

# Directors' approval and statement of responsibility

The Company's directors are responsible for the preparation and fair presentation of the annual financial statements, comprising the balance sheet at 28 February 2009, the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

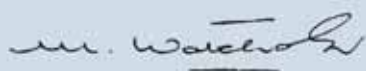
The directors' responsibilities also include maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the Company's ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

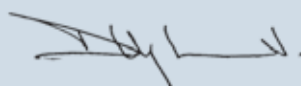
The auditor is responsible for reporting on whether the annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

## Approval of the annual financial statements

The annual financial statements for the year ended 28 February 2009 set out on pages 24 to 55 were approved by the board of directors on 28 May 2009 and are signed on its behalf by:



**M B Watchorn**  
Director



**D M Urquhart**  
Director

# Secretary's report

In terms of Section 268G(d) of the Companies Act, 61 of 1973, I certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Act, and that all such returns are true, correct and up to date.



**Brian Dowden**  
Secretary  
Johannesburg

28 May 2009

# Independent auditor's report

## to the members of Witwatersrand Consolidated Gold Resources Limited

We have audited the annual financial statements of Witwatersrand Consolidated Gold Resources Limited, which comprise the balance sheet at 28 February 2009, and the income statement, the statement of changes in equity and cash flow statement for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 24 to 55.

### Directors' responsibility for the financial statements

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

### Auditor's responsibility

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

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

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

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Witwatersrand Consolidated Gold Resources Limited at 28 February 2009, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### KPMG Inc

Registered Auditor



Per J Le Roux  
Chartered Accountant (SA)  
Registered Auditor  
Director

28 May 2009

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

# Independent auditor's report

## to the directors of Witwatersrand Consolidated Gold Resources Limited in respect of compatibility with Canadian GAAS

In accordance with the requirement contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards (Canadian GAAS) and International Standards on Auditing.

We conducted our audit for the year ended 28 February 2009 in accordance with International Standards on Auditing. There are no material differences in the form or content of our audit report as compared to an auditor's report prepared in accordance with Canadian GAAS and if this report were prepared in accordance with Canadian GAAS it would not contain a reservation.

**KPMG Inc**  
Registered Auditor



Per J Le Roux  
Chartered Accountant (SA)  
Registered Auditor  
Director

28 May 2009

KPMG Crescent  
85 Empire Road  
Parktown  
Johannesburg

## Report of the audit committee

The audit and risk committee assists the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems and control processes and the preparation of accurate financial reporting in compliance with all legal requirements, accounting standards and stock exchange regulations.

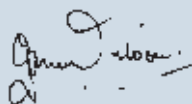
Its operations are governed by a charter which clearly sets out the duties and responsibilities of the committee.

The committee is made up of three non-executive, independent directors and they met four times during the past year. These meetings are attended by the external auditors and appropriate members of the management team. The committee also meets separately with the external auditors to receive their report on management.

The audit committee has deemed the system of internal controls in place to be sufficient to reduce significant risks to an acceptable level. The system is designed to manage the risks faced by Wits Gold as an exploration company and is not a guarantee that the risks are eliminated. The audit committee monitors the available cash resources of the Company having regard to the capital commitments of its exploration programme and its other cash requirements.

As required by JSE Listings Requirement 3.84(h), the audit committee has satisfied itself that the financial director has appropriate expertise and experience.

The audit committee has considered the annual financial statements of Wits Gold for the year ended 28 February 2009 and discussed them with both management and the external auditors. The audit committee believes that they comply, in all material respects, with the statutory requirements of the various acts governing disclosure and reporting in the annual financial statements. The audit committee has further evaluated the independence of the external auditors and is satisfied that they have maintained their independence during the year. The audit committee has recommended to the board that the annual financial statements be adopted and approved by the board.



**Gayle Wilson**  
Chairman – audit and risk committee

28 May 2009

# Directors' report

for the year ended 28 February 2009

The directors present their report for the year ended 28 February 2009. This report forms part of the audited annual financial statements.

## Nature of business

Witwatersrand Consolidated Gold Resources Limited (registration number 2002/031365/06), is a company domiciled in the Republic of South Africa. The Company's shares are publicly traded in South Africa on the JSE Limited stock exchange (primary listing), and in Canada on the Toronto stock exchange (secondary listing). The Company carries on the business of acquiring, preserving, evaluating, trading and developing Prospecting Rights for exploration and investment purposes.

To date, the Company has been granted thirteen Prospecting Rights by the Department of Minerals and Energy under the Mineral and Petroleum Resources Development Act of 2002. It has not, and does not in the near future, expect to generate any operating income. Mineral exploration is highly speculative due to a number of significant risks, including the possible failure to discover mineral deposits that are sufficient in quantity and quality to justify the completion of pre-feasibility or feasibility studies. Significant additional work will be required in order to determine if any economic deposits occur on any of the Company's properties.

## Review of operations

The ongoing exploration of the Company's Prospecting Rights is dependent upon the Company's ability to obtain additional financing through the joint venturing of projects, debt financing, equity financing or other means. In future, such sources of financing may not be available on acceptable terms, if at all. The Company has, however, always been successful in the past in raising the required capital from its shareholders to fund its operating and exploration activities.

An independent scoping study has been completed for the Company's Bloemhoek project. Based on these results, pre-feasibility studies have been initiated on both the Bloemhoek project and the adjacent De Bron project to further investigate the viability of these projects. These studies are expected to be completed by July 2009 and will seek to optimise the potential mining of the two projects.

The directors believe that the Company has sufficient capital to fund its planned exploration activities as well as to cover its estimated operating expenses for the foreseeable future. The Company also has the ability to downscale its operations at reasonably short notice, should this be necessary.

## Operating loss

The operating loss for the year under review reduced slightly by R0.3 million compared to the prior year. This reduction results mainly from reductions in respect of stock exchange listing and related expenditure (R4.7 million) and employment related expenditure (R0.4 million). These decreases were offset by elevated consulting fees (R1.5 million), depreciation charge (R0.2 million) and investor relation expenditure (R2.2 million).

## Fair value gain on financial asset

This gain arises on recognising, at fair value, the Company's right to share in the excess proceeds which their advisors would realise on exercising the options granted to them in payment for services rendered to the Company. During the current financial year the advisors exercised all the remaining options which resulted in them settling R14.1 million (2008: R14.3 million) of this financial asset.

## Non-current assets

During the year, the Company incurred direct exploration expenditure in the amount of R39.1 million (2008: R17.4 million) which has been capitalised to intangible exploration and evaluation assets. The Company also incurred a further R0.2 million (2008: R0.4 million) on improvements to its land and buildings. The land and buildings were re-valued downwards by R3.8 million (2008: re-valued upwards by R5.1 million) as a result of independent market valuations thereof, undertaken in February 2009 and 2008.

## Current assets

The financial asset amounting to R14.1 million at 29 February 2008 was settled in full in April 2008. The Company's cash and cash equivalents reduced by R19 million during the fiscal year which reflects the normal operational and exploration outflows offset by interest received and capital raised.

## Current liabilities

The Company's rate of physical exploration drilling remained fairly static over the year, and the main contributor to the increase in current liabilities to R12.3 million was an increase in the taxation liability of R3.1 million. This increase results from the provision for capital gains tax as well as normal company tax, the latter due to non-tax deductible expenditure being added back to the loss for the year.

### Capital raising

During the year under review, the Company raised a total of R20.7 million (2008: R110.6 million) by way of private placements. This amount includes R14.3 million (2008: R14.3 million) relating to the excess proceeds from options granted to advisors. Net reversal of qualifying costs directly related to the share issues in the amount of R25 000 (2008: Expense R2.2 million), have been transferred to the Company's share premium account.

### Commitments

The Company has committed to spend an additional amount of approximately R7 million on professional consultants and R0.4 million on an operating lease during the next year. Furthermore the Company has also committed to spend R26.1 million on exploration activities during the next five years. All of these commitments will be funded out of existing cash resources.

### Litigation

There are no legal or arbitration proceedings in which the Company is or has been engaged, which may have or have had, a material effect on the Company's financial position.

### Dividends

No dividends were declared or paid by the Company during the year under review (2008: R nil).

### Going concern

Due to the inherent risk in the nature of exploration activities, there may be uncertainty regarding the recoverability of the Company's exploration expenditure. To meet its ongoing obligations and maintain its operations, the Company will periodically seek to raise additional equity funding which will be premised on the exploration results and the contingent further exploration plans. This will be in the form of the issue of additional Company shares, to both local and international markets.

The Company's objectives, details of its financial instruments and its exposure to market and liquidity risk are set out in note 21 to the financial statements. Based on the Company's financial resources, the directors believe that the Company is well positioned to manage its business risks successfully despite the current uncertain economic climate.

After making enquiries, the directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and that there are no material uncertainties that lead to significant doubt upon the Company's ability to continue as a going concern. Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

### Share capital authorised and issued

There was no change in the authorised share capital of the Company during the year ended 28 February 2009 (2008: no change). The Company issued a total of 600 000 (2008: 1 679 928) shares during the year to 28 February 2009, of which 600 000 (2008: 1 610 928) were to international investors. Full details of the Company's authorised and issued share capital are set out in note 10 to these financial statements. All of these shares were issued to public shareholders of which none (2008: 879 928) were in terms of a general issue of shares for cash and 600 000 (2008: 800 000) were in terms of a specific issue of shares for cash under option agreements with the Company's advisors.

In terms of the authority granted by shareholders at the annual general meeting held on 25 July 2008, 15% of the issued ordinary share capital of the Company was placed under the control of the directors. This authority expires at the next annual general meeting.

### American Depository Shares

At 28 February 2009, 103 831 (2008: 99 489) shares were held by The Bank of New York as Depository for the Company's American Depository Shares (ADS) programme. Each ADS is equal to one ordinary share.

### Share options

Prior to listing, the Company entered into agreements with its two advisors whereby they were granted options to acquire shares in the Company. No new options were granted during the year to 28 February 2009 (2008: Nil) and 600 000 (2008: 800 000) options were exercised. Details of these share options exercised and outstanding during the year are reflected in note 23.1 to these financial statements.

## Directors' report *continued*

for the year ended 28 February 2009

### Major shareholders

The following shareholders hold an interest of five percent or more of the Company's issued share capital:

	2009 % Shares held	2009 Shares held	2008 % Shares held	2008 Shares held
East Accrington Foundation	18.17	5 068 303	18.57	5 069 184
Continental Africa Gold Resources Consortium (Pty) Limited	17.75	4 950 000	18.14	4 950 000
Tranter Kismet Investments (Pty) Limited	9.86	2 750 000	10.08	2 750 000
Rhodora Limited	8.96	2 500 000	9.16	2 500 000

### Annual general meeting

At the 5th annual general meeting held on 25 July 2008, shareholders passed ordinary resolutions relating to:

- the adoption of the financial statements for the year ended 29 February 2008;
- the re-election of Mrs G M Wilson and Mr D M Urquhart as directors of the Company;
- the re-appointment of KPMG Inc. as the Company's auditors and approval of their remuneration;
- a general authority placing 15% of the issued ordinary shares of the Company under the control of the directors.

