

RANDGOLD

RANDGOLD & EXPLORATION COMPANY LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1992/005642/06)

Share code: RNG ISIN: ZAE000008819 (suspended)

("R&E" or "the Company")

INFORMATION UPDATE TO R&E SHAREHOLDERS

This document is intended to update shareholders of R&E with relevant information regarding amongst other things an updated NAV as at 31 March 2008, (the previous NAV as at 31 March 2007 having been published on 13 December 2007), an overview of the R&E claims against JCI, an updated summarised forensic report and an update in regard to R&E's claims against third parties and in respect of settlements concluded.

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R&E shareholders are advised that certain information contained in previously published Annexures may contain information which may subsequently have changed due to the ongoing forensic investigations.

This document is only available in English and copies thereof may be obtained from the registered office of R&E and are also available on R&E's website www.randgold.co.za

FORWARD-LOOKING STATEMENT DISCLAIMER FOR R&E

Certain statements in this Information Update to shareholders, as well as oral statements that may be made by the officers, directors or employees of R&E acting on its behalf relating to such information, contain "forward-looking statements" within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. All statements, other than statements of historical facts, are "forward-looking statements". These include, without limitation, those statements concerning the net assets of R&E; the fairness of the proposed merger ratio; the ability of R&E and JCI to successfully consummate a merger that is approved by the shareholders and is acceptable to the necessary governmental authorities or reach a negotiated settlement, or, failing that, to successfully complete an arbitration in a costly manner and the timing thereof; the fraud and misappropriation that are alleged to have occurred and the time periods affected thereby; the ability of R&E and JCI to recover any misappropriated assets and investments; the outcome of any proceedings on behalf of, or against R&E or JCI; the ability of each of R&E and JCI to complete its forensic investigation and prepare financial statements in accordance with IFRS; the time period for completing the forensic investigation and financial statements in accordance with IFRS; the amount of any claims R&E is or is not able to recover against others, including JCI, and the ultimate impact on the previously released financial statements and results, assets and investments, including with respect to Randgold Resources Limited, business, operations, economic performance, financial condition, outlook and trading markets of R&E and JCI. Although R&E and JCI believe that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct, particularly in light of the extent of the alleged frauds and misappropriations uncovered to date. Actual results could differ materially from those implied by or set out in the forward-looking statements.

Among other factors, these include the inherent difficulties and uncertainties in ascertaining the combined values of the net assets of R&E and JCI, particularly in light of the absence of any independent valuations; the existence of any unknown liabilities; the age of the financial information included in this Information Update to shareholders and the absence of any financial statements in accordance with IFRS or unqualified fairness opinions; the ability of R&E to obtain the necessary regulatory dispensations and the willingness of any governmental authority to sanction any merger in light of the absence of independent valuations or otherwise; the extent, magnitude and scope of any fraud and misappropriation that may be ultimately determined to have occurred and the time periods and facts related thereto following the completion of the forensic investigation and any other investigations that may be commenced and the ultimate outcome of such forensic investigation; the ability of R&E to successfully assert any claims it may have against other parties for fraud or misappropriation of R&E's assets or otherwise and the solvency of any such parties, including JCI; the ability of any alleged perpetrators to successfully counter-sue JCI following any merger for any recoveries that R&E may be able to obtain; which would reduce the value of JCI and accordingly R&E; the acceptance of any statement and opinion of the Mediators by the shareholders of R&E and JCI; the ability of R&E and JCI to successfully defend any counterclaims or proceedings against them; the ability of each of R&E and JCI and the forensic investigators to obtain the necessary information with respect to the transactions, assets, investments, subsidiaries and associated entities of R&E and JCI to complete the forensic investigation and prepare financial statements in accordance with IFRS; the willingness and ability of the forensic investigators and auditors to issue any final opinions with respect thereto; the ability of R&E to implement improved systems and to correct its late reporting; the JSE Limited's willingness to lift its suspension of the trading of R&E's securities on that exchange; changes in economic and market conditions; fluctuations in commodity prices and exchange rates; the success of any business and operating initiatives, including any mining rights; changes in the regulatory environment and other government actions; business and operational risk management; other matters not yet known to R&E or JCI or not currently considered material by R&E or JCI; and the risks identified in R&E's press releases and other filings and submissions previously made with the SEC.

