consequence of disgruntled members in the local community who live within the project's impact areas, but who may not be substantial beneficiaries of mine derived benefits. In particular, as the community faces mine closure, retrenchment, increasing in-migrations and an impending return to a more subsistence lifestyle, risks to the project's operations from ongoing and potentially increased social disharmony is ranked by BDA as high. Of particular concern to the PJV, is the significant increase in illegal miner incursions into the open pit working areas since 2005 and the increasing risk it presents to PJV operations. Installation of a mine perimeter fence has helped reduce the scale of past incursions and led to the issue becoming more manageable.*

*Land ownership issues and the management of community relations in connection with the array of Porgera mine activities, remain complex and challenging. The distribution of benefits and poor government provision of services make implementation of long term sustainable programmes a major challenge.*

*The issue of overcrowding of relocation settlements within the SML and the need for further resettlements resulting from the planned expansion of mining and need for waste rock dumping will further increase the risks resulting from social disharmony. A Social Impact Assessment of all communities located within the SML is being carried out to establish community attitudes and expectations to planned future resettlements and is planned to form the basis of a Resettlement Action Plan for the Porgera valley. It is hoped this process will address the over crowing, further relocations, land shortages and second generational benefit issues.*

### 2.9 Production schedule

The projected mine production parameters based on the PJV 2006 SBP (February 2007 update) are shown in Table 2.5; the waste volumes in 2007 reflect the material planned to be removed in the west wall failure and the additional buttressing requirements. The plant will be processing material from stockpiles for much of the first half of the year, but particularly post-completion of open pit mining in 2016.

**Table 2.5**
**Porgera Production Schedule SBP 2006 Tier 2 Case**

| Component | Units | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 16 – 21 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| O/P Ore Mined – Red | Mt | 4.6 | 4.6 | 4.8 | 6.1 | 5.8 | 3.9 | 1.9 | 2.3 | 4.8 | 0.7 | 39.5 |
| O/P Ore Mined – Blue | Mt | 0.7 | 0.8 | 0.6 | 1.0 | 0.7 | 0.6 | 0.5 | 0.4 | 0.5 | 0.1 | 6.0 |
| O/P Total Ore Mined | Mt | 5.3 | 5.4 | 5.4 | 7.1 | 6.5 | 4.5 | 2.4 | 2.7 | 5.3 | 0.8 | 45.5 |
| Ore Underground | Mt | 0.7 | 0.7 | 0.7 | 0.9 | 1.1 | 1.2 | 1.3 | 1.3 | 1.3 | 1.0 | 10.1 |
| O/P Stockpile Reclaim | Mt | 2.0 | 2.3 | 1.1 | 1.7 | 1.6 | 0 | 2.9 | 2.1 | 0.1 | 24.8 | 38.7 |
| Waste Mined | Mt | 42.1 | 52.5 | 50.9 | 50.8 | 39.6 | 33.4 | 29.8 | 20.4 | 12.3 | 0.7 | 332.5 |
| Wall Failure Allowance | Mt | 9.1 | 0.8 | 0.8 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 12.1 |
| Total Pit Movement | Mt | 67.1 | 68.8 | 65.7 | 64.1 | 51.8 | 41.6 | 38.5 | 27.9 | 20.0 | 27.7 | 473.3 |
| Total Ore Milled | Mt | 5.5 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 5.9 | 26.7 | 79.5 |
| Milled Ore Grade | g/t Au | 4.03 | 3.91 | 4.30 | 4.54 | 5.14 | 5.53 | 4.11 | 4.19 | 5.29 | 2.69 | 3.82 |
| Recovery | % | 89.0 | 87.4 | 86.9 | 88.3 | 88.3 | 89.2 | 88.1 | 88.3 | 88.2 | 81.3 | 87.7 |
| Gold Recovered | koz | 635 | 653 | 705 | 764 | 865 | 930 | 691 | 702 | 879 | 1,724 | 8,549 |

**Note:** *2007 – 2021 data from SBP 2006 Tier 2 Case; Red ore is high grade, Blue ore is low grade.*

Power disruptions and the west wall failure have delayed the mining of Stage 5 and the remedial work is due to be complete around June 2006, with 9.1Mt of material due to be moved. BDA suggests that a further 5Mt of waste may require to be removed from the cut-back. Underground mining is scheduled for completion in 2017 if no further extensions beyond plan projections are developed.

Mill operations are projected to continue until 2022, at an average throughput of slightly under 6Mtpa, treating open cut material, underground ores and medium and low grade ore stockpiles. The physical quantities in the SBP 2006 Tier 2 LOM plan are considered generally reasonable and achievable, although additional waste removal may be required on the west wall. It is also considered that there is potential for underground production to be expanded to around 2Mtpa by 2009.

Milling recoveries average 87.7%, varying from 89.2% to 84.1%. BDA notes that historically the metallurgical recoveries have exceeded expectations. A number of recovery improvements have been initiated as the result of a concentrated effort to improve plant efficiencies. BDA considers the projected recoveries in the revised SBP 2006 achievable, although some uncertainties remain concerning the recoveries likely to be achieved when treating low grade stockpiled material, some of which has been stockpiled for many years and which may be subject to variable degrees of oxidation which could impact on flotation.

The open pit projections include the Stages 5 and 6 Proved and Probable reserves. The projections also assume that Inferred mineralisation within the pit will be mined as ore. Underground reserves have been extended to include the Inferred resources in the North and East zones.

BDA considers that the assumptions are reasonably well founded. The current gold price is well above US$475/oz and PJV is currently planning to mine the Stage 5 cut back as soon as the west wall failure material removal is complete. Positive reconciliations in the open pit over the last five years suggest that the open pit reserves are conservative and in BDA's opinion there is a strong likelihood of recovering a substantial proportion of the Inferred material through detailed grade control. Exploration during 2006 added around 1Mozs to reserves to more than replace mining depletion, so the total additional ounces assumed are not unreasonable and probably conservative. Underground prospectivity is high and, in BDA's opinion, conversion of the estimated Inferred mineralisation within the North and East zones to reserves is achievable with remaining upside potential.

The plant throughput is maintained at slightly under 6Mtpa and this should be achievable based on past experience and the use of the secondary crushing plant; the mill throughput rate in 2004 totalled 6.25M, but was reduced to 5.2Mt in 2006, largely because of the production lost from the extended power outage from the Hides Station lightning strike. Clearly, any external disruption to the power supply is likely to impact on mill throughput. Plant gold recovery over the last three years has exceeded budget by 2% – 4%; BDA considers that the projected recoveries in the LOM plan are achievable. Overall the LOM production schedule is considered reasonable and achievable.