### Post balance sheet events

The directors are not aware of any material changes that have taken place in the financial position or nature of the Company between 28 February 2009 and the date of this report.

### Directors

The directors of the Company during the accounting period and up to the date of this report were as follows:

#### Executive directors

Marcus Barrie Watchorn  
Derek Macdonald Urquhart

#### Non-executive directors

Adam Richard Fleming  
Mbendeni Humphrey Mathe  
Taole Resetselemang Mokoena  
Gayle Margaret Wilson

Mrs G M Wilson and Mr D M Urquhart retired by rotation and were re-appointed as directors of the Company at the annual general meeting held on 25 July 2008.

### Directors' remuneration and benefits

Name	Salaries R	Fees R	Share incentive bonus R	Total R
<b>2009</b>				
<b>Executive directors</b>				
Dr Marcus Watchorn	2 081 876	–	211 418	2 293 294
Mr Derek Urquhart	1 658 646	–	176 194	1 834 840
<b>Non-executive directors</b>				
Mr Adam Fleming	–	140 800	45 806	186 606
Prof Taole Mokoena	–	117 600	45 806	163 406
Dr Humphrey Mathe*	–	91 200	45 806	137 006
Mrs Gayle Wilson	–	117 600	45 806	163 406
<b>Total</b>	<b>3 740 522</b>	<b>467 200</b>	<b>570 836</b>	<b>4 778 558</b>

\*Director's fees, to the value of R91 200, accruing to Dr H M Mathe were paid to Exxaro Resources Limited.

Name	Salaries R	Fees R	Share incentive bonus R	Total R
<b>2008</b>				
<b>Executive directors</b>				
Dr Marcus Watchorn	1 840 823	–	714 250	2 555 073
Mr Derek Urquhart	1 532 983	–	595 250	2 128 233
<b>Non-executive directors</b>				
Mr Adam Fleming	–	130 000	154 750	284 750
Prof Taole Mokoena	–	108 000	154 750	262 750
Dr Humphrey Mathe*	–	86 400	154 750	241 150
Mrs Gayle Wilson	–	108 000	154 750	262 750
<b>Total</b>	<b>3 373 806</b>	<b>432 400</b>	<b>1 928 500</b>	<b>5 734 706</b>

\*Director's fees, to the value of R86 400, accruing to Dr H M Mathe were paid to Exxaro Resources Limited.

No amounts have been paid to directors in respect of bonuses and performance related payments, expense allowances, commissions, gains or profit sharing arrangements other than as disclosed above.

The directors participated in the Company's share incentive scheme and during the year, a total of 15 428 (2008: 15 428) shares were awarded to the directors. The effects of these awards are shown in the tables above under "share incentive bonus".

No options have been granted to the directors to acquire shares during the current year (2008: Nil).

No fees have been paid, accrued or are proposed to be paid by the Company to any third party in lieu of directors' fees except as disclosed above (2008: Nil).

### Directors' interest in shares

Name	2009	2009	2009	2008	2008	2008
	Indirect beneficial shares	Direct beneficial shares	Total shares	Indirect beneficial shares	Direct beneficial shares	Total shares
<b>Executive directors</b>						
Dr Marcus Watchorn	822 698	5 714	828 412	822 698	–	822 698
Mr Derek Urquhart	106 198	4 762	110 960	106 198	–	106 198
<b>Non-executive directors</b>						
Mr Adam Fleming	2 647 094	2 476	2 649 570	2 647 094	1 238	2 648 332
Prof Taole Mokoena	372 240	1 238	373 478	372 240	–	372 240
Dr Humphrey Mathe	355 713	1 976	357 689	355 713	738	356 451
Mrs Gayle Wilson	–	2 238	2 238	–	1 000	1 000
<b>Total</b>	<b>4 303 943</b>	<b>18 404</b>	<b>4 322 347</b>	<b>4 303 943</b>	<b>2 976</b>	<b>4 306 919</b>

There have been no changes to these holdings since 28 February 2009 to the date of this report.

### Secretary

The secretary of the Company is Mr B J Dowden and his registered business and postal addresses are:

7 Pam Road  
Morningside  
2057

PO Box 651129  
Benmore  
2010

# Balance sheet

at 28 February 2009

	Note	2009 R	2008 R
<b>Assets</b>			
<b>Non-current assets</b>		<b>86 751 487</b>	51 089 076
Property and equipment	4	5 592 553	9 101 988
Intangible exploration and evaluation asset	5	81 042 530	41 987 088
Deferred taxation	6	116 404	–
<b>Current assets</b>		<b>118 571 960</b>	151 446 737
Financial asset	7	–	14 053 848
Other receivables	8	1 508 824	1 324 819
Cash and cash equivalents	9	117 063 136	136 068 070
<b>Total assets</b>		<b>205 323 447</b>	202 535 813
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>		<b>192 999 070</b>	190 581 149
Ordinary share capital	10	278 909	272 909
Share premium	10	185 971 589	179 582 518
Equity-settled share-based payment reserve	11	17 849 857	14 998 351
Revaluation reserve	4	1 187 582	4 392 300
Accumulated loss		(12 288 867)	(8 664 929)
<b>Non-current liabilities</b>			
Deferred taxation	6	–	2 503 894
<b>Current liabilities</b>		<b>12 324 377</b>	9 450 770
Trade and other payables	12	6 740 930	6 860 826
Taxation payable		5 183 447	2 083 944
Provisions	13	400 000	506 000
<b>Total equity and liabilities</b>		<b>205 323 447</b>	202 535 813

# Income statement

for the year ended 28 February 2009

	Note	2009 R	2008 R
<b>Revenue</b>		–	–
Operating costs		(18 232 838)	(18 541 040)
<b>Operating loss</b>	14	(18 232 838)	(18 541 040)
Profit on disposal of non-current assets		14 585	–
Finance income		15 411 414	9 020 296
Other income		4 320	3 509
Fair value gain on financial asset	7	245 152	14 126 675
Interest expense		(34 592)	–
<b>(Loss)/profit for the year</b>		(2 591 959)	4 609 440
Taxation	15	(1 031 979)	(3 872 813)
<b>(Loss)/profit for the year after taxation</b>		(3 623 938)	736 627
<b>(Loss)/earnings per share and diluted (loss)/earnings per share</b>			
Weighted average number of shares in issue	16.1	27 581 457	26 089 194
Basic (loss)/earnings per share (cents)		(13.14)	2.82
Diluted weighted average number of shares in issue	17.1	27 706 457	26 689 194
Diluted (loss)/earnings per share (cents)		(20.26)	2.76

# Statement of changes in equity

for the year ended 28 February 2009

	Ordinary share capital R	Share premium R	Equity- settled share-based payment reserve R	Revalua- tion reserve R	Accumulated loss R	Total capital and reserves R
Balance at 28 February 2007	256 110	85 430 832	7 840 564	–	(9 401 556)	84 125 950
Profit for the year	–	–	–	–	736 627	736 627
Equity-settled share-based payment, (refer to note 11)	–	–	7 157 787	–	–	7 157 787
Issue of shares	16 799	96 316 361	–	–	–	96 333 160
Qualifying costs of share issue	–	(2 164 675)	–	–	–	(2 164 675)
Surplus on revaluation of land and buildings	–	–	–	5 107 326	–	5 107 326
Deferred taxation on revaluation	–	–	–	(715 026)	–	(715 026)
Balance at 29 February 2008	272 909	179 582 518	14 998 351	4 392 300	(8 664 929)	190 581 149
Loss for the year	–	–	–	–	(3 623 938)	(3 623 938)
Equity-settled share-based payment, (refer to note 11)	–	–	2 851 506	–	–	2 851 506
Issue of shares	6 000	6 364 000	–	–	–	6 370 000
Net reversal of qualifying costs of share issue	–	25 071	–	–	–	25 071
Reduction on revaluation of land and buildings	–	–	–	(3 753 170)	–	(3 753 170)
Deferred taxation on revaluation	–	–	–	548 452	–	548 452
<b>Balance at 28 February 2009</b>	<b>278 909</b>	<b>185 971 589</b>	<b>17 849 857</b>	<b>1 187 582</b>	<b>(12 288 867)</b>	<b>192 999 070</b>

# Cash flow statement

for the year ended 28 February 2009

	Note	2009 R	2008 R
<b>Cash flows from operating activities</b>			
Cash utilised in operating activities	18.1	(15 345 709)	(6 757 842)
Finance income received		15 411 414	9 020 296
Interest paid		(34 592)	–
Taxation paid	18.2	(4 322)	–
Net cash generated by operating activities		26 791	2 262 454
<b>Cash flows from investing activities</b>			
Additions to property and equipment	4	(853 622)	(969 266)
Additions to intangible exploration and evaluation assets	5	(39 055 442)	(17 439 625)
Proceeds on disposal of non-current asset		183 268	–
Proceeds from financial asset realised	7	14 299 000	14 299 000
Net cash utilised in investing activities		(25 426 796)	(4 109 891)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	10	6 370 000	96 333 160
Net share issue cost reversal/(expenses)	10	25 071	(2 164 675)
Decrease in loan to shareholder		–	43 219
Net cash generated by financing activities		6 395 071	94 211 704
(Decrease)/increase in cash and cash equivalents		(19 004 934)	92 364 267
Cash and cash equivalents at beginning of the year		136 068 070	43 703 803
Cash and cash equivalents at end of the year	9	117 063 136	136 068 070

# Notes to the financial statements

for the year ended 28 February 2009

## 1. Reporting entity

Witwatersrand Consolidated Gold Resources Limited is a company domiciled in the Republic of South Africa. The address of the Company's registered office is 12th Floor, 70 Fox Street, Johannesburg, South Africa. The Company is primarily involved in exploration within South Africa.

## 2. Basis of preparation

### Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB) and in the manner required by the South African Companies Act, 61 of 1973 (as amended).

The financial statements are prepared on the historical cost basis except for land and buildings and the financial asset, which are measured at fair value.

### Functional and presentation currency

These financial statements are presented in South African Rand, the Company's functional currency.

The South African Rand average closing exchange rates to the Canadian Dollar are as follows:

- 29 February 2008 R7.90 = C\$1
- 28 February 2009 R7.95 = C\$1
- 28 May 2009 R7.23 = C\$1

## 3. Significant accounting policies

### 3.1 Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

The following new and amended IFRS and IFRIC interpretations became effective during the year. These revised standards and interpretations did not have any effect on the financial performance or position of the Company as they are not applicable to the Company.