All forward-looking statements attributable to R&E, or persons acting on its behalf, are qualified in their entirety by these cautionary statements. R&E expressly disclaims any obligation to release publicly any update or revisions to any forward-looking statements to reflect any changes in expectations, or any change in events or circumstances on which those statements are based, unless otherwise required by law.

LACK OF AUDITED FINANCIAL INFORMATION AND LIMITATIONS ON FINANCIAL INFORMATION – CAVEAT

This Information Update to shareholders does not contain any audited historical financial information that is ordinarily required by the South African and US securities laws due to the frauds and misappropriations that have occurred. In addition, and for similar reasons, this Information Update to shareholders contains only an unaudited Group NAV statement for R&E as at 31 March 2008, but does not include any historical statement of operations, financial information or any more recent balance sheet information that is ordinarily required by the South African and US securities laws.

The financial information included in this Information Update to shareholders has been prepared by, and is the responsibility of the directors of R&E. The directors, comprising the current board (subsequent to 24 August 2005), have relied on the forensic reports referred to herein and used their respective reasonable endeavours to make available the information used in the preparation of the financial information included in this Information Update to shareholders. Notwithstanding the reasonable endeavours of the directors as described herein, attention of shareholders is drawn to the fact that:

- the newly constituted board of R&E was appointed subsequent to material events and circumstances which had a direct effect on the financial and other affairs of R&E;*
- the directors, comprising the current board, have no further knowledge of the material circumstances and events which have affected the financial and other affairs of R&E; and*
- due to the extent of the alleged frauds and misappropriations referred to herein, there may be other material events and circumstances or liabilities of which the directors are not aware, which may have a material effect on R&E and which may affect the accuracy and completeness of the information reflected in the financial information and/or may have the effect that the financial information does not reflect a true and complete account of the financial and other affairs of R&E.*

Whilst KPMG has provided reports in which they have provided limited assurance conclusions on this financial information (refer to Annexure 4), KPMG has not performed an audit or review of this financial information in accordance with International Standards on Auditing or International Standards on Review Engagements, and therefore has not expressed an audit or review opinion in accordance with such standards.

Given the inhibiting factors referred to, the unaudited Group NAV statements included in this Information Update to shareholders could not be prepared in accordance with the published guidelines of the JSE or the SEC for the preparation and presentation of financial statements and pro forma financial information. Accordingly, this information does not include financial statements and financial information disclosures of all information that is required by the guidelines of the JSE and the SEC and may include information those guidelines would exclude.

The unaudited financial information contained in this Information Update to shareholders has not been prepared in accordance with IFRS or US GAAP. This Information Update to shareholders does not contain a reconciliation of financial information to IFRS or US GAAP, and no assurance can be given that such a reconciliation would not reveal material differences. Shareholders must rely upon their own examination of R&E and the financial information. Shareholders should consult their own professional advisors for an understanding of the differences between this financial information and IFRS or US GAAP and how those differences might affect the financial information herein.

INTERPRETATIONS AND DEFINITIONS

Throughout this document, unless the context indicates otherwise, the words in the left hand column below shall have the meaning stated opposite them in the right hand column below. Reference to the singular shall include the plural and *vice versa*, words denoting one gender shall include the other genders, words and expressions denoting natural persons shall include juristic persons and associations of persons:

“Act”	the Companies Act No 61 of 1973, as amended;
“ADRs”	American Depositary Receipts, evidencing American Depositary shares, each American Depositary Receipt representing 1 (one) R&E share;
“AFSA”	the Arbitration Foundation of South Africa;
“Allan Gray”	Allan Gray Limited (Registration number 2005/002576/06), a company incorporated in South Africa;
“Annual Financial Statements”	financial statements prepared in accordance with IFRS;
“AU\$”	Australian dollar, the unit of currency in Australia;
“BEE”	the Black Economic Empowerment Act No. 53 of 2003;
“Blersch”	Johann Blersch, a former director of R&E, he having served on the Board of R&E between 14 August 2006 to 9 March 2007;
“Board of R&E” or “R&E directors” or “R&E Board”	the Board of Directors of R&E from time to time;
“Brett”	the late Roger Brett Kebble, the former CEO of R&E and JCI, who passed away on 27 September 2005, he having served as the CEO of R&E between 24 July 2003 to 24 August 2005;
“CEO”	Chief Executive Officer;
“Charles Orbach”	Charles Orbach & Company (Registration number 2003/009496/07), a company incorporated in South Africa;
“CMMS”	Consolidated Mining Management Services Limited (Registration number 1925/008135/06), a company incorporated in South Africa and a subsidiary of JCI;
“the Company” or “R&E”	Randgold & Exploration Company Limited (Registration number 1992/005642/06), a company incorporated in South Africa, the shares of which are listed on the JSE, and which are currently suspended;
“CSDP”	a Central Securities Depository Participant accepted as a participant in terms of the Securities Services Act;
“Dale”	Thomas Graham Dale, a former director of R&E, he having served on the Board of R&E between 14 August 2006 to 9 March 2007;
“day” or “days”	any day other than a Saturday, Sunday or an official public holiday in South Africa;
“dematerialised”	the process whereby paper share certificates or other physical documents of title are replaced with electronic records of ownership of shares or securities under Strate, with a duly appointed CSDP or broker;
“DME”	the Department of Minerals and Energy;
“documents of title”	share certificates, certified transfer deeds, balance receipts or any other physical documents of title pertaining to the R&E shares in question acceptable to the Board of R&E;

“DRD”	DRD Gold Limited (Registration number 1895/000926/06), a company incorporated in South Africa, the shares of which are listed on the JSE;
“Du Preez Leger Project”	the Du Preez Leger Project is a project encompassing the farms Du Preez Leger 324, Jonkersrus 72, Milo 639, Rebelkop 456, Tweepan 678 and Vermeulenskraal 223 located in the district of Virginia in the Free State Province;
“the 8th of May report”	the report prepared by KPMG Services at the instance of JCI dated 8 May 2006 for the purposes of the mediation;
“the forensic report of JLMC”	the report prepared by JLMC at the instance of R&E dated 20 June 2006 for the purposes of the mediation;
“FSD”	Free State Development and Investment Corporation Limited (Registration number 1944/016931/06), a public company incorporated in South Africa, jointly held by JCI and R&E;
“the further JCI Report”	the further report which was prepared by KPMG Services at the instance of JCI, in September 2006;
“GFO”	Gold Fields Operations Limited (formerly Western Areas Limited) (Registration number 1959/003209/06), a public company incorporated in South Africa and a wholly-owned subsidiary of Gold Fields;
“GFO transaction”	the relinquishment by R&E and Goldridge (a subsidiary of FSD) of rights contiguous to the South Deep gold mine to GFO, details of which are included in the circular to R&E shareholders issued on 15 October 2007;
“Goldridge”	Goldridge Gold Mining Company (Proprietary) Limited (Registration number 1974/003333/07), a private company incorporated in South Africa; Goldridge is a 100% owned subsidiary of FSD;
“g/t”	grams of gold per tonne;
“Gold Fields”	Gold Fields Limited (Registration number 1968/004880/06), a company incorporated in South Africa, the shares of which are listed on the JSE, and the New York Stock Exchange;
“Gray”	Peter Henry Gray, the former CEO of R&E, he having been appointed as such on 24 August 2005 and held such office until 11 July 2008;
“Harmony”	Harmony Gold Mining Company Limited (Registration number 1950/038232), a public company incorporated in South Africa, the shares of which are listed on the JSE, the New York Stock Exchange and the NASDAQ Stock Market;
“IFRS”	International Financial Reporting Standards as adopted by the International Accounting Standards Board;
“Income Tax”	Income Tax levied in terms of the Income Tax Act;
“Income Tax Act”	the Income Tax Act 1962 (Act 58 of 1962), as amended;
“Investec”	Investec Bank Limited (Registration number 1969/004763/06), a company incorporated in South Africa, the shares of which are listed on the JSE;
“JCI”	JCI Limited (Registration number 1894/000854/06), a company incorporated in South Africa, the shares of which are listed on the JSE, but which are suspended;
“JCI Group”	JCI and its subsidiaries and associated companies;
“JCI Group Net Asset Value Statement”	the JCI Group Net Asset Value Statement published on 13 December 2007;