### *Conclusions*

*BDA has reviewed the detailed SBP 2006 Tier 2 production schedule until 2022 and, with the exception of gold production in 2007, where the projected 635,000ozs may be optimistic (dependent on the west wall remediation), considers the tonnage and grade projections generally reasonable and achievable. The last open cut ore is scheduled to be mined in 2016, with the last underground ore mined in 2017. BDA considers these schedules should be achievable; there is also potential for an expansion of underground production.*

*The plant throughput of about 6Mtpa is reasonable based on past experience. Similarly, experience at Porgera has shown that historically, the plant gold recovery has generally exceeded budget.*

### Capital and operating costs

BDA has reviewed the projections of capital and operating costs based on the revised SBP 2006 for the remaining operating life at Porgera; these are summarised in Table 2.6.

**Table 2.6**
**Porgera Capital and Operating Cost Schedule**

| Item | Units | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 16 – 21 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Production Parameters** | | | | | | | | | | | | |
| Ore Milled | Mt | 5.51 | 5.93 | 5.87 | 5.93 | 5.94 | 5.87 | 5.93 | 5.91 | 5.86 | 26.7 | 79.49 |
| Gold Recovered | kozs | 635 | 653 | 705 | 764 | 865 | 930 | 691 | 702 | 879 | 1,725 | 8,549 |
| **Capital Cost** | | | | | | | | | | | | |
| Open Pit | US$M | 8.4 | 49.1 | 33.6 | 18.5 | 6.3 | 7.5 | 1.6 | 0.7 | 0 | 0 | 125.7 |
| Underground | US$M | 23.7 | 20.9 | 19.5 | 8.2 | 8.8 | 11.5 | 3.2 | 3.2 | 2.5 | 2.0 | 103.4 |
| Processing/Maintenance | US$M | 12.5 | 23.4 | 19.2 | 1.9 | 2.3 | 5.1 | 5.1 | 5.1 | 5.1 | 25.0 | 104.6 |
| Admin/Exploration | US$M | 1.0 | 0.2 | 0.1 | | | | | 0.1 | | | 1.3 |
| Community Affairs | US$M | 5.1 | 15.9 | 13.8 | 1.8 | 0.6 | 0.5 | 0.4 | | | | 38.1 |
| Closure | US$M | | | | | | 2.0 | 2.0 | 2.0 | 2.0 | 46.0 | 54.0 |
| **Total Capital** | **US$M** | **50.6** | **109.5** | **86.2** | **30.4** | **18.0** | **26.6** | **12.4** | **11.0** | **9.5** | **72.0** | **427.1** |
| **Operating Costs** | | | | | | | | | | | | |
| Open Pit | US$M | 95.7 | 99.3 | 104.3 | 112.6 | 97.5 | 81.7 | 73.2 | 53.5 | 43.4 | 42.4 | 803.6 |
| Underground | US$M | 26.4 | 27.1 | 32.4 | 36.0 | 41.7 | 44.9 | 50.2 | 50.8 | 43.0 | 45.5 | 398.0 |
| Processing | US$M | 67.1 | 71.5 | 70.7 | 71.0 | 71.0 | 70.0 | 70.3 | 69.7 | 69.2 | 313.9 | 944.4 |
| Maintenance | US$M | 21.4 | 21.8 | 21.6 | 21.7 | 21.0 | 19.9 | 18.6 | 18.4 | 17.5 | 43.6 | 225.5 |
| Administration | US$M | 51.6 | 45.9 | 45.6 | 45.5 | 44.9 | 44.5 | 43.7 | 43.5 | 43.5 | 208.8 | 617.5 |
| **Total Costs** | **US$M** | **262.2** | **265.6** | **274.6** | **286.8** | **276.1** | **261.0** | **256.0** | **235.9** | **216.6** | **654.2** | **2,989.0** |
| **Total Costs** | | | | | | | | | | | | |
| Direct Cash Costs | US$M | 254.8 | 263.3 | 272.8 | 284.9 | 274.1 | 258.8 | 254.4 | 234.3 | 214.6 | 650.6 | 2,962.6 |
| Indirect Costs | US$M | 20.0 | 13.2 | 13.3 | 14.1 | 15.4 | 16.3 | 12.9 | 13.1 | 15.6 | 42.8 | 176.7 |
| Depreciation | US$M | 16.3 | 45.4 | 64.7 | 83.5 | 75.0 | 65.0 | 69.1 | 54.7 | 43.9 | 74.2 | 591.8 |
| **Total Costs** | **US$M** | **291.1** | **321.9** | **350.8** | **382.5** | **364.6** | **340.1** | **336.4** | **302.0** | **274.1** | **772.7** | **3,736.2** |
| *Direct Cost/t treated* | *US$/t* | *46.24* | *44.40* | *46.47* | *48.04* | *46.15* | *44.09* | *42.90* | *43.05* | *36.62* | *24.37* | *37.27* |
| *Direct Cost/oz* | *US$/oz* | *401* | *403* | *387* | *373* | *317* | *278* | *368* | *334* | *244* | *377* | *347* |

**Note** *2007 – 2021 figures are based on the SBP 2006 Tier 2 February 2007Addendum; Direct Cash Costs exclude Selling Expenses and Exploration; Indirect Costs include Highway Maintenance, Royalty and Levies.*

Some significant capital expenditures are planned, notably in the open pit in 2008/09, when major equipment replacements are required. Similarly, the underground costs include significant underground development and equipment replacement in the next three years and the processing plant has further major expenditures on autoclaves and mills planned. The underground capital costs for 2007 include additional equipment as well as a fill paste plant, sustaining capital and capitalised development. There is an ongoing allocation of funds to the comprehensive Community Affairs programme, with a total expenditure of US$38M over the next seven years. Closure costs have been estimated at US$54M.

The open pit operating costs are considered reasonable and mining costs range from around US$1.70 – 2.47/t mined under normal operating conditions. There have been significant increases in mining unit costs from the historic levels of around $1.00/t several years ago. These increases are largely related to fuel, tyre and maintenance costs, with the latter becoming significant with an aging fleet, and are also partly the result of low productivity due to activities involved with clearing material from the west wall failure. Open pit costs for 2006 averaged US$2.66/t mined, but this figure reflects the large amount of west wall failed material moved in that period. With the current west wall activities approaching completion, BDA would expect to see costs for the 2008 – 10 period return to lower levels for Stage 5, but will see increases with Stage 6 as the waste hauls increase, much as projected in the SBP 2006 Tier 2 estimates. BDA notes that, for 2006, the repair and maintenance costs for shovels, trucks and dozers were significantly above budget and it is assumed there is a material exposure on fuel and tyre costs.

BDA considers it likely that an additional 5Mt of waste may be required to be mined in 2007 to account for possible additional material at the north and south ends of the west wall cut-back.

The underground mine has been operating at levels ranging from around US$35 – 38/t for recent years against budgets of US$32/t and the 2006 performance was US$35.49/t against a budget of US$31.64/t. The SBP 2006 projected unit costs range generally from US$37 – 47/t. BDA considers that underground mining cost estimates appear reasonable and are probably accurate within ±15%.