#### IFRIC 12 *Service Concession Arrangements*

IFRIC 12 was issued in November 2006 and became effective for annual periods beginning on or after 1 January 2008. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Company is not such an operator and hence this Interpretation has no impact on the Company.

#### IFRIC 14/IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.*

IFRIC 14 was issued in July 2007 and became effective for annual periods beginning on or after 1 January 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 19 *Employee Benefits*. This interpretation has no impact on the financial position or performance of the Company as the Company is not party to any defined benefit schemes.

### 3.2 Future changes in accounting policies

*Recently issued Accounting Pronouncements under IFRS standards and interpretations not yet effective*

#### IAS 1 *Revised, Presentation of Financial Statements*

A revised IAS 1 was issued in September 2007 and became effective for financial years beginning on or after 1 January 2009. The main change in this revision is a requirement to present all non-owner changes in equity in a statement of comprehensive income. This statement is not expected to have a material effect on the Company's annual financial statements in future.

#### IAS 23 *Borrowing Costs*

A revised IAS 23 was issued in March 2007 and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the standard, the Company will adopt this as a prospective change. Currently, the Company has not incurred any borrowing costs relating to any qualifying assets.

*IAS 27 Amendment, Consolidated and Separate Financial Statements*

An amended IAS 27 was issued in January 2008 and becomes effective for financial years beginning on or after 1 July 2009. The amendment related mainly to accounting for changes in the non-controlling (minority) interest in a subsidiary and the loss of control in the subsidiary. This amendment will currently have no effect on the Company's annual financial statements as the Company does not prepare consolidated financial statements.

*IAS 32 Financial Instruments*

A revised IAS 32 was issued in February 2008 and became effective for financial years beginning on or after 1 January 2009. This statement requires certain financial instruments that would ordinarily meet the definition of a financial liability to be classified as equity. This statement is not expected to have any effect on the Company's annual financial statements.

*IAS 39 Amendment, Eligible Hedged Items*

An amended IAS 39 was issued in July 2008 and becomes effective for financial years beginning on or after 1 July 2009. The amendment clarifies how the existing principles underlying hedge accounting should be applied. This amendment will currently have no effect on the Company's annual financial statements as the Company does not have any such items.

*IFRS 2 Amendment, Share Based Payments*

An amended IFRS 2 was issued in January 2008 and became effective for financial years beginning on or after 1 January 2009. This statement requires clarification on the meaning of "vesting" and "non-vesting" conditions. This amendment is not expected to have a material effect on the Company's annual financial statements.

*IFRS 3 Revised, Business Combinations*

A revised IFRS 3 was issued in January 2008 and becomes effective for financial years beginning on or after 1 July 2009. This revised statement requires various changes to terminology and scope in respect of business combinations. This revision is not expected to have any effect on the Company's annual financial statements.

*IFRS 5 Improvements to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations*

A proposed amendment to IFRS 5 was issued in September 2008 and becomes effective for financial years beginning on or after 1 July 2009. The exposure draft seeks to revise the definition of discontinued operations and related disclosure. This revision is not expected to have any material effect on the Company's annual financial statements.

*IFRS 7 Amendment, Financial Instruments Disclosures*

An amended IFRS 7 was issued in March 2009 and becomes effective for financial years beginning on or after 1 January 2009. The amendment seeks to improve disclosures about financial instruments. This amendment is not expected to have any material effect on the Company's annual financial statements.

*IFRS 8 Operating Segments*

IFRS 8 was issued in November 2006 and became effective for financial years beginning on or after 1 January 2009. This statement requires disclosure of the Company's operating segments. The Company determined that the operating segments are the same as the business segments previously identified. The Company currently has only one business segment and therefore will not be affected by this statement.

*IFRIC 13 Customer Loyalty Programmes*

IFRIC 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the awards credits and deferred over the period that the award credits are fulfilled. This interpretation is not expected to have any effect on the Company's annual financial statements as the Company is not party to any such schemes.

*IFRIC 15 Agreements for the Construction of Real Estate*

IFRIC 15 was issued 3 July 2008 and became effective for financial years beginning on or after 1 January 2009. This interpretation standardises accounting practice across jurisdictions for the recognition of revenue among real estate developers. This interpretation will not apply to the Company.

*IFRIC 16 Hedges of a Net Investment in a Foreign Operation*

IFRIC 16 was issued on 3 July 2008 and becomes effective for financial years beginning on or after 1 October 2008. This interpretation provides guidance on accounting for the hedge of a net investment in a foreign operation in an entity's consolidated financial statements. This interpretation will not apply to the Company.

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 3. Significant accounting policies *continued*

### 3.2 Future changes in accounting policies *continued*

#### *IFRIC 17 Distributions of Non-cash Assets to Owners*

IFRIC 17 was issued 27 November 2008 and becomes effective for financial years beginning on or after 1 July 2009. This interpretation provides guidance as to when a dividend payable, relating to a distribution of non-cash assets to owners, should be recognised and how it should be measured. This interpretation will not apply to the Company.

#### *AC 503 Revised, Accounting for Black Economic Empowerment (BEE) Power Transactions*

AC 503 was revised in March 2009 and becomes effective for financial years beginning on or after 1 January 2009. This revision takes into account the recent amendments to IRFS 2 – Share Based Payments. This revision is not expected to have any material effect on the Company's annual financial statements.

#### *AC 504 The Limit on a Defined Benefit Asset*

AC 504 was issued in March 2009 and becomes effective for financial years beginning on or after 1 April 2009. This interpretation seeks to clarify how IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interpretation* should be applied by the employer entity participating in a defined benefit pension fund. This interpretation is not expected to have any material effect on the Company's annual financial statements.

### 3.3 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In the process of applying the Company's accounting policies, management is required to make judgements, estimates and assumptions which are based on past experience and other factors that are believed to be reasonable in the circumstances. The key assumptions concerning the future and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts assets and liabilities within the next financial year, are discussed below.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, is included in the following notes:

- Note 4 Property and equipment
- Note 5 Intangible exploration and evaluation assets
- Note 6 Deferred taxation
- Note 7 Financial asset
- Note 13 Provisions
- Note 15 Taxation
- Note 23 Equity-settled share-based payment

### 3.4 Property and equipment

Property consisting of land and buildings is initially measured at cost, including expenditure that is directly attributable to the acquisition of the asset. Subsequently, property is measured at fair value, being its fair value at the date of the revaluation less any subsequent accumulated impairment losses.

Any revaluation surplus is credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Equipment is initially measured at cost and subsequently at historical cost less accumulated depreciation and any impairment losses. Depreciation is charged to the income statement on the straight-line method over the estimated useful lives of each part of an item of equipment.

Subsequent costs relating to day to day maintenance of property and equipment are recognised in the income statement, as incurred.

Where major components of property and equipment have different useful lives, they are accounted for as separate items of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the asset and are recognised in the income statement. When revalued assets are disposed of, the amounts included in the revaluation surplus are transferred to retained earnings.

The depreciation rates applicable to each category of property and equipment are currently as follows:

• Buildings	2.00%
• Furniture and fittings	16.67%
• Office equipment	16.67%
• Computer equipment	33.33%
• Motor vehicles	20.00%
• Field equipment	16.67%

Land is not depreciated. The Company has adopted a policy of revaluation in respect of land and buildings. The remaining useful lives, depreciation rates and residual values of buildings and equipment are reassessed at each financial year end.

### 3.5 Taxation

Taxation comprises current tax, standard tax on companies, capital gains tax and deferred tax. All the above taxation expenses are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax comprises tax payable calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the balance sheet date, and any adjustment of tax payable for previous years.

Deferred taxation is provided using the balance sheet method. A provision is made for all temporary differences between the tax base of an asset or liability and its balance sheet carrying amount, except where the temporary difference arose on initial recognition of an asset or liability that is not a business combination where accounting income and taxable income are not affected. The effect on deferred taxation of any changes in tax rates is recognised in the income statement, except to the extent that it related to items previously charged or credited directly to equity. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates enacted or substantively enacted at balance sheet date. Deferred tax assets and liabilities are offset if there is legally an enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority, on the same taxable entity.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that future taxable profit will allow the deferred tax asset to be recovered.

### 3.6 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur, and where a reliable estimate can be made of the amount of the obligation.

Where the effect of discounting is material, provisions are determined by discounting the expected future cash flows. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amount recognised as a provision is the best estimate at the balance sheet date of the expenditure required to settle the obligation.

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 3. Significant accounting policies *continued*

### 3.7 Financial instruments

#### *Non-derivative financial instruments*

Non-derivative financial instruments comprise cash and cash equivalents, other receivables and trade and other payables. Cash and cash equivalents comprise cash balances and call deposits, subsequent to initial recognition; they are measured at cost which equates fair value. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost, using the effective interest method.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

### 3.8 Intangible exploration and evaluation assets

#### *Prospecting Rights*

Exploration and evaluation costs, comprising the costs of acquiring Prospecting Rights and directly attributable exploration expenditure, are capitalised as intangible exploration and evaluation assets on a project-by-project basis, pending determination of the technical feasibility and commercial viability. The capitalised costs are presented as intangible exploration and evaluation assets as a result of the nature of the assets acquired and related costs incurred.

The technical feasibility and commercial viability of extracting a Mineral Resource is considered to be determinable when proven reserves are determined to exist. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from intangible exploration and evaluation assets to other appropriate categories of non-current assets. Amortisation of these assets commences once these assets are appropriately reclassified and are available for use which is expected to be when they are in commercial production. Intangible exploration and evaluation assets are, as a result, not amortised. Intangible exploration and evaluation assets are assessed for impairment based on the policy provided in note 3.9.

### 3.9 Impairments

#### *Non-financial assets*

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its fair value less cost to sell, and its value in use.

In assessing value in use, the expected future cash flows from the asset are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised in the income statement whenever the carrying amount of the cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined for assets (net of depreciation), had no impairment loss been recognised in prior years.

Additional guidance as provided by IFRS 6 *Exploration for and Evaluation of Mineral Resources* is used to determine indicators of impairment for exploration and evaluation assets. These include:

- The period to explore, granted in terms of the Prospecting Rights acquired, has expired during the period, will expire in the near future, or is not expected to be renewed;
- Further exploration on the projects is neither budgeted nor planned for, in the near future;
- A decision was made not to develop a project; and
- There is an indication that the carrying amount of the intangible exploration and evaluation assets is unlikely to be recovered in full from a successful development or the sale of the project.

#### *Financial assets*

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired.

A provision for impairment of other receivables, held to maturity investments and loans 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 the asset.