“JCI shares”	ordinary shares of R0,01 (One Cent) each in the issued share capital of JCI;
“JLMC”	John Louw McKnight & Co (Proprietary) Limited (Registration number 2004/034874/07), a company incorporated in South Africa, formerly known as Umbono Financial Advisory Services (Proprietary) Limited and appointed as R&E’s forensic auditors;
“JORC”	the Australasian Joint Ore Reserves Committee, based in Australia have developed an internationally accepted code for defining ore “resources” and “reserves”;
“JSE”	JSE Limited (Registration number 2005/022939/06), a company incorporated in South Africa, which is licensed as an exchange under the Securities Services Act;
“the Kebble era”	the era during which Brett was the CEO of R&E and JCI, being 24 July 2003 to 24 August 2005 (in the case of R&E) and 1 September 1997 to 24 August 2005 (in the case of JCI);
“Kelgran”	Kelgran Limited (Registration number 1975/004595/06), a public company incorporated in South Africa, the shares of which are listed on the JSE but which are currently suspended;
“KPMG”	KPMG Inc. (Registration number 1999/021543/21), a company incorporated in South Africa;
“KPMG Services”	KPMG Services (Proprietary) Limited (Registration number 1999/012876/07), a company incorporated in South Africa and appointed as JCI’s forensic auditors;
“Lamprecht”	John Chris Lamprecht, the former Financial Director of R&E and JCI, he having served on the Board of R&E between 24 August 2005 and 16 May 2006;
“Letseng Diamonds”	Letseng Diamonds Limited (Guernsey), a company incorporated in Guernsey under registration number 31750;
“Madumise”	Motsehoa Brenda Madumise, a current non-executive director of R&E, she having been appointed as such on 24 July 2003;
“Mediators”	Advocate S F Burger SC, Professor H E Wainer, CA(SA), and Mr C Nupen, appointed in terms of the Mediation Agreement;
“mediation”	the mediation in which R&E and JCI are currently engaged, pursuant to the Mediation Agreement;
“Mediation Agreement”	the Mediation/Arbitration Agreement concluded between R&E and JCI on 7 April 2006, as amended, together with the Addenda thereto, providing for the determination of the R&E and JCI claims as defined therein and the appointment of the Mediators;
“merger ratio”	the exchange of 1 (one) new R&E share for 95 (ninety-five) JCI shares;
“MOU”	Memorandum of Understanding;
“Moz”	million ounces;
“Nasdaq”	Nasdaq National Market, an automated inter-dealer quotation system in the United States on which the ADRs were previously quoted before being delisted;
“NAV”	Net Asset Value;
“newly constituted Board of R&E”	the Board of R&E as reconstituted on 24 August 2005 to comprise Gray, Lamprecht, Madumise and Nissen and with effect from 7 October 2005, Nurek;
“NI 43-101”	the standard for the reporting of minerals by competent persons established in Canada;

“Nissen”	Andrew Christoffel Nissen, a former director of R&E and a current director of JCI (he having resigned as a director of R&E on 1 April 2007);
“Nurek”	David Morris Nurek, the former non-executive Chairman of R&E and JCI and an employee of Investec, he having been appointed as the non-executive chairman of R&E on 7 October 2005 and having resigned there from on 10 July 2008;
“oz”	ounces (troy);
“Pan Palladium”	Pan Palladium Limited (Registration number ALN 093 178 388), a public company incorporated in Australia, the shares of which are listed on the Australian Exchange;
“PAYE”	Pay As You Earn and Site (Standard Income Tax on Employees) falls within the Fourth Schedule of the Income Tax Act No. 58 of 1962 (as amended) and is a withholding tax deducted from the employee’s remuneration. The Fourth Schedule defines remuneration earned from amongst other income, employment and the corresponding tax liabilities to be deducted from the employee termed ‘Site’ and Paye’ whilst the Seventh Schedule of the Act applies to certain fringe benefits derived from employment and the subsequent Paye liability deductions where applicable;
“the perpetrators”	the persons whom R&E asserts are perpetrators and whom it alleges comprise a number of persons, some of whom were formerly employed by JCI alternatively associated with the JCI group and/or who served as directors of JCI/the JCI group prior to 24 August 2005. R&E alleges that such persons at all times acted within the field of operation assigned to them by JCI when assisting either directly or indirectly in some or all of the schemes more fully detailed in the Overview of R&E’s claims (being Annexure 1 hereto) on behalf of JCI, with the objective of benefiting JCI and/or the JCI group and whose knowledge and conduct R&E alleges is, as a matter of law, imputable to JCI;
“Phikoloso transaction”	the Phikoloso transaction more fully referred to in Annexures 1 and 2 hereto;
“proposed merger”	the proposed merger between R&E and JCI which was announced on SENS dated 23 April 2007, incorporating details of the proposed merger of both companies;
“Rand” or “R”	South African Rand, the unit of currency in South Africa;
“R&E claims”	the alleged claims proffered by R&E against JCI, detailed in Annexure 1 to this document;
“R&E Group”	R&E and its subsidiary and associated companies;
“R&E shares”	ordinary shares of R0,01 (one cent) each in the issued share capital of R&E;
“RRL”	Randgold Resources Limited (Registration number 62686), a company incorporated in Jersey, Channel Islands, the shares of which are listed on the Nasdaq and the London Stock Exchange;
“SAMREC Code”	South African code for reporting of mineral resources and mineral reserves;