The 2006 Budget estimated processing unit costs at US$9.37/t milled, but the actual for the year was US$12.37. However, this was significantly affected by the major power outage and costs are expected to return to more normal levels in 2007. BDA notes that the SBP 2006 estimates are for costs around US$12/t, which is considered reasonable and realistic. BDA considers that the processing cost estimates are accurate within ±10%.

Unit power and fuel costs being applied to the SBP 2006 include $0.02/kWh for supply from the Hydes power station and $0.21/kWh from Anawe power station (depending on fuel costs), for a composite cost estimated at $0.042/kWh. Fuel prices have been estimated at $0.77/litre for 2007.

***Conclusions***

*Capital cost estimates in SBP 2006 Tier 2 appear generally reasonable. The SBP 2006 Tier 2 operating cost estimates also appear generally reasonable. Costs are considered accurate to ±10%. There may be a requirement to mine more waste tonnage based on possible additional wall failures in the open pit.*

## 3. SOURCES OF INFORMATION

The principal reports and documents reviewed for the preparation of this report are listed below:

**Public information**

- Porgera Mine Environmental Aspects, www.thePJVdome.com
- Porgera Sustainability Report, www.placerdome.com

**Porgera technical reports**

- Porgera JV 2006 Life of Mine Plan, November 2005
- Porgera JV 2006 LOM Plan Addendum, February 2007
- BDA Technical Reports 2005, 2006
- Porgera JV Monthly US$ Cost Reports December 2006, January 2007
- Porgera JV Budget Operations Summary, 12 months to December 2006
- Various Porgera JV Meeting Presentations and Reports
- Annual Environmental Report 2005 (Draft)
- Porgera Mine Sustainability Report, 2003
- Porgera Mine Closure Consultation Document, December 2002, NSR Environmental Consultants Pty Ltd
- Porgera's Impact on Rivers, PJV Brochure, March 2003

**General data**

- JORC Code – Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves – Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, September 1999
- Valmin Code – Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the AusIMM, February 1998.

## 4. STATEMENT OF CAPABILITY

This review has been undertaken by the Sydney office of BDA. Data review and project assessments have been undertaken by Mr John McIntyre and Mr Malcolm Hancock, Directors of BDA, by Mr Peter Goldner, Dr Kevin Rosengren, Mr Roland Nice and Mr Adrian Brett, all Senior Associates of BDA. Mr McIntyre and Mr Hancock have overseen the preparation of the report.

BDA is the Australian subsidiary of Behre Dolbear & Company Inc. The parent company was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America, with offices in Denver, New York, Toronto, London, Vancouver, Guadalajara, Santiago and Sydney. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports and strategic planning as well as technical geological, mining and process consulting. The background and experience of the consultants undertaking the review is summarised below:

- **Mr John McIntyre** (BE (Min) Hon., FAusIMM, MMICA, CPMin) is Managing Director of BDA. He is a qualified mining engineer, with over 35 years' experience in engineering, operations and management of mines and mining projects, in Australia, New Zealand, the Philippines and Ghana. His principal fields of expertise include technical audit, project feasibility and development, mine and project evaluation, operating experience in open pit and underground mining of base and precious metals, management review and operations optimisation. He has been a professional consultant for 20 years and has held senior management positions, including General Manager of Operations, prior to that.
- **Mr Malcolm Hancock** (BA, MA, FAusIMM, FGS, MIMM, MGSA, MMICA) is a qualified geologist with over 40 years' experience of exploration and mining projects principally in Australia, Africa and South East Asia. He has extensive experience in the areas of resource/reserve estimation, reconciliation, project feasibility and review, independent expert and due diligence reports, mine geology and mining operations. He has been involved in the feasibility, construction, and commissioning of several mining operations and has worked on both open-pit and underground mines.
- **Dr Kevin Rosengren** (B.Eng. (Civil), B.Eng. (Mining), M.Eng.Sc., Ph.D) is a Senior Associate of BDA with more than 45 years' experience in geotechnical engineering and rock mechanics. He is an authority of world standing in the practical application of engineering principles to the design of rock structures for both underground and surface mining and has worked as a consultant (both as an independent expert and, prior to that, for Golder Associates) for 25 years. Kevin has worked in Australia, North and South America, South Africa, South-East Asia and the Pacific region and is regarded as one of the leading authorities on geomechanical design.
- **Mr Roland Nice** (BSc, FAusIMM, MCIM, MAIME, MIEAust, Chartered Engineer) is a Senior Associate of BDA with almost 40 years as a professional metallurgical engineer. He has extensive experience in process engineering and operations, project evaluation, technical design and analysis. He has held senior management positions, including General Manager, Metallurgy (12 years) and Concentrator Manager (9 years). Mr Nice has been closely involved with the development and construction of gold, copper, non ferrous and base metal mines, including process plant design, as well as numerous other metallurgical projects. He has worked in Australia, South East Asia, Africa, South America and Canada. Mr Nice has reviewed the metallurgical testing, plant design and operating cost aspects.
- **Mr Adrian Brett** (BSc (Hon) Geol, MSc.(Envir.), M. Envir. Law) is a Senior Associate of BDA with more than 35 years' experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations agencies, including UNEP, UNESCAP, DDSMS, UNCTAD and UNRFNRE, as well as Australian government agencies. He has worked in Australasia, South-East Asia, Africa and South America.
- **Mr Peter Goldner** (BSc. (Hon) Geology, FAusIMM, FAIG, CPGeo) is a Senior Associate of BDA with more than 35 years' experience in exploration and mine management, project evaluation, mine development, mine operations and the provision of geological services. He has worked in both surface and underground operations in a range of commodities, including gold and precious metals, copper, lead/zinc, base metals, nickel and uranium. He has extensive experience in resource/reserve estimation, reconciliation procedures and the audit and review of estimates. Mr Goldner has worked in Australia, PNG, Southeast Asia and the USA.

## 5. STATEMENT OF INDEPENDENCE

Neither the principals nor associates of BDA have any material interest or entitlement in the securities or assets of EML, Rothschild, Barrick, the PJV or any associated companies. BDA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

## 6. LIMITATIONS AND CONSENT

This assessment has been based on data, reports and other information made available to BDA by Rothschild, EML and the PJV. We have no reason to believe that the information provided is misleading or that any material facts have been withheld.

The opinions stated herein are given in good faith. We believe that the basic assumptions are factual and correct and the interpretations reasonable.

BDA warrants that its activities have followed accepted engineering standards. BDA does not accept any liability other than its statutory liability to any individual, organisation or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein.

The sole purpose of this BDA report is for use by the Directors of EML and Rothschild in connection with possible transactions relating to the EML interest in the PJV and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without our written consent to the form and context in which it appears.