### **3.10 Share-based payment**

Where share-based payments have been made by the Company, the valuation of the respective services received is accounted for on the following basis:

- **Employee services received**  
The fair value of these services is measured on grant date, based on the difference between the fair value of the shares issued and any amount the employee pays for the shares. The expense is recognised in the income statement as an employee expense over any vesting period and a corresponding amount is credited to an equity-settled share-based payment reserve, which forms part of the Company's equity.
- **Corporate advisory services received**  
The fair value of these services is based on an estimation of the amount of work undertaken during the respective financial years and at the market values of similar services. The expense is recognised over the period the services are rendered. These amounts are expensed in the income statement and corresponding amounts are credited to the equity-settled share-based payment reserve which forms part of the Company's equity, refer to note 23.1.

### **3.11 Operating lease**

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

### **3.12 Finance income**

Finance income, received from cash balances deposited with the Company's bankers, is recognised in the income statement as it accrues, using the effective interest method.

### **3.13 Employee benefits**

Short-term employee benefit obligations comprising cash bonus or profit-sharing plans are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term benefit obligations if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

### **3.14 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuing of ordinary shares and share options are recognised as a deduction from equity.

### **3.15 Treasury shares**

Own equity instruments (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Company's own equity instruments. When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or subsequently reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

### **3.16 Foreign currency**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated at the functional currency at the exchange rate at that date. Foreign currency differences arising on retranslation are recognised in the income statement.

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 3. Significant accounting policies *continued*

### 3.17 Earnings per share

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

### 3.18 Segment reporting

A segment is a distinguishable component that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and return that are different from those of other segments. The Company identified only one business segment, being exploration within South Africa.

### 3.19 Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value. The fair values of financial assets and liabilities are the same as the carrying amounts as reflected in the balance sheet. Where applicable, further information about assumptions made in determining fair values is disclosed in the relevant notes below. Fair values have been determined for measurement and/or disclosure based on the following methods:

#### *Property*

The fair value of the property is based on the current replacement value as determined by an independent third party.

#### *Financial assets*

The fair value is determined at the present value of the future expected income.

#### *Share-based payments*

The fair value of the share-based payments is determined as follows:

- Advisors – based on estimated fair value of services rendered to the Company
- Employees – based on the ruling price at grant date expensed over the vesting period

### 3.20 Cash and cash equivalents

Subsequent to initial recognition, cash and cash equivalents are measured at cost which equates fair value. Cash and cash equivalents comprise cash on hand and deposits held on call with financial institutions.

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	Opening balance R	Additions/ revaluation R	Disposals/ devaluation R	Closing balance R
<b>4. Property and equipment</b>				
<b>4.1 Cost/valuation</b>				
<b>2009</b>				
Land and buildings	8 416 000	147 514	(3 753 170)	4 810 344
Furniture and fittings	206 419	6 616	–	213 035
Office equipment	47 102	2 411	–	49 513
Computer equipment	248 587	304 157	–	552 744
Motor vehicles	574 022	381 250	(184 018)	771 254
Field equipment	33 100	11 674	–	44 774
	<b>9 525 230</b>	<b>853 622</b>	<b>(3 937 188)</b>	<b>6 441 664</b>
<b>2008</b>				
Land and buildings	2 896 966	5 519 034	–	8 416 000
Furniture and fittings	178 156	28 263	–	206 419
Office equipment	34 207	12 895	–	47 102
Computer equipment	222 762	25 825	–	248 587
Motor vehicles	116 547	457 475	–	574 022
Field equipment	–	33 100	–	33 100
	<b>3 448 638</b>	<b>6 076 592</b>	<b>–</b>	<b>9 525 230</b>
<b>4.2 Accumulated depreciation</b>				
	Opening balance R	Depreciation R	Disposal R	Closing balance R
<b>2009</b>				
Land and buildings	–	164 344	–	164 344
Furniture and fittings	75 545	34 692	–	110 237
Office equipment	17 433	8 118	–	25 551
Computer equipment	206 991	77 211	–	284 202
Motor vehicles	120 777	149 863	(15 335)	255 305
Field equipment	2 496	6 976	–	9 472
	<b>423 242</b>	<b>441 204</b>	<b>(15 335)</b>	<b>849 111</b>
<b>2008</b>				
Land and buildings	–	–	–	–
Furniture and fittings	43 964	31 581	–	75 545
Office equipment	10 882	6 551	–	17 433
Computer equipment	133 254	73 737	–	206 991
Motor vehicles	13 597	107 180	–	120 777
Field equipment	–	2 496	–	2 496
	<b>201 697</b>	<b>221 545</b>	<b>–</b>	<b>423 242</b>

## Notes to the financial statements *continued*

for the year ended 28 February 2009

	Opening balance R	Additions R	Disposal R	Depreciation R	Revaluation R	Closing balance R
<b>4. Property and equipment <i>continued</i></b>						
<b>4.3 Carrying value 2009</b>						
Land and buildings	8 416 000	147 514	–	(164 344)	(3 753 170)	4 646 000
Furniture and fittings	130 874	6 616	–	(34 692)	–	102 798
Office equipment	29 669	2 411	–	(8 118)	–	23 962
Computer equipment	41 596	304 157	–	(77 211)	–	268 542
Motor vehicles	453 245	381 250	(168 683)	(149 863)	–	515 949
Field equipment	30 604	11 674	–	(6 976)	–	35 302
	<b>9 101 988</b>	<b>853 622</b>	<b>(168 683)</b>	<b>(441 204)</b>	<b>(3 753 170)</b>	<b>5 592 553</b>
<b>2008</b>						
Land and buildings	2 896 966	411 708	–	–	5 107 326	8 416 000
Furniture and fittings	134 192	28 263	–	(31 581)	–	130 874
Office equipment	23 325	12 895	–	(6 551)	–	29 669
Computer equipment	89 508	25 825	–	(73 737)	–	41 596
Motor vehicles	102 950	457 475	–	(107 180)	–	453 245
Field equipment	–	33 100	–	(2 496)	–	30 604
	<b>3 246 941</b>	<b>969 266</b>	<b>–</b>	<b>(221 545)</b>	<b>5 107 326</b>	<b>9 101 988</b>

The land and buildings are situated at Portion 709 (Portion of Portion 802) of the Farm Vyfhoek 428 in the Northwest Province, Registration Division IQ, measuring 41 hectares.

### *Revaluation of land and buildings*

The Company appointed Awie Wright Attorneys, an accredited independent property valuer, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. The date of revaluation was 4 February 2009. (2008: 28 February 2008). At 28 February 2009 the revaluation reserve, net of deferred taxation, amounted to R1 187 582 (2008: R4 392 300). This revaluation reserve may only be distributed to shareholders once it has been realised from any future sale of the land and buildings.

If the land and buildings were measured using the cost model, the carrying amount would be as follows:

	2009 R	2008 R
Cost	3 456 188	3 308 674
Depreciation	(164 343)	–
Net carrying amount	<b>3 291 845</b>	3 308 674

	Carrying amount at beginning of the year R	Additions R	Carrying amount at end of the year R
<b>5. Intangible exploration and evaluation assets</b>			
<b>2009</b>			
Prospecting Rights	41 987 088	39 055 442	81 042 530
<b>2008</b>			
Prospecting Rights	24 547 463	17 439 625	41 987 088

Included in Prospecting Rights is capitalised expenditure directly attributable to exploration. This expenditure comprises mainly exploration drilling, consulting fees, a portion of relevant salaries (refer note 14); and costs to acquire the Prospecting Rights. No impairment indicators have been identified which would necessitate further impairment testing. Accordingly, no impairment of these assets has occurred to date (2008: Rnil).

	2009 R	2008 R
<b>6. Deferred taxation</b>		
– Deferred tax asset	282 978	215 903
– Deferred tax liability	(166 574)	(2 719 797)
	116 404	(2 503 894)
<b>Deferred tax asset</b>		
The balance comprises:		
– Assessable loss	–	80 781
– Leave pay accrual	176 019	43 002
– Operating lease accrual	4 831	–
– Provision for audit fee	102 128	92 120
	282 978	215 903
<b>Deferred tax assets</b>		
Balance at beginning of year	215 903	–
– Assessable loss	(80 781)	80 781
– Leave pay accrual	133 017	43 002
– Operating lease accrual	4 831	–
– Audit fees	10 008	92 120
Balance at end of year	282 978	215 903
<b>Deferred tax liabilities</b>		
The balance comprises:		
– Revaluation of land and buildings	166 574	715 026
– Financial asset	–	2 001 860
– Straight-lining of operating lease	–	2 911
	166 574	2 719 797

## Notes to the financial statements *continued*

for the year ended 28 February 2009

	2009 R	2008 R
<b>6. Deferred taxation <i>continued</i></b>		
Balance at beginning of year	2 719 797	–
– Revaluation of land and buildings	(548 452)	715 026
– Financial asset	(2 001 860)	2 001 860
– Straight-lining of operating lease	(2 911)	2 911
Balance at end of year	166 574	2 719 797
Deferred tax assets and liabilities are only offset when the income tax relates to the same legal entity or fiscal authority or they intend to settle the assets and liabilities on a net basis. Historically the Company incurred both accounting and tax losses. During the current year and for the foreseeable future, it is expected that the Company will reflect taxable profits due to the extent of interest income earned and non-tax deductible expenditure incurred. Based on the above the Company has recognised a deferred tax asset.		
<b>7. Financial asset</b>		
Balance at beginning of year	14 053 848	14 226 173
Fair value gain on financial asset	245 152	14 126 675
Less: Proceeds from financial asset realised	(14 299 000)	(14 299 000)
Balance at end of year	–	14 053 848
The Company entered into service contracts with its advisors whereby it had the right to receive 50% of the net amount realised (sales price less commission and exercise price), if the net amount is greater than the specified amounts in the agreement.		
Gains or losses that arose on revaluation of this asset have been recognised in the income statement.		
During the year under review, the option holders exercised their rights and disposed of their underlying shares. This transaction has resulted in the Company receiving R14 299 000 (2008: R14 299 000) in respect of rights granted to the Company under its agreement with the option holder. At the previous balance sheet date, this asset was valued by discounting the R14 299 000 using the daily bank deposit interest rates (10.7%).		
In the prior year, these options have been valued as currency translated options, using models that adhere to the Black-Scholes option pricing theory. Assumptions regarding share volatility (40%), dividend yield (0%), South African interest rates (9.63% – 9.15%), United States interest rates (5.75% – 5.25%) and the Rand/ US Dollar exchange rates (\$1 = R7.23) were made in this valuation. These models depend on the exchange rate, the volatility of the exchange rate and the correlation between the exchange rate and the underlying share.		
	2009 R	2008 R
<b>8. Other receivables</b>		
South African Revenue Services (SARS) – VAT refund	1 284 953	1 253 020
Prepayments	216 771	57 769
Deposits	7 100	14 030
	1 508 824	1 324 819

	2009 R	2008 R
<b>9. Cash and cash equivalents</b>		
Cash at banks and on hand		
– Bank balances	1 16 824 973	135 751 647
– Cash on hand	23 163	101 423
	<b>1 16 848 136</b>	135 853 070
Short-term deposits:		
– Restricted cash provided as security for guarantees issued by the bank	215 000	215 000
	<b>1 17 063 136</b>	136 068 070

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits representing restricted cash (see below) are invested over periods of three months. The Company earns interest at the respective short-term deposit rates. The fair value, being the face value, of cash and short-term deposits is R117 063 136 (2008: R136 068 070).