“SARS”	the South African Revenue Services is a division of the government that collects revenue and regulates all forms of tax payable by South African tax payers. SARS refers to the Income Tax Act No.58 of 1962 (as amended) for these collections and regulations;
“SEC”	the United States Securities and Exchange Commission, Washington D.C;
“Securities Exchange Act”	US Securities Exchange Act of 1934, as amended;
“Securities Services Act”	the Securities Services Act No. 36 of 2004, as amended;
“SENS”	the Securities Exchange News Service of the JSE;
“shareholders”	holders of R&E shares;
“Simmer and Jack”	Simmer and Jack Mines Limited (Registration number 1924/007778/06), a company incorporated in South Africa;
“SRP”	the Securities Regulation Panel established in terms of section 440B of the Act;
“South Africa”	the Republic of South Africa;
“South Deep”	South Deep (a gold mine), situated in the Magisterial District of Westonia and Vanderbijlpark (Gauteng Province), owned by Gold Fields;
“Statement of Claim”	R&E’s Statement of Claim in the mediation, which was served on JCI on 3 August 2006;
“Strate”	Strate Limited (Registration number 1998/022242/06), a registered Central Securities Depository in terms of the Securities Services Act;
“Steyn”	Marais Steyn, the current acting CEO of R&E, he having been appointed as a director of R&E on 13 December 2006;
“St Helena”	St Helena Gold Mines Limited (Registration number 1905/020743/06), a company registered in South Africa and located within the Free State Province of South Africa, its main business being the mining of gold within the Free State Province;
“transfer secretaries”	Computershare Investor Services (Proprietary) Limited (Registration number 2004/003647/07), a company incorporated in South Africa and the South African transfer secretaries of R&E;
“the unaudited and unreviewed results”	the provisional unaudited and unreviewed results of R&E for the financial years ended 31 December 2004 and 31 December 2005 and the restated provisional unaudited and unreviewed results for the financial year ended 31 December 2003;
“United States” or “US”	the United States of America;
“US\$”	the United States Dollar, the unit of currency in the United States of America;
“US GAAP”	Generally Accepted Accounting Principles in the United States;
“VAT”	Value-Added Tax falls within the Value-Added Tax Act No. 89 of 1999. VAT is a form of indirect taxation imposed on the value of all goods and services supplied by vendors (vendors are any persons who are required to register for VAT per the VAT Act). The current rate of VAT levied is 14%;
“VAT Act”	the Value-Added Tax Act, 1991, as amended; and
“VWAP”	Volume Weighted Average price on the JSE.



RANDGOLD & EXPLORATION COMPANY LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1992/005642/06)

Share code: RNG ISIN: ZAE000008819 (suspended)

ADR ticker symbol: RNG

Directors of R&E

D C Kovarsky (*Acting independent non-executive Chairman*)

M Steyn (*Acting CEO*) (*Executive*)

D I De Bruin (*Independent non-executive*)

M B Madumise (*Independent non-executive*)

UPDATE TO SHAREHOLDERS

1. INTRODUCTION

- 1.1 R&E has and continues to find itself unable to produce meaningful Annual Financial Statements, due to