Yours faithfully

**BEHRE DOLBEAR AUSTRALIA PTY LIMITED**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**John McIntyre**
**Managing Director – BDA**

## SHARE PRICE HISTORY OF EMPEROR ON THE ASX

A daily share price history of Emperor shares on the ASX for the past 30 days is set out below:

| Date | Close (cents) | High (cents) | Low (cents) | Volume |
|---|---|---|---|---|
| **2007** | | | | |
| 28 May | 12 | 12 | 12 | 76 000 |
| 25 May | 12 | 13 | 12 | 309 999 |
| 24 May | 12 | 12 | 12 | 75 800 |
| 23 May | 12 | 12 | 12 | 859 500 |
| 22 May | 13 | 13 | 12 | 461 111 |
| 21 May | 12 | 13 | 12 | 1 790 656 |
| 18 May | 13 | 13 | 13 | 83 586 |
| 17 May | 13 | 13 | 13 | 183 750 |
| 16 May | 13 | 13 | 13 | 493 666 |
| 15 May | 13 | 13 | 13 | 245 300 |
| 14 May | 13 | 14 | 13 | 873 897 |
| 11 May | 14 | 14 | 13 | 4 450 104 |
| 10 May | 14 | 14 | 13 | 852 892 |
| 9 May | 13 | 13 | 13 | 255 292 |
| 8 May | 13 | 13 | 13 | 160 095 |
| 7 May | 13 | 13 | 13 | 407 020 |
| 4 May | 14 | 14 | 13 | 588 000 |
| 3 May | 13 | 14 | 13 | 344 600 |
| 2 May | 13 | 13 | 13 | 1 789 476 |
| 1 May | 13 | 14 | 13 | 360 000 |
| 30 April | 13 | 14 | 13 | 427 866 |
| 27 April | 13 | 14 | 13 | 1 049 227 |
| 26 April | 13 | 14 | 13 | 760 380 |
| 25 April | 13 | – | – | – |
| 24 April | 13 | 14 | 13 | 498 000 |
| 23 April | 13 | 14 | 13 | 909 305 |
| 20 April | 14 | 14 | 14 | 461 000 |
| 19 April | 14 | 15 | 14 | 370 851 |
| 18 April | 14 | 15 | 14 | 956 450 |
| 17 April | 14 | 15 | 14 | 4 504 881 |

A monthly share price history of Emperor shares on the ASX for the past 12 months is set out below:

| Date | Close (cents) | High (cents) | Low (cents) | Volume |
|---|---|---|---|---|
| **2007** | | | | |
| April | 13 | 18 | 13 | 28 200 381 |
| March | 12 | 13 | 9 | 12 773 067 |
| February | 10 | 12 | 9 | 43 637 641 |
| January | 17 | – | – | – |
| **2006** | | | | |
| December | 17 | 29 | 17 | 16 080 322 |
| November | 28 | 35 | 26 | 7 686 176 |
| October | 35 | 39 | 33 | 4 112 846 |
| September | 34 | 36 | 29 | 4 163 516 |
| August | 33 | 37 | 30 | 3 969 098 |
| July | 34 | 44 | 31 | 11 480 633 |
| June | 38 | 41 | 31 | 14 481 452 |
| May | 40 | 65 | 39 | 10 469 051 |

A quarterly share price history of Emperor shares on the ASX for the previous 2 years is set out below:

| | Close (cents) | High (cents) | Low (cents) | Volume |
|---|---|---|---|---|
| **Quarter ended** | | | | |
| **2007** | | | | |
| March | 12 | 13 | 9 | 56 410 708 |
| **2006** | | | | |
| December | 17 | 39 | 17 | 27 879 344 |
| September | 34 | 44 | 29 | 19 613 247 |
| June | 38 | 70 | 31 | 28 511 355 |
| March | 47 | 50 | 30 | 9 490 562 |
| **2005** | | | | |
| December | 37 | 51 | 25 | 10 570 106 |
| September | 30 | 35 | 22 | 2 221 791 |
| June | 23 | 46 | 16 | 2 300 470 |

# CORPORATE GOVERNANCE

## 1. INTRODUCTION

All the directors are fully aware that they are the custodians of corporate governance in the organisation and this is reflected in the way they execute their fiduciary duties which is with diligence, integrity and honour. The intention is that this filters down to all the employees. The upholding of such ideals puts the company in a position to improve organisational performance and deliver value to shareholders and stakeholders alike. DRDGOLD has set up systems and controls to promote discipline, transparency, accountability, responsibility and fairness for the protection of the interests of the shareholders, employees and the communities in which we operate.

The King II Report is a codified body of principles which is intended to serve as guidelines for the enhancement of high standards of corporate governance. DRDGOLD's practices and policies have been tailored to comply with the King II Report.

DRDGOLD is registered with the SEC in the US and its ordinary shares are quoted on the NASDAQ in the form of an ADR Programme, administered by the Bank of New York. Accordingly, DRDGOLD is bound by the SOX and is developing the policies and procedures for implementing the requirements of that act. DRDGOLD shares are quoted on the JSE, which is its primary listing.

## 2. THE BOARD OF DIRECTORS

The Board of Directors currently comprises one executive director, the Chief Executive Officer, Mr John Sayers and four non-executive directors, Messrs Geoffrey Campbell, Robert Hume, Douglas Blackmur and James Turk. Mr Kobus Dissel is an alternate director and is the acting Chief Financial Officer.

The King II Report requires that the board be a unitary one with a balance between the executive and the non-executive directors and with a substantial number of independent non-executive directors.

### 2.1 Policy detailing the procedure for appointment to the board

In compliance with both the NASDAQ and JSE requirements, the Board of Directors has adopted a formal and transparent policy in terms of which the Remuneration and Nominations Committee identifies candidates, interviews them and recommends the short-listed candidates to the board. The board deliberates on the suitability of the candidates and appoints the most suitable persons.

### 2.2 Policy evidencing a clear division of responsibility at board level

The board has established committees with distinct terms of reference. The terms of reference give details of the duties and responsibilities which directors have to carry out in their respective areas of specialisation. The balance of power and authority at board level is illustrated by the separation of the position of Chief Executive Officer and Chairman as outlined below. The board is currently developing a Board Charter which will set out the directors' responsibilities and serve as standing guidelines for the benefit of directors.

### 2.3 The Chief Executive Officer must not hold the position of Chairman of the board

On 1 January 2007 Mr Sayers was appointed Chief Executive Officer. On 25 October 2005, Geoffrey Campbell was appointed as the independent non-executive Chairman of the board. The appointment of an independent Chairman is in full compliance with the King II Report's recommendations. As the independent Chairman is not part of the executive, he inherently approaches the business of the company in an impartial and objective manner.

### 2.4 Appointment of committees

The board has Audit, Risk, and Remuneration and Nominations Committees as recommended by the King II Report, required by the Listings Requirements, and in line with the nature of its business. Each committee is governed by a set of terms of reference on its composition, duties and responsibilities.

2.5 **Majority of independent directors according to the JSE Listings Requirements**

The majority of the DRDGOLD directors are independent as specified by the Listings Requirements.

2.6 **Listing agreement**

DRDGOLD executed a Listing Agreement in the form designated by NASDAQ as prescribed by the rules of that stock exchange.