Included in cash and cash equivalents is an amount of R215 000 (2008: R215 000), which has been ceded as security to cover guarantees issued by the Company's bankers in favour of the Department of Minerals and Energy. These rehabilitation guarantees have been issued in order to comply with conditions under which the Prospecting Rights were granted.

## 10. Ordinary share capital

	Date issued	Par value R/share	Number of shares	Share capital R	Share premium R	Total R
<b>Share capital – authorised</b>						
Incorporation at par		1,00	1 000	1 000	–	1 000
Subdivision	14/05/2004	0,01	100 000	1 000	–	1 000
Increase of shares authorised	20/10/2004	0,01	49 900 000	499 000	–	499 000
Balance at	28/02/2009		50 000 000	500 000	–	500 000
<b>Share capital – issued</b>						
Balance at	28/02/2007		25 610 988	256 110	85 430 832	85 686 942
Issued at premium of R94.99	04/07/2007	0.01	879 928	8 799	83 584 361	83 593 160
Options exercised at a premium of R6.36	28/12/2007	0.01	500 000	5 000	3 180 000	3 185 000
Options exercised at a premium of R31.84	28/12/2007	0.01	300 000	3 000	9 552 000	9 555 000
Qualifying costs of share issue			–	–	(2 164 675)	(2 164 675)
<b>Balance at</b>	<b>29/02/2008</b>		<b>27 290 916</b>	<b>272 909</b>	<b>179 582 518</b>	<b>179 855 427</b>
<b>Options exercised at a premium of R6.36</b>	<b>06/05/2008</b>	<b>0.01</b>	<b>500 000</b>	<b>5 000</b>	<b>3 180 000</b>	<b>3 185 000</b>
<b>Options exercised at a premium of R31.84</b>	<b>06/05/2008</b>	<b>0.01</b>	<b>100 000</b>	<b>1 000</b>	<b>3 184 000</b>	<b>3 185 000</b>
<b>Net reversal of qualifying cost of share issue</b>	<b>29/04/2008</b>		<b>–</b>	<b>–</b>	<b>25 071</b>	<b>25 071</b>
<b>Balance at</b>	<b>28/02/2009</b>		<b>27 890 916</b>	<b>278 909</b>	<b>185 971 589</b>	<b>186 250 498</b>

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 10. Ordinary share capital *continued*

### Employees' shareholding

On 14 December 2004, 500 000 shares were issued and set aside for Company employees. The shares have been issued to a nominee company which is not under the control of the Company or its directors. Of the 351 220 (2008: 300 093) shares allocated at 28 February 2009, 251 950 (2008: 251 950) of these shares had been allocated to employees, without any restrictions on vesting of ownership, and 99 270 shares (2008: 94 429) were allocated with ownership vesting over a period to 28 February 2010. As at 28 February 2009, 65 381 (2008: 31 543) shares of the shares allocated with vesting rights had been awarded to respective beneficiaries.

### Wits Gold share incentive scheme (the scheme)

The scheme was approved by the Company's shareholders at its annual general meeting on 12 October 2007. All employees (provided they have served a minimum probationary period of six months with the Company), executive and non-executive directors and the secretary of the Company shall be entitled to participate in the scheme. The aggregate number of shares shall not exceed 697 000 (2008: 682 000) shares, constituting in aggregate 2.5% of the entire issued share capital of the Company, with no individual Participant being entitled to participate in the scheme with respect to more than 0.5% of the entire issued share capital of the Company.

Awards of ordinary shares in Wits Gold shall be granted over a period of three years on dates determined by the board of directors from time to time, provided that the granting of Awards at that time is not precluded by any restrictions on transactions in securities imposed by statute, order, regulation or government directive or by any code adopted by the Company based on the Listings Requirements of the JSE. Awards are granted by way of notice in writing which sets out the number of ordinary shares comprised in the Award and the date of the Award.

Participants, unless otherwise determined by the board of directors, are not required to pay for the ordinary shares constituting any Award. However, any liability for any tax, levies, deductions or withholdings shall be for the account of the Participant. The shares, once awarded to Participants under the scheme, shall rank *pari passu*, in all respects, with all other issued shares of the Company. Prior to being awarded, the shares held under the scheme will not have their votes taken into account at general meetings of Wits Gold. In the event of a takeover or merger involving Wits Gold, the relevant shares shall be awarded to the Participants with effect from the business day immediately preceding such event. The shares to be included in the scheme have been issued and are being held by Hengilcon Secretarial Services (Pty) Limited for future allocation.

In the event of a Participant ceasing to be an employee due to disability, death or retirement, the board of directors may, in its discretion, award shares to such person on a pro rata basis on the date of such event.

### Equity-settled share-based payments – advisors

During the year under review the Company entered into the following agreements with two of its advisors, whereby shares may be issued to them;

- 1) Qinisele Resources (Pty) Limited – an agreement was entered into where, for services rendered, they would be entitled to a success fee should the Company's shares outperform the JSE Limited's gold index over the twelve months ended 15 April 2009. This success fee is calculated using the average of the daily volume weighted average share price for the period as a percentage of the closing share price on 15 April 2008. This percentage is then measured against the JSE Limited's average daily closing price of the gold index expressed as a percentage of the closing price of the index on 15 April 2008.

The quantum of the success fee would be based on a sliding scale with a minimum fee of R2.5 million where the out performance was greater than 10% to a maximum fee of R27.5 million where the out performance was greater than 30%. The fee would be payable in cash or in shares. Qinisele Resources has not earned any success fee in terms of this agreement as minimum out performance of 10% was not achieved. Accordingly no accounting entries have been made in the Company's records.

- 2) Michael Baybak and Company Inc.(Baybak) – the agreement will run over the five year period ending on 15 October 2013 and entitles this advisor to a fee based on the performance of the Company's shares against a base price of R59.11, being the 30 day volume weighted average of the share price on 15 October 2008. On each anniversary date Baybak would be entitled to a fee calculated on the share price increase from the base price multiplied by 25 000. This fee would be settled in shares at the then ruling price. At the same time, each year, Baybak will be entitled to subscribe for shares to the value of R1 477 750 also to be issued at the then ruling price. None of the shares will be issued at a discount. Baybak may elect not to take any fee on an annual basis and to postpone the fee to a date not later than 15 April 2014.

	2009 R	2008 R
<b>11. Equity-settled share-based payment reserves</b>		
The equity-settled share-based payment reserve is analysed as follows:		
Balance at beginning of the year	14 998 351	7 840 564
Services rendered by employees	2 690 068	5 009 187
Services rendered by corporate advisors	161 438	2 148 600
<b>Balance at end of the year</b>	<b>17 849 857</b>	<b>14 998 351</b>
<p>The impact of equity-settled share-based payments is a charge to the income statement of R2 851 506 (2008: R7 157 787). At February 2009, the equity-settled share-based payment reserve in the balance sheet amounted to R17 849 857 (2008: R14 998 351). The effect of the equity-settled share-based payment is a 10.34 cents increase in loss (2008: 27.44 cents decrease in profit) per share and a 10.34 cents increase in diluted loss (2008: 26.82 cents decrease in diluted profit) per share.</p> <p>For further information relating to equity-settled share-based payments, refer to notes 7 and 23.</p>		
<b>12. Trade and other payables</b>		
Trade payables	5 080 023	3 056 123
Leave pay accrual	628 638	357 380
Audit fee accrual	364 740	329 000
SARS (employment taxes)	–	1 233 160
Other accrued expenses	650 275	1 883 729
Operating lease rentals	17 254	1 434
<b>Total</b>	<b>6 740 930</b>	<b>6 860 826</b>
<b>13. Provisions</b>		
Balance at the beginning of the year	506 000	–
Reversal during the year	(506 000)	–
Raised during the year	400 000	506 000
<b>Balance at the end of the year</b>	<b>400 000</b>	<b>506 000</b>
<p>Estimated costs for the rehabilitation of the exploration drill sites are recognised based on information contained in the Company's drilling contracts. Due to the nature of the drilling contracts, these provisions will be settled within twelve months of the balance sheet date. The provision is recognised when drilling commences and is reversed when the contractor has rehabilitated the drill site.</p>		

## Notes to the financial statements *continued*

for the year ended 28 February 2009

	2009 R	2008 R
<b>14. Operating loss</b>		
Operating loss is arrived at after taking into account:		
<i>Income</i>		
Profit on disposal of non-current asset	14 585	–
<i>Expenditure</i>		
Auditors' remuneration	364 740	392 937
– audit fee	364 740	329 000
– prior year under provision	–	63 937
Depreciation – property and equipment	441 204	221 545
Directors' emoluments		
<i>Executives</i>	4 555 371	4 814 860
– managerial remuneration – cost to company	3 802 770	3 545 699
– equity-settled share-based payment	916 649	2 016 630
– less amounts capitalised to intangible exploration and evaluation assets	(164 048)	(747 469)
<i>Non-executives</i>	1 014 112	1 623 975
– for services as directors	472 489	432 400
– equity-settled share-based payment	541 623	1 191 575
<i>Employee benefits expense</i>	3 056 712	2 593 459
– salaries – cost to company	3 341 756	2 524 495
– less amounts capitalised to intangible exploration and evaluation assets	(1 516 841)	(1 732 018)
– equity-settled share-based payments	1 231 797	1 800 982
Operating lease rentals – premises*	225 224	175 879
Legal fees	60 493	1 447 638
<i>Equity-settled share-based payment</i>		
– corporate advisors	161 438	2 148 600

\* In terms of the lease agreement, the monthly rental will escalate by 9% per annum and the agreement may be renewed with effect 1 February 2011 at the then market related terms.

	2009 R	2008 R
<b>15. Taxation</b>		
<b>The major components of income tax expenses</b>		
<b>South African normal tax</b>		
<i>Current income tax:</i>		
Current income tax charge	1 101 615	–
Capital gains tax on financial asset	2 002 210	2 073 355
Capital gains tax on waiving of right	–	6 267
<i>Secondary taxation on companies</i>		
Current income tax charge	–	4 322
<i>Deferred taxation</i>		
Relating to the origination and reversal of temporary differences	(2 071 846)	1 788 869
Income tax expense reported in the income statement	1 031 979	3 872 813
<i>Statement of changes in equity</i>		
Deferred tax related to items charged or credited directly to equity:		
Net (reduction)/gain on revaluation of land and buildings	(548 452)	715 026
Income tax(reversal)/expense reported in equity	(548 452)	715 026
<i>Reconciliation of effective tax rate</i>		
Total income tax expense differs from the amount computed by applying the South African normal tax rate to (loss)/profit before tax.		
The reasons for these differences are:		
South African normal tax rate	(28.0)	29.0
Increase in rate of tax due to:		
Disallowed expenditure	72.8	71.9
Capital gains tax*	0.0	0.5
Secondary tax on companies	0.0	0.1
Other adjustments	0.7	0.0
Decrease in rate of tax due to:		
Utilisation of tax losses	(3.1)	(16.8)
Capital gains tax*	(2.6)	0.0
Other adjustments	0.0	(0.7)
Effective tax rate	39.8	84.0

\* Includes the capital gains tax rate effect on the movement in temporary differences which are calculated at the capital gains tax rate.

## Notes to the financial statements *continued*

for the year ended 28 February 2009

	2009 R	2008 R
<b>16. Basic (loss)/earnings per share and headline (loss)/earnings per share</b>		
<b>16.1 Basic (loss)/earnings per share – cents</b>	<b>(13.14)</b>	2.82
The basic (loss)/earnings per ordinary share calculation is based on:		
• weighted average of 27 581 457 (2008: 26 089 194) shares outstanding during the year; and		
• net loss attributable to ordinary shareholders of R3 623 938 (2008: profit of R736 627).		
<b>16.2 Headline (loss)/earnings per share – cents</b>	<b>(13.19)</b>	2.82
The headline (loss)/earnings per ordinary share calculation is based on:		
• weighted average of 27 581 457 (2008: 26 089 194) shares outstanding during the year; and		
• net loss attributable to ordinary shareholders of R3 638 523 (2008: profit of R736 627).		
The (loss)/profit attributable to ordinary shareholders is reconciled to headline (loss)/profit as follows:		
Net (loss)/profit attributable to ordinary shareholders	<b>(3 623 938)</b>	736 627
Profit on disposal of non-current asset	<b>(14 585)</b>	–
Headline (loss)/profit	<b>(3 638 523)</b>	736 627
<b>17. Diluted (loss)/earnings per share and diluted headline (loss)/earnings per share</b>		
<b>17.1 Diluted (loss)/earnings per share – cents</b>	<b>(20.26)</b>	2.76
The calculation of diluted loss/(earnings) per ordinary share is based on:		
• diluted weighted average of 27 706 457 (2008: 26 689 194) shares outstanding during the year; and		
• diluted net loss attributable to ordinary shareholders of R5 614 572 (2008: profit of R736 627).		
The weighted average number of shares has been adjusted by the following to arrive at the diluted number of shares		
Weighted average number of shares	<b>27 581 457</b>	26 089 194
Effect of future equity-settled share-based payment transactions	<b>125 000</b>	600 000
Diluted weighted average number of shares	<b>27 706 457</b>	26 689 194
(Loss)/profit used to calculate diluted (loss)/earnings per share is reconciled as follows		
Net (loss)/profit attributable to ordinary shareholders	<b>(3 623 938)</b>	736 627
After-tax effect of future equity-settled share-based payment transactions	<b>(1 990 634)</b>	–
Diluted net (loss)/profit attributable to ordinary shareholders	<b>(5 614 572)</b>	736 627

	2009 R	2008 R
<b>17. Diluted(loss)/earnings per share and diluted headline (loss)/earnings per share</b> <i>continued</i>		
<b>17.2 Diluted headline (loss)/earnings per share – cents</b>	<b>(20.32)</b>	<b>2.76</b>
The calculation of diluted headline loss/(earnings) per ordinary share is based on:		
• diluted weighted average of 27 706 457 (2008: 26 689 194) shares outstanding during the year; and		
• diluted headline loss attributable to ordinary shareholders of R5 629 157 (2008: profit of R736 627).		
The diluted (loss)/profit attributable to ordinary shareholders is reconciled to diluted headline (loss)/profit as follows:		
Diluted net (loss)/profit attributable to ordinary shareholders	<b>(5 614 572)</b>	736 627
Profit on disposal of non-current asset	<b>(14 585)</b>	–
Diluted headline (loss)/profit	<b>(5 629 157)</b>	736 627
<b>18. Note to the cash flow statement</b>		
<b>18.1 Cash utilised in operating activities</b>		
(Loss)/profit for year before taxation	<b>(2 591 959)</b>	4 609 440
Adjustments for non-cash items:		
Depreciation	<b>441 204</b>	221 545
Equity-settled share-based payment	<b>2 851 506</b>	7 157 787
Fair value gain on financial asset	<b>(245 152)</b>	(14 126 675)
Profit on disposal of non-current asset	<b>(14 585)</b>	–
Finance income	<b>(15 411 414)</b>	(9 020 296)
Interest expense	<b>34 592</b>	–
(Decrease)/increase in provisions	<b>(106 000)</b>	506 000
	<b>(15 041 808)</b>	(10 652 199)
<i>Movements in working capital</i>		
Increase in trade and other receivables	<b>(184 005)</b>	(747 757)
(Decrease)/increase in trade and other payables	<b>(119 896)</b>	4 642 114
Cash utilised in operating activities	<b>(15 345 709)</b>	(6 757 842)
<b>18.2 Taxation paid</b>		
Taxation due at the beginning of the year	<b>2 083 944</b>	–
Normal company tax	<b>1 101 615</b>	–
Capital gains tax	<b>2 002 210</b>	2 079 622
Secondary taxation on companies	<b>–</b>	4 322
Taxation due at end of the year	<b>(5 183 447)</b>	(2 083 944)
Taxation paid for the year	<b>4 322</b>	–

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 19. Related party transactions

All identified related parties and any related transactions are discussed below:

### Operating lease

The Company rents office facilities, representing less than 2% of the total building, from The Johannesburg Land Company (Proprietary) Limited in which Mr Adam Fleming, the non-executive chairman of the Company, has an interest. Rental payments in terms of the agreement for the year ended 28 February 2009 were R209 404 (2008: R186 277). The terms of this rental agreement are equivalent to those that prevail in arm's length transactions.

### Key management compensation

There were no key management personnel other than the directors of the Company. For additional information on directors' emoluments and shareholding, refer to note 14 and the directors' report.

	2009 R	2008 R
<b>20. Commitments</b>		
<b>Operating lease commitments</b>		
The future operating lease charges for the office premises are:		
Payable within one year	203 907	187 071
Payable later than one year, but not later than five years	202 221	406 128
	<b>406 128</b>	<b>593 199</b>
Monthly operating lease charges escalate at a rate of 9% annually and are straight-lined over the period of the lease.		
<b>Rental of office equipment</b>		
Payable within one year	15 600	–
Payable later than one year, but not later than five years	53 300	–
	<b>68 900</b>	<b>–</b>
<b>Department of Minerals and Energy (DME) commitments</b>		
In terms of the Prospecting Rights granted to the Company by the DME, the Company has committed to spend the following amounts on exploration, over the period to February 2013:		
Payable within one year	9 265 429	10 723 637
Payable later than one year, but not later than five years	16 819 215	44 081 415
	<b>26 084 644</b>	<b>54 805 052</b>
<b>Property commitments</b>		
Outstanding commitments on land and buildings	–	135 000
<b>Investor relations</b>		
Conferences and consultants		
Payable within one year	979 200	153 924
Payable later than one year, but not later than five years	3 549 600	–
	<b>4 528 800</b>	<b>153 924</b>
<b>Consultants – Other</b>		
Payable within one year	2 498 907	–
Total commitments payable within one year	<b>12 963 043</b>	<b>11 199 632</b>
Total commitments payable later than one year, but not later than five years	<b>20 624 336</b>	<b>44 487 543</b>
Total commitments at year end	<b>33 587 379</b>	<b>55 687 175</b>

The above commitments will all be funded out of the Company's existing cash resources.

## 21. Financial risk management

### Overview

The Company has limited exposure to credit, liquidity and market risks from its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The board has established the audit and risk management committee, which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the board of directors on its activities. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's audit and risk management committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

### Credit risk

Credit risk represents the risk of financial loss due to a counter party to a financial instrument not discharging its obligation.

- *Investments*

This risk arises from the Company's investing activities and is limited by investing in entities with at least an "A" credit rating and in liquid securities only. At the year end the Company had R117 million (2008: R136 million) invested with ABSA Bank Limited.

- *Other receivables*

The Company has other receivables amounting to R1 508 824 of which R1 284 953 relates to SARS VAT receivable. Due to the nature of the Company's other receivables, there is no associated exposure to credit risk.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company is not exposed to any debt financing, however, it monitors its risk of a shortage of funds using in-house budgeting and forecasting tools. The Company's objective is to maintain a balance between its capital raising, and operating and exploration funding requirements. The exploration of the Company's Prospecting Rights is dependent upon the Company's ability to obtain additional financing through joint venturing of projects, debt financing, equity financing or other means.

The Company's financial liabilities comprise mainly trade and other payables. The main purpose of these financial liabilities is to facilitate the day to day management of the Company's operations. To ensure adequate liquidity, the Company maintains its cash balances on daily call accounts.

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

- *Currency risk*

The Company was exposed to currency risk in the prior year in relation to its financial asset. During the current year, this risk has been eliminated due to the financial asset having been settled in full.

- *Interest rate risk*

The Company is exposed to interest rate risk on its cash balances. Surplus cash is placed on call with financial institutions and management actively negotiates favourable market related interest rates.

- *Equity price risk*

The Company does not hold any investments in equity instruments and is thus not exposed to equity price risk.

# Notes to the financial statements *continued*

for the year ended 28 February 2009

## 21. Financial risk management *continued*

### Capital management

The board's policy is to maintain an adequate capital base (cash on hand) to maintain investor, creditor and market confidence and to sustain future development of the business. The Company's objective is to maintain a balance between its capital raising, and operating and exploration expenditure by regularly forecasting future cash requirements.

There were no changes in the Company's approach to capital management during the year. The Company is subject to externally imposed capital requirements in terms of complying with the conditions under which its Prospecting Rights have been granted. The Prospecting Rights have been granted by the Department of Minerals and Energy (DME). To date the Company has complied with these commitments to the DME. For additional information regarding these commitments, refer to note 20.

### Overall risk

From the above, the Company does not have any significant risks in respect of liquidity risk, currency risk, and equity price risk. As a result of this no sensitivity and maturity analysis has been disclosed due to the Company's limited exposure to these risks.

A sensitivity analysis has been performed only on the interest rate risk.