2.7 **Independence and responsibilities of the Audit Committee**

All the members of the Audit Committee are independent according to the definition set out in the NASDAQ Rules. This committee takes up the responsibilities relating to the independent auditor, KPMG Inc. The Audit Charter dealing with all aspects relating to the committee was approved and adopted by the board in July 2005.

2.8 **Regular board evaluation**

In April 2007, the board invited an independent external facilitator to assess the performance of the directors collectively and individually. The facilitator started off the evaluation process with all of the directors together in a workshop type setting with each director making an input in response to a set of questions. The session, in which the deliberations were frank and honest, included such issues as the performance of directors, independence and balance of expertise. Progress on the issues raised at the previous Board evaluation was discussed.

3. **COMPLIANCE WITH OTHER GOOD CORPORATE GOVERNANCE PRINCIPLES**

All of the directors bring to the board a wide range of expertise as well as significant financial, commercial and technical experience and, in the case of the non-executive directors, independent perspectives and judgment.

The board is responsible for setting the direction of DRDGOLD through the establishment of strategic objectives and key policies. It monitors the implementation of strategies and policies through a structured approach to reporting on the basis of agreed performance criteria and defined, written delegations to management for the detailed planning and implementation of such objectives and policies.

The board retains full and effective control over DRDGOLD, meeting on a quarterly basis with additional ad hoc meetings being arranged when necessary, to review strategy and planning, and operational and financial performance. The board further authorises acquisitions and disposals, major capital expenditure, stakeholder communication, and other material matters reserved for its consideration and decision with regard to its terms of reference. The board also approves the annual budgets for the various operational units.

The board is responsible for monitoring the activities of executive management within DRDGOLD and ensuring that decisions on material matters are considered by the board. The board approves all the terms of reference for the various subcommittees of the board, including special committees tasked to deal with specific issues. While the executive directors are involved with the day-to-day management of DRDGOLD, the non-executive directors are not, nor are they full-time salaried employees.

The directors have a responsibility to become acquainted with all of their duties, as well as with the issues pertaining to the operations and business of DRDGOLD. The board operates in a field which is technically complex and the directors are continually exposed to information which enables them to fulfil their duties. To assist new directors, an induction programme has been established by DRDGOLD, which includes background materials, meetings with senior management, presentations by DRDGOLD's advisers and visits to operations.

In addition, the Remuneration and Nominations Committee formally evaluates executive directors and the alternate directors on an annual basis This evaluation is based on objective criteria. All directors, in accordance with DRDGOLD's Articles of Association, are subject to retirement by rotation and re-election by shareholders. In addition, all directors are subject to re-election by shareholders at the first annual general meeting following their appointment. The appointment of new directors is approved by the board as a whole. The names of the directors submitted for re-election are accompanied by sufficient biographical details in the notice of the forthcoming annual general meeting to enable shareholders to make an informed decision in respect of their re-election.

All directors have access to the advice and services of the Company Secretary, who is responsible to the board for ensuring compliance with procedures and regulations of a statutory nature. Directors are entitled to seek independent professional advice concerning the affairs of DRDGOLD at the group's expense, should they believe that course of action would be in the best interests of DRDGOLD. A structured and efficient procedure has been incorporated into the Board Charter which is currently being developed by directors.

4. **BOARD MEETINGS AND RESOLUTIONS**

Board meetings are held quarterly in South Africa.

The structure and timing of DRDGOLD's board meetings, which are scheduled over two or three days, allows adequate time for the non-executive directors to interact without the presence of the executive directors.

An agenda and supporting papers are distributed to all directors prior to each board meeting. Appropriate explanations and motivations are provided for items of business requiring resolution at the meeting. This ensures that relevant facts and circumstances are brought to the attention of directors. In terms of good governance, the directors can conduct unrestricted inspections of all company property, information and records.

In addition to the quarterly board meetings, there is provision in the company's Articles of Association for decisions to be taken between meetings by way of directors' written resolutions. These resolutions are circulated to the directors, supported by full motivations and explanations, and the directors are afforded five days to apply their minds to the matter at hand before they approve the resolution.

5. **BOARD COMMITTEES**

The board has established a number of standing committees to enable it to discharge its duties and responsibilities properly and to fulfil its decision-making process effectively. Each committee acts within written terms of reference which have been approved by the board and under which specific functions of the board are delegated. Each committee has defined purposes, membership requirements, duties and reporting procedures. Minutes of the meetings of these committees are circulated to the members of the committees and made available to the board. Remuneration for non-executive directors for their services on the committees concerned is determined by the board. The committees are subject to regular evaluation by the board with respect to performance and effectiveness.

The following information reflects the composition and activities of these committees:

5.1 **The Audit and Risk Committees**

With effect from 11 February 2005 the Audit and Risk Committees started to conduct joint quarterly meetings. The Audit Commitee is chaired by Mr R P Hume and the Risk Committee is chaired by Professor D J M Blackmur. The reason for the joint sitting is that there was a great deal of overlap between the financial risks discussed at Audit Committee level and at Risk Committee level. The joint sitting brings about better disclosure and ensures that DRDGOLD conforms more closely with the process prescribed by SOX.

5.2 **The Audit Committee**

The members are: R P Hume (Chairman); G C Campbell and D J M Blackmur. The Audit Committee is composed solely of non-executive directors, all of whom are independent.

The primary responsibilities of the Audit Committee, as set out in the Audit Committee Charter, are to assist the board in carrying out its duties relating to the selection and application of accounting policies, internal financial controls, financial reporting practices, identification of exposure to significant financial risks and the preparation of accurate financial reporting and financial statements in compliance with all applicable legal requirements and accounting standards.

The Audit Committee meets every quarter with the external auditors, the company's Internal Audit and Compliance Manager and the acting Chief Financial Officer. The committee reviews the audit plans of the internal auditors to ascertain the extent to which the scope of the audits can be relied upon to detect weaknesses in internal controls and reviews the annual and interim financial statements prior to approval by the board.

The committee is directly responsible for the appointment, re-appointment and removal of the external auditors as well as the remuneration and terms of engagement of the external auditors. The committee pre-approves all services provided by the external auditors and has implemented a policy regarding the provision of non-audit services by external auditors, and pre-approval thereof. DRDGOLD's external audit function is currently being undertaken by KPMG Inc.

DRDGOLD's internal audit function is co-sourced among in-house staff, Pro Optima Audit Services (Pty) Ltd, and Ernst & Young. Internal audits are performed at all of DRDGOLD's operating units and are aimed at reviewing, evaluating and improving the effectiveness of risk management, internal control and corporate governance processes. Significant deficiencies, material weaknesses, instances of non-compliance, exposure to high risk and development needs are brought to the attention of operational management for resolution.

The committee members have access to all the records of the internal audit team. DRDGOLD's internal and external auditors have unrestricted access to the Chairman of the Audit Committee and, where deemed necessary, to the Chairman of the board and the Chief Executive Officer. All significant findings arising from audit procedures are brought to the attention of the committee and, if deemed necessary, to the board.