### Fair values

Set out below is a comparison by class of carrying amounts and fair values of all the Company's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2009 R	2008 R	2009 R	2008 R
<b>Financial assets</b>				
<i>Fair value through profit and loss</i>				
Financial asset	–	14 053 848	–	14 053 848
<i>Amortised cost</i>				
Other receivables	1 508 824	1 324 819	1 508 824	1 324 819
Cash and cash equivalents	117 063 136	136 068 070	117 063 136	136 068 070
<b>Financial liabilities</b>				
<i>Amortised cost</i>				
Trade and other payables	6 740 930	6 860 826	6 740 930	6 860 826

### Sensitivity analysis

A ten percent increase/(decrease) in the interest rate received would result in an adjustment to profit/(loss) of R1.6 million/ (R1.5 million) before tax. This analysis assumes that all other variables remain constant.

## 22. Acquisition of Prospecting Rights

The Company previously acquired 'old order' Mineral Rights at a value of R14 million from AngloGold Ashanti Limited, Gold Fields Limited and ARMGold-Harmony Freegold Joint Venture Company (Proprietary) Limited. In terms of the acquisition agreements, should the Company proceed with the construction of a mine on the land to which these Prospecting Rights attach, then the respective seller of those Prospecting Rights has an option to participate up to a 40% beneficial interest in that mine. Should the Company sell a project at a market related price, the original owner will be entitled to receive 50% of the proceeds less a three time multiple of historical exploration expenditure.

All options included in the agreements to acquire the exploration and evaluation assets are treated as financial liabilities which are recorded at fair value and re-measured at each reporting date. As the Company is still in the exploration stage and as of the balance sheet date, a significant amount of drilling and exploration work has not been performed that would lead to the change in classification from Inferred Resources to Indicated Resources, the value of the options is nominal and no amounts have been recorded.

## 22. Acquisition of Prospecting Rights *continued*

### Rights of third parties relating to unused old order Mineral Rights

Certain of the Company's acquired unused old order Mineral Rights were subject to Participation Rights and royalties in favour of third parties. Since these unused old order Mineral Rights have been converted into new order Prospecting Rights in terms of the Minerals and Petroleum Resources Development Act (MPRDA) and the Royalty Bill, there is uncertainty as to the legal status of these third party rights.

In terms of the agreements with the sellers of these unused old order Mineral Rights, should the Company proceed with a mine, then the Company and the seller may suffer proportionate dilution of their respective interests to accommodate the rights of the holders of the Participation Rights and royalties.

The option of royalty payments only applies to a portion of the old order Mineral Rights acquired from AngloGold Ashanti Limited, which had an agreement with Anglo Operations Limited. Pursuant to this agreement Anglo Operations Limited had an option to elect to receive a royalty of 20 percent of AngloGold Ashanti's pre-tax profits or a 15 percent Subscription Right in a mine developed over these minerals.

Should the above participation and royalty rights be valid in terms of the new legislation, and should the third parties elect to subscribe for their shares, the Company's interest in these mineral properties may be diluted accordingly.

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## 23. Equity-settled share-based payment

### 23.1 Share options granted for advisory services received

The Company has entered into an agreement whereby Fleming Family & Partners Advisory Limited (FF&P) and JP Morgan Equities Limited (JP Morgan) were engaged to act as financial and corporate advisor and global coordinator/transactional sponsor respectively, to the Company in relation to the listing of the Company's shares on the JSE Limited stock exchange, a capital raising and secondary listing on a North American stock exchange in calendar year 2007. In terms of the agreements:

FF&P was granted, subject to the JSE Limited's Listings Requirements, the following options to acquire shares:

- 500 000 shares at R6.37 per share on the successful completion of a listing of the Company's shares on the JSE Limited. This option can be exercised at any time within two years after the date of the successful listing of the Company. However, in accordance with section 5.127 of the Listings Requirements, these shares may not be disposed of prior to 24 April 2008. This clause has been waived by the JSE Limited. Should FF&P realise an excess greater than US\$4.5 million on the sale of the shares, 50% of the excess will be payable to the Company.

In April 2008, FF&P exercised these options and disposed of the underlying shares. This transaction resulted in the Company receiving R3 185 000 in connection with the exercise price of these options and a further R14 299 000 in respect of certain rights granted to the Company under its agreement with FF&P.

- 200 000 shares at R31.85 per share on the earlier of the successful completion of a secondary listing on a North American stock exchange and a capital raising transaction in calendar year 2007, or 31 December 2007. This option can be exercised at any time within two years commencing on the earlier of the completion of a capital raising transaction and secondary listing in 2007 or 31 December 2007. However, in accordance with section 5.127 of the Listings Requirements these shares may not be disposed of prior to 24 April 2008. This clause has been waived by the JSE Limited. Should FF&P realise an excess greater than US\$3 million on the sale of the shares, 50% of the excess will be payable to the Company.

In December 2007 FF&P exercised 100 000 of these 200 000 options. In terms of this sale the Company received R3 185 000 in connection with the exercise price of these options and no excess accrued to the Company in respect of certain rights granted to the Company under its agreement with FF&P upon selling the underlying shares to a third party.

In April 2008, FF&P exercised the remainder of these options and disposed of the underlying shares. This transaction resulted in the Company receiving R3 185 000 in connection with the exercise price of these options and no excess accrued to the Company in respect of its rights granted under the agreement with FF&P; and

## Notes to the financial statements *continued*

for the year ended 28 February 2009

### 23. Equity-settled share-based payment *continued*

#### 23.1 Share options granted for advisory services received *continued*

JP Morgan was granted, subject to the JSE Limited's Listings Requirements, the following options to acquire shares:

- 500 000 shares at R6.37 per share on the successful completion of a listing of the Company's shares on the JSE Limited. This option can be exercised at any time within twenty seven months after the date of the successful listing of the Company. On 4 April 2007 the Company agreed to extend the exercise period to twenty seven months, previously it was twenty four months. However, in accordance with section 5.127 of the Listings Requirements these shares may not be disposed of prior to 24 April 2008. This clause has been waived by the JSE Limited. Should JP Morgan realise an excess greater than US\$4.5 million on the sale of the shares, 50% of the excess will be payable to the Company.

In December 2007 JP Morgan exercised all of these options. This resulted in the Company receiving R3 185 000 in connection with the exercise price of these options and a further R14 299 000 in respect of certain rights granted to the Company under its agreement with JP Morgan upon selling the underlying shares to a third party.

- 200 000 shares at R31.85 per share on the earlier of the successful completion of a secondary listing on a North American stock exchange and a capital raising transaction in calendar year 2007, or 31 December 2007. This option can be exercised at any time within two years commencing on the earlier of the completion of a capital raising transaction and secondary listing in 2007 or 31 December 2007. However, in accordance with section 5.127 of the Listings Requirements these shares may not be disposed of prior to 24 April 2008. This clause has been waived by the JSE Limited. Should JP Morgan realise an excess greater than US\$3 million on the sale of the shares, 50% of the excess will be payable to the Company.

In December 2007 JP Morgan exercised all of these options. The terms of this sale the Company received R6 370 000 in connection with the exercise price of these options and no excess accrued to the Company in respect of certain rights granted to the Company under its agreement with JP Morgan upon selling the underlying shares to a third party.

Details of the share options outstanding during the year are as follows:

	28 February 2009		29 February 2008	
	Number of share options	Weighted average exercise price R	Number of share options	Weighted average exercise price R
Outstanding at the beginning of the year	600 000	10.62	1 400 000	13.65
Exercised during the year	(600 000)	(10.62)	(800 000)	(15.93)
Outstanding at the end of the year	–		600 000	

The Company recognised a total expense of R nil (2008: R2 148 600) related to these equity-settled share-based payment transactions, refer to notes 11 and 14. The fair value of these services amounting to R8 million is based on an estimation of the amount of work undertaken during the respective financial years and at market values of similar services and is recognised over a period of 33 months (2008: 33 months) for JP Morgan and 39 months (2008: 39 months) for FF&P.

## 23. Equity-settled share-based payment *continued*

### 23.2 Shares allocated to employee for services received

During the year, 4 841 (2008: 69 429) shares were reserved for participants in terms of the Company's share incentive scheme, refer to note 10. These shares will vest proportionately on an annual basis, over the period to 28 February 2010. 25 000 shares outside of the scheme mentioned above were reserved for an employee at the end of May 2006 and they will vest equally on an annual basis, over the three years ending 31 May 2009.

The fair value of these services is measured on grant date, based on the difference between the fair value of the shares allocated and any amount the employee pays for the shares. The expense is recognised in the income statement as an employee expense over any vesting period, and a corresponding amount is credited to an equity-settled share-based payment reserve, which forms part of the Company's equity.

The Company recognised a total expense of R2 690 068 (2008: R5 009 187) related to these equity-settled share-based payment transactions, refer to notes 11 and 14.

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## 24. Segmental information

The Company operates in the exploration sector which is deemed to be its only business segment. The Company operates in only one geographical segment within South Africa. Thus no segmental report has been prepared.

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## 25. Events after the balance sheet date

No material events have occurred between the balance sheet date and approval of these financial statements.

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# Shareholder information

as at 28 February 2009

Range of shareholding	Number of shareholders	% of total shareholders	Number of shares held	% of issued capital
1 - 1000	288	60.0	171 270	0.61
1001-10000	80	16.7	323 498	1.16
10001-100000	80	16.7	2 308 653	8.28
100001-1000000	27	5.6	8 204 647	29.42
1000001 shares and over	5	1.0	16 882 848	60.53
	<b>480</b>	<b>100.0</b>	<b>27 890 916</b>	<b>100.00</b>

## Public/Non-public shareholders

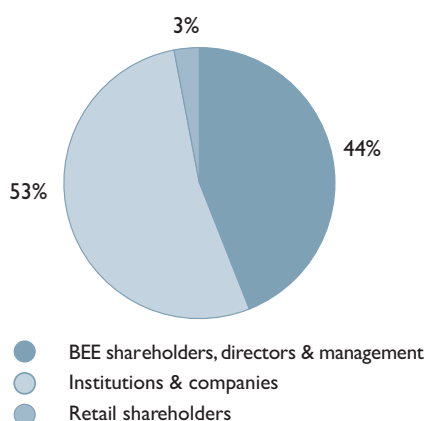
Non-public shareholders	8	1.67	13 968 410	50.08
Directors	6	1.25	4 322 347	15.50
10%+ holdings	2	0.42	9 646 063	34.58
Public shareholders	472	98.33	13 922 506	49.92
	<b>480</b>	<b>100.00</b>	<b>27 890 916</b>	<b>100.00</b>

## Share price performance

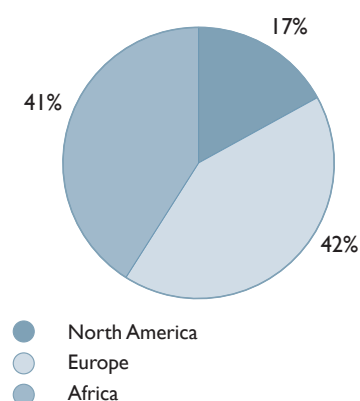
Opening price 01 March 2008	R116.00
Closing price 27 February 2009	R44.01
High for the period	R125.00
Low for the period	R1.05*
Number of shares in issue	27 890 916
Volume traded during period	1 820 833
Ratio of volume traded to shares issued	6.53%

\*Refer to JSE Limited Securities Exchange News Service (SENS) announcement dated 10 September 2008

### Shareholder base



### Geographic distribution of shares



# Shareholder diary

Financial year end	28 February 2009
Annual general meeting	24 July 2009
Future deadlines for the release of company reports and financial statements (financial year 2010)	
Interim report	Prior to 30 November 2009
Annual financial statements	Prior to 31 August 2010

# Notice of annual general meeting

## Witwatersrand Consolidated Gold Resources Limited

Registration number 2002/031365/06  
(the Company)

### Notice to members

Notice is hereby given that the 6th annual general meeting of the members of the Company will be held at the Wanderers Club, 21 North Road, Illovo, Johannesburg on 24 July 2009 at 12.00 hours for the following purposes:

1. To receive, consider and adopt the annual financial statements of the Company for the year ended 28 February 2009, including the reports of the directors and auditors.
2. To ratify the re-appointment of KPMG Inc as auditors for the ensuing year and to approve the auditor's remuneration.
3. To approve the directors' fees for the year ended 28 February 2009.

#### Ordinary Resolution No 1

"Resolved that Mr Adam Richard Fleming, being a director of the Company retiring by rotation in terms of the Company's Articles of Association and being eligible has offered himself for re-election, be and is hereby re-appointed as director of the Company. The nominations committee recommends the candidate for re-election".

#### Ordinary Resolution No 2

"Resolved that Dr Marcus Barrie Watchorn, being a director of the Company retiring by rotation in terms of the Company's Articles of Association and being eligible has offered himself for re-election, be and is hereby re-appointed as director of the Company. The nominations committee recommends the candidate for re-election".

(A brief *curriculum vitae* in respect of each director referred to above appears on page 2 and 3 of this annual report.)

#### Ordinary Resolution No 3

"Resolved that the entire authorised but unissued ordinary share capital of the Company, be and is hereby placed under the control of the directors in terms of Section 221 of the Companies Act, Act 61 of 1973, as amended, and to renew the authority of the directors to allot and issue no more than 15% of all the issued shares of the Company on such terms and conditions as they may deem fit, subject to the provisions of the Companies Act, Act 61 of 1973, as amended, and the requirements of the JSE Limited."

#### Ordinary Resolution No 4

"Resolved that the directors of the Company be authorised by way of a general authority to issue all or any of the shares for cash as they in their discretion deem fit, subject to the Companies Act, Act 61 of 1973, as amended, the Articles, the Listings Requirements of the JSE Limited (the Listings Requirements) and the following limitations, namely that:

- this authority shall be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of this resolution, whichever period is shorter;
- the shares which are the subject of the issue must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class of shares already in issue;
- the shares must be issued to public shareholders and not related parties (as those terms are defined in the Listings Requirements);
- the shares which are the subject of the issue may not exceed 15% in the aggregate in any one financial year of the number of shares of that class in issue;
- the maximum discount at which the shares may be issued is 10% of the weighted average traded price of the Company's ordinary shares measured over 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company; and
- announcements being published in accordance with the provisions of paragraph 11.22 of the Listings Requirements."

Approval for this ordinary resolution is obtained by achieving a 75% majority of the votes cast in favour of this resolution at the annual general meeting by all members present or represented by proxy.

## Notice of annual general meeting *continued*

### Voting and Proxies

On a show of hands every member present in person or represented in terms of section 188 of the Companies Act shall have one vote and on a poll every member present in person or by proxy or so represented shall have one vote for every share held by such member. Each ordinary shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy (who need not be a member of the Company) to attend, speak and vote in his stead. Proxy forms, in the form attached to this notice, must be received at the registered office of the Company not later than 12.00 hours on 22 July 2009.

If a shareholder holds certificated shares or is registered as an own name dematerialised shareholder, then:

- he may attend and vote at the annual general meeting; alternatively
- he may appoint a proxy to represent him at the annual general meeting by completing the attached form of proxy and returning it to the registered office of the Company to be received by no later than 48 hours prior to the time appointed for the holding of the meeting (excluding Saturdays, Sundays and public holidays).

If a shareholder owns dematerialised shares and is not registered as an own name dematerialised shareholder, then subject to the mandate between himself and his Central Security Depository Participant (CSDP) or broker :

- if he wishes to attend the annual general meeting he must contact his CSDP or broker, as the case may be, and obtain the relevant letter of representation from it; alternatively
- if he is unable to attend the annual general meeting but wishes to be represented at the meeting, he must contact his CSDP or broker, as the case may be, and furnish it with his voting instructions in respect of the annual general meeting. He must not complete the attached proxy form. The instructions must be provided in accordance with the mandate between himself and his CSDP or broker, as the case may be, within the time period required by his CSDP or broker, as the case may be.

In terms of the Listings Requirements of the JSE Limited, the Company's ordinary shares held in the Wits Gold share incentive scheme will not have their votes at the annual general meeting taken into account for resolution approval purposes.

By order of the board of directors



**Brian Dowden**

*Company secretary*

7 Pam Road  
Morningside  
2057  
South Africa  
Date

# Form of proxy

**Witwatersrand Consolidated Gold Resources Limited**  
**(the Company)**  
**Proxy/Ballot Form for voting at the 6th Annual General Meeting**

For use by the holders of the Company's certificated ordinary shares (certificated shareholders) and/or dematerialised ordinary shares held through a Central Securities Depository Participant (CSDP) or broker who have selected "own name" registration (own name dematerialised shareholders) at the annual general meeting of the Company to be held at 12h00 on 24 July 2009, or at any adjournment thereof if required. Additional forms of proxy are available from the transfer secretaries of the Company.

Not for use by holders of the Company's dematerialised ordinary shares who have not selected "own name" registration. Such shareholders must contact their CSDP or broker timeously if they wish to attend and vote at the annual general meeting and request that they be issued with the necessary authorisation to do so or provide the CSDP or broker timeously with their voting instructions should they not wish to attend the annual general meeting in order for the CSDP or broker to vote in accordance with their instructions at the annual general meeting.

I/We (block letters)

\_\_\_\_\_

of \_\_\_\_\_

being a member of the Company and the holder(s) of  ordinary shares in the Company, hereby appoint (see note 1):

- |          |          |                     |
|----------|----------|---------------------|
| 1. _____ | of _____ | or failing him/her, |
| 2. _____ | of _____ | or failing him/her, |
| 3. _____ | of _____ | or failing him/her, |

4. the chairman of the general meeting,

as my/our proxy to vote for me/us and act on my/our behalf at the annual general meeting which is to be held on 24 July 2009 or at any adjournment thereof, as follows:

Ordinary business	In favour of	Against	Abstain
1. Receive and adopt annual financial statements			
2. To ratify the re-appointment and remuneration of auditors			
3. Approval of directors' fees			
4. <i>Ordinary resolution No 1</i> (re-appointment of director – Mr A R Fleming)			
5. <i>Ordinary resolution No 2</i> (re-appointment of director – Dr M B Watchorn)			
6. <i>Ordinary resolution No 3</i> (general authority for board of directors to issue unissued shares)			
7. <i>Ordinary resolution No 4</i> (general authority for board of directors to issue shares for cash)			

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2009

(Signature) \_\_\_\_\_

A member entitled to attend and vote at the abovementioned meeting is entitled to appoint one or more proxies (none of whom need be a member of the Company) to attend and speak and vote at the abovementioned general meeting in place of that member and such proxy need not also be a member of the Company.

# Notes to the form of proxy

1. A shareholder may insert the name of a proxy or the names of three alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the general meeting", but any such deletion must be initialled by the shareholder. The person whose name stands first on the proxy form and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of a cross in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or by his proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his proxy.
3. Forms of proxy must be lodged with or posted to the Company at the 12th Floor, 70 Fox Street, Johannesburg to reach them not later than 12.00 hours on 22 July 2009.
4. The completion and lodging of this proxy form will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
5. Documentary evidence establishing the authority of a person signing this proxy form in a representative or other legal capacity must be attached to this proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the general meeting.
6. Any alteration or correction made to this proxy form must be initialled by the signatory/ies.



# Administration and contact details

## **Witwatersrand Consolidated Gold Resources Limited**

(Incorporated in the Republic of South Africa under the Companies Act No 61 of 1973 (as amended) with registration number 2002/031365/06)

### **Date of incorporation**

11 December 2002

### **Place of incorporation**

South Africa

### **Registered office**

12th floor, 70 Fox Street  
Johannesburg 2001

### **Postal address**

PO Box 61147  
Marshalltown 2107  
South Africa

### **Telephone and fax numbers**

Telephone: +27 (11) 832 1749  
Fax: +27 (11) 838 3208

E-mail: Chief executive officer: [marcw@witsgold.com](mailto:marcw@witsgold.com)

Investor relations manager: [hethenh@witsgold.com](mailto:hethenh@witsgold.com)

### **Company secretary**

Mr Brian Dowden  
7 Pam Road  
Morningside Ext 5  
Sandton, Johannesburg 2057  
PO Box 651129, Benmore 2010  
South Africa

### **Auditors**

KPMG Inc  
KPMG Crescent  
85 Empire Road, Parktown 2193  
Private Bag X9, Parkview 2122  
South Africa

### **Transfer secretaries**

JSE Limited:  
Link Market Services South Africa (Pty) Limited  
5th floor, 11 Diagonal Street  
Johannesburg 2001  
PO Box 4844, Johannesburg 2000  
South Africa

### **TSX:**

CIBC Mellon Trust Company  
320 Bay Street  
Toronto Ontario M5H 4A6  
PO Box 46205  
Postal Station 'A'  
Toronto Ontario M5W 4K9  
Canada

### **Sponsor**

PricewaterhouseCoopers Corporate Finance (Pty) Limited  
2 Eglin Road, Sunninghill 2157  
Private Bag X37, Sunninghill 2157  
South Africa

### **American Depositary Receipts (ADR)**

The Bank of New York Mellon  
101 Barclay Street  
New York  
NY 10286 USA  
[www.adrbnymellon.com](http://www.adrbnymellon.com) (Share code WIWPTY)



**WITS GOLD**

Witwatersrand Consolidated Gold Resources Ltd

[www.witsgold.com](http://www.witsgold.com)