Reporting requirements necessary to ensure DRDGOLD's compliance with the Sarbanes-Oxley Act of 2002 are in the process of being implemented. A dedicated Disclosure Committee, which reports to the Audit Committee and then to the board, has been appointed to monitor the progress of this project. Section 404 of SOX stipulates that management should assess the effectiveness of the internal controls surrounding the financial reporting process. The results of such an assessment are to be reported in the form of a Management Attestation Report that is to be filed with the SEC as part of Form 20-F. Additionally, the company's external auditors are required to opine on management's assessment and operating effectiveness of internal controls over financial reporting. During the third quarter of the 2005 financial year, the SEC granted a one-year extension on the reporting deadline for Section 404 of SOX, thus deferring DRDGOLD's deadline to 30 June 2007. In the first quarter of the 2007 financial year, the SEC announced that another one-year extension had been granted for auditor sign-off on management's assessment to the foreign private issuers meeting the definition of being an accelerated filer. Therefore, DRDGOLD's externally audited Section 404 initiative will only be reported as of 30 June 2008.

### 5.3 The Risk Committee

The members are: D J M Blackmur (Chairman) and J Turk.

The Risk Committee was established during January 2004 and comprises two non-executive directors. Its overall objective is to assist the board in the discharge of its duties relating to risk management and control responsibilities, assurance issues, health, safety and environmental compliance, and the monitoring and reporting of all these matters. The quality, integrity and reliability of the group's risk management are delegated to the Risk Committee by the Board of Directors. The Risk Committee facilitates communication between the board, the Audit Committee, internal auditors and other parties engaged in risk management activities.

The Risk Committee ensures that:

an effective risk management programme is implemented and maintained;

- risk management awareness is promoted amongst all employees;
- risk programmes (financing/ insurance) adequately protect the company against catastrophic risks;
- regular risk assessments are conducted;
- the total cost of risk in the long term is reduced;
- the protection of DRDGOLD's assets is promoted throughout the group;
- the health, safety and well-being of all stakeholders is improved;
- DRDGOLD's activities are carried out in such a way so as to ensure the safety and health of employees.

The Risk Committee meets every quarter and reports back to the board. Additional ad hoc meetings may be arranged as and when required. Certain members of executive management are invited to attend Risk Committee meetings on a regular basis, including the Chief Executive Officer, the Chief Financial Officer, the Group Risk Manager, the Group Financial Manager, the operational managers, the Group Legal Counsel and the Manager responsible for Safety, Health and Environment.

DRDGOLD has embarked on a risk management initiative directed by the Risk Committee and co-ordinated by a dedicated Group Risk Manager in line with the minimum practices as proposed by the King II Report.

The system to manage risk involves all significant business and operational risks which could undermine the achievement of business objectives and undermine the preservation of shareholder values. The significant risks facing DRDGOLD, including those at an operational level, have been identified. People assigned have been appointed to each risk and the results of their work to improve controls are reviewed by senior management through regular risk meetings. The aim of the internal control systems is for management to provide reasonable assurance that the objectives will be met.

In addition to the above initiatives, DRDGOLD also employs third-party consultants to benchmark its operations against other mining operations throughout South Africa and more than 300 different mining companies world-wide.

An important aspect of risk management is the transfer of risk to third parties to protect the company from any major disaster. Therefore, DRDGOLD's major assets and potential business interruption and liability claims are covered by the group insurance policy which encompasses all operations worldwide. The majority of these policies are through insurance companies operating in Britain, Europe and the United States.

The various risk management initiatives undertaken in the group as well as the strategy to reduce cost without compromising cover has been successful, resulting in substantial insurance cost savings for the group.

### 5.4 The Remuneration and Nominations Committee

The members are: D J M Blackmur (Chairman), R P Hume and G C Campbell.

The Remuneration and Nominations Committee, which comprises only directors who are both independent and non-executive, is primarily responsible for approving the remuneration policies of DRDGOLD and the terms and conditions of employment of executive and nonexecutive directors and senior officers. Items considered by the committee include salaries, performance-based incentives and the eligibility and performance measures of the DRDGOLD (1996) Share Option Scheme applicable to senior management.

The committee's objective is to evaluate and recommend to the board competitive packages that will attract and retain executives of the highest calibre, and encourage and reward superior performance. The committee also aims to ensure that criteria are in place to measure individual performance. The committee approves the performance-based bonuses of the executive directors based on such criteria. DRDGOLD's Group Strategic Manager: Human Resources provides the committee with access to comparative industry surveys, which assist in formulating remuneration policies. As and when required the committee may also engage the services of independent consultants to evaluate and review remuneration policies and related issues.

The committee meets quarterly, but may meet more often on an ad hoc basis if required. The committee may from time to time call for independent consultants to brief members on pertinent issues.

During 2002, DRDGOLD engaged the services of Deloitte and Touche Human Capital to assist in the drafting of a remuneration policy. This policy was approved by the board on 21 October 2004. The policy can be described as being based on a reward system comprising four principal elements:

- basic remuneration, as benchmarked against industry norms;
- bonuses or incentives, which are measured against agreed outcomes or key performance indicators, and are usually linked to the annual budget of the group;
- short-term rewards, which can be described as 'soft' rewards for exceptional performance (like the granting of travel vouchers); and
- long-term retention, which is the rationale underlying the share option scheme and share scheme for senior managers which is linked to criticality of skill and strategic value.

These four elements interact in a matrix, which aims to reward all employees for their efforts and provides a transparent framework which is reviewed and approved by the Remuneration and Nominations Committee.

## 6. DIRECTORS' *CURRICULA VITAE*

### 6.1 Geoffrey Campbell

- BSc (Geology)
- Member: Remuneration and Nominations Committee and Audit Committee

Geoffrey Campbell was appointed a non-executive director in 2002, a senior independent non-executive director in December 2003 and as non-executive Chairman in October 2005. A qualified geologist, he has worked on gold mines in Wales and Canada. He then spent 15 years first as a stockbroker and afterwards as a fund manager, during which time he managed the Merrill Lynch Investment Managers' Gold and General Fund, one of the largest gold mining investment funds. He was also Research Director for Merrill Lynch Investment Managers. Geoffrey is Managing Director of Boatlaunch Limited and a director of Oxford Abstracts. On 26 June 2006, he was appointed Non-executive Chairman of Emperor.

6.2 **John Sayers**

- BSc (Hons) CA (SA and UK)
- Chief Executive Officer

John Sayers was appointed as Chief Executive Officer on 1 January 2007, having served previously as Chief Financial Officer since 5 September 2005. He has almost 40 years' financial experience, most recently as Financial Director of Nampak Limited, from 1996 to 2004, and as Financial Director of Altron Limited, from 1989 to 1996. With a Bachelor of Science (Hons) degree in Econometrics and Statistics, John qualified as a Chartered Accountant in both England and South Africa.

6.3 **Robert Hume**

- CA(SA)
- Chairman: Audit Committee and Member: Remuneration and Nominations Committee

Robert Hume was appointed a non-executive director in 2001. He has 41 years' experience in the auditing field of which the last 18 were spent as a partner in the East London (South Africa) office of KPMG. Since retirement in 1999, he has spent seven years as Investment Manager at Sasfin Frankel Pollak in East London. Robert is also a director of King Consolidated Holdings Limited.

6.4 **Douglas Blackmur**

- PhD (Industrial Relations)
- Senior Independent non-executive director
- Chairman: Risk Committee and Remuneration and Nominations Committee and Member: Audit Committee

Douglas Blackmur was appointed as a non-executive director in October 2003. He holds a PhD in Industrial Relations from the University of Queensland and has a career which spans more than 35 years, primarily in the fields of management, corporate governance and research. He currently holds the position of Professor Extraordinary at the University of the Western Cape.

6.5 **James Turk**

- BA (International Economics)
- Member: Risk Committee

James Turk was appointed a non-executive director in October 2004. He is the founder and a director of GM Network Limited (GoldMoney.com), the operator of a digital gold currency payment system. Since graduating from George Washington University with a BA degree in International Economics in 1969, he has specialised in international banking, finance and investments. After starting his career with The Chase Manhattan Bank (now JP Morgan Chase), James joined RTB Inc, the private investment and trading company of a prominent precious metals trader in 1980. He moved to the United Arab Emirates in 1983 as Manager of the Commodity Department of the Abu Dhabi Investment Authority. Since resigning from this position in 1987, he has written extensively on money and banking.

6.6 **Kobus Dissel**

- Acting Chief Financial Officer
- Alternate director

Kobus Dissel, who holds a BCom (Hons) degree, joined DRDGOLD as Group Financial Manager in October 1999 from AngloGold, where he was financial manager responsible for financial systems. He was appointed Alternate Director to John Sayers with effect from 3 November 2006, and subsequently also appointed Acting Chief Financial Officer for DRDGOLD with effect from 1 January 2007. Kobus has 23 years' experience in the mining industry.

**DRDGOLD LIMITED**

(Incorporated in the Republic of South Africa)
(Registration number 1895/000926/06)
Nasdaq trading symbol: DROOY
JSE share code: DRD ISIN: ZAE 000058723
("DRDGOLD" or "the company")

## NOTICE OF GENERAL MEETING

Notice is hereby given that a general meeting of the holders of ordinary shares in DRDGOLD ("ordinary shareholders") will be held at 10:00 on Friday, 27 July 2007, at the registered office of DRDGOLD at Ebsco House 4, 299 Pendoring Avenue, Blackheath, Johannesburg, 2195, under the chairmanship of Mr Geoffrey Campbell, in his capacity as chairman of the board of directors of DRDGOLD or in his absence any other director chosen by the members present in person or by representative or agent or proxy, for the purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions set out below:

### ORDINARY RESOLUTION NUMBER 1

"RESOLVED THAT,

the disposal, effective 1 April 2007, by DRD (Porgera) Limited (a wholly-owned subsidiary of DRD (Isle of Man) Limited, in turn a wholly owned subsidiary of Emperor Mines Limited, which is an indirect 78,72% subsidiary of DRDGOLD Limited) to Barrick (Nuigini) Limited (a wholly-owned subsidiary of Barrick Gold Corporation of Canada) of the 20% interest in the Porgera Joint Venture for a consideration of US$250 million (plus a positive adjustment under the Joint Venture Interest Sale Deed) and otherwise on the terms set out in the Joint Venture Interest Sale Deed, be and is hereby approved."

### ORDINARY RESOLUTION NUMBER 2

"RESOLVED THAT,

the grant of an option to Barrick Gold Corporation of Canada or its nominee to subscribe for 153 325 943 shares in Emperor, be and is hereby approved or ratified."

**In terms of the Listings Requirements of the JSE Limited, the validity of this resolution is subject to securing the approval of a 75% majority of the votes cast by ordinary shareholders present and represented by proxy at the general meeting.**

### ORDINARY RESOLUTION NUMBER 3

"RESOLVED THAT,

subject to the approval of Ordinary Resolution Number 1 and/or Ordinary Resolution Number 2, any director of the company for the time being, be and is hereby authorised to do all such things and sign all such documents and take all such actions as he/she considers necessary to implement the resolutions set out in the notice of general meeting convened for the purposes of considering, *inter alia*, these resolutions."

### VOTING AND PROXIES

**Ordinary shareholders and preference shareholders may attend but only ordinary shareholders may vote at the general meeting.**

Ordinary shareholders holding certificated ordinary shares in their own name and ordinary shareholders who have dematerialised their DRDGOLD ordinary shares and have elected own-name registration in the sub-register through a Central Securities Depositary Participants ("CSDP") may attend, speak and vote in person at the general meeting, or may appoint one or more proxies (who need not be shareholders of DRDGOLD) to attend, speak and vote at the general meeting in the place of such DRDGOLD shareholder.

A form of proxy *(pink)* is attached to the circular to the DRDGOLD shareholders dated 20 June 2007 to which a copy of this notice of general meeting is attached. Duly completed forms of proxy must be lodged 48 hours prior to the start of the general meeting (which period excludes Saturdays, Sundays and public holidays), as follows:

- shareholders registered on the South African register, to Link Market Services South Africa (Proprietary) Limited, 11 Diagonal Street, Johannesburg, 2001 (PO Box 4844, Johannesburg 2000) to reach them by no later than 10:00 (South African time) on Wednesday, 25 July 2007; or
- shareholders holding DRDGOLD ordinary shares in the form of American Depositary Receipts, to The Bank of New York, Proxy Services Department, 101 Barclay Street New York, NY 10286 to reach them by no later than 16:00 (Eastern Standard time) on Tuesday, 24 July 2007.

Ordinary shareholders who have already dematerialised their DRDGOLD ordinary shares through a CSDP or broker and who have not selected "own-name" registration in the sub-register through a CSDP and ordinary shareholders who hold certificated ordinary shares through a nominee who wish to attend the general meeting of shareholders must instruct their CSDP, broker or nominee to issue them with the necessary Letter of Representation to attend or, if they do not wish to attend the general meeting of shareholders, but wish to be represented thereat, they must provide their CSDP or nominee with their voting instructions in terms of the custody agreement entered into between them and their CSDP, broker or nominee.

In respect of dematerialised shares, it is important to ensure that the person or entity (such as a nominee) whose name has been entered into the relevant sub-register maintained by a CSDP completes the form of proxy in terms of which he appoints a proxy to vote at the general meeting of shareholders.

Depositary receipt holders will receive forms of proxy printed by the Depositary Bank, which should be completed and returned in accordance with the instructions printed on the forms of proxy.

The holder of a share warrant to bearer who wishes to attend or be represented at the general meeting must deposit his share warrant at the bearer reception office of Capita IRG plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or must deposit his share warrant at the office of the French agents, Euro Emetteurs Finance, 48 Boulevard des Batignolles, 75850, Paris, Cedex 17, France, in both cases not later than 48 hours before the date appointed for the holding of the general meeting (which period excludes Saturdays, Sundays and public holidays) and shall otherwise comply with the "Conditions governing share warrants" currently in force. Thereupon a form of proxy or an attendance form under which such share warrant holder may be represented at the general meeting shall be issued.

*By order of the board*

**DRDGOLD Limited**

**J W C Sayers**
*Chief Executive Officer*

20 June 2007

**Registered office and postal address:**

*In South Africa*

Ebsco House 4, 299 Pendoring Avenue
Blackheath, Randburg
Johannesburg, 2195
(PO Box 390, Maraisburg, 1700)

*Depositary Bank*

American Depositary Receipts
The Bank of New York
101 Barclay Street
New York, New York 10286
United States of America

**Transfer secretaries:**

*In South Africa*

Link Market Services South Africa (Proprietary) Limited
11 Diagonal Street
Johannesburg, 2001
(PO Box 4844, Johannesburg, 2000)

*In the United Kingdom*

Capita IRG Plc
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU


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DRDGOLD LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1895/000926/06)
Nasdaq trading symbol: DROOY
JSE share code: DRD ISIN: ZAE 000058723
("DRDGOLD" or "the company")

## FORM OF PROXY FOR DRDGOLD ORDINARY SHAREHOLDERS

**This form is to be used only by DRDGOLD ordinary shareholders ("the shareholders") on the United Kingdom register and the South African register (this includes registered holders of certificated shares, Central Securities Depositary Participants' ("CSDPs") nominee companies, and shareholders who have dematerialised their ordinary shares and who have elected own-name registration through a CSDP) at the general meeting of shareholders of DRDGOLD convened to be held at 10:00 on Friday, 27 July 2007, at the registered office of DRDGOLD at Ebsco House 4, 299 Pendoring Avenue, Blackheath, Johannesburg, 2195. ("the general meeting of shareholders").**

DRDGOLD shareholders on the South African register who have already dematerialised their ordinary share through a CSDP or broker and who have not selected own-name registration and DRDGOLD shareholders who hold certificated ordinary shares through a nominee must **not** complete this form of proxy but must instruct their CSDP, broker or nominee to issue them with the necessary Letter of Representation to attend the general meeting of shareholders or, if they do not wish to attend the general meeting of shareholders, they may provide their CSDP, broker or nominee with their voting instructions in terms of the custody agreement entered into between them and their CSDP or nominee.

**THIS DOCUMENT DOES NOT CONSTITUTE AN OFFER OF ANY SECURITIES.**

I/We (please print) ____________________

of (address) (please print) ____________________

being the holder/s or custodian/s of [          ] DRDGOLD ordinary shares, hereby appoint (see note 1 overleaf):

1. ____________________ or failing him/her,

2. ____________________ or failing him/her,

3. the chairman of the general meeting,

as my/our proxy to attend and speak and vote on a show of hands or on a poll for me/us and on my/our behalf at the general meeting of shareholders to be held on Wednesday, 25 July 2007, for the purposes of considering and, if deemed fit, passing, with or without modification, the ordinary resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against such resolutions and/or abstain from voting in respect of the DRDGOLD shares registered in my/our name, as follows (see note 2):

**TO BE COMPLETED BY DRDGOLD ORDINARY SHAREHOLDERS**

| | For | Against | Abstain |
|---|---|---|---|
| Ordinary resolution number 1 – approval of the disposal of the 20% interest in the Porgera Joint Venture | | | |
| Ordinary resolution number 2 – approval or ratification of the grant of an option to Barrick Gold Corporation or its nominee | | | |
| Ordinary resolution number 3 – authorisation for a director to implement the resolutions | | | |

and generally to act as my/our proxy at the said general meeting of shareholders. (Tick whichever is applicable.)

If no directions are given, the proxy holder will be entitled to vote or to abstain from voting, as that proxy holder deems fit. (See note 2 overleaf.)

Unless otherwise instructed, my proxy may vote as he thinks fit.

Signed at ____________________ on ____________________ 2007

Signature ____________________

Assisted by me (where applicable) ____________________

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder/s of DRDGOLD) to attend, speak and vote in place of that shareholder at the general meeting of shareholders.

**Please read the notes on the reverse side hereof.**

**Notes:**

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting of shareholders", but any such deletion must be initialled by the shareholder. The person whose name stands first on this form of proxy and who is present at the general meeting of shareholders will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instruction to his proxy must be indicated in the appropriate box by inserting the number of shares in respect of which the shareholder wishes his proxy to cast his votes.
3. Should there be no indication in the appropriate box as to how the shareholder wishes his votes to be cast by his proxy then the proxy will be deemed to have been authorised to vote or abstain from voting at the general meeting as the proxy deems fit.
4. A shareholder may instruct the proxy to vote in respect of less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who gives no indication as to the number of shares in respect of which the proxy is entitled vote will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholder's votes exercisable at the general meeting.
5. A complete form of proxy, to be effective, must reach the transfer secretaries in South Africa at least 48 hours before the time appointed for the holding of the general meeting (which period excludes Saturdays, Sundays and public holidays).
6. The completion and lodging of the form of proxy by shareholders holding share certificates, CSDPs' nominee companies, and shareholders who have dematerialised their share certificates and who have elected own-name registration through a CSDP, will not preclude the relevant shareholder from attending the general meeting of shareholders and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof. Shareholders who have dematerialised their share certificates and who have not elected own-name registration through a CSDP and shareholders who hold certificated ordinary shares through a nominee who wish to attend the general meeting of shareholders must instruct their CSDP or broker to issue them with the necessary Letter of Representation to attend.
7. Documentary evidence establishing the Letter of Representation of a person signing this form of proxy in a representative or other legal capacity (such as the holder of a power of attorney or other written authority) must be attached to this form of proxy unless previously recorded by DRDGOLD.
8. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
9. When there are joint holders of shares only one of such persons may sign this form of proxy in respect of such shares as if such person was the sole holder, but if more than one of such joint holders submits a form of proxy, the form of proxy, if accepted by the chairman of the general meeting, submitted by the holder whose name appears first in the register of the company will be accepted.
10. The holder of a share warrant to bearer who wishes to attend or be represented at the general meeting must deposit his share warrant at the bearer reception office of Capita IRG Plc, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or must deposit his share warrant at the office of the French agents, Euro Emetteurs Finance, 48 Boulevard des Batignolles, 75850, Paris, Cedex 17, France, in both cases not later than 48 hours before the date appointed for the holding of the general meeting (which period excludes Saturdays, Sundays and public holidays) and shall otherwise comply with the "Conditions governing share warrants" currently in force. Thereupon a form of proxy or an attendance form under which such share warrant holder may be represented at the general meeting shall be issued.

Depositary receipt holders will receive forms of proxy printed by the Depositary Bank, which should be completed and returned in accordance with the instructions printed on the forms of proxy.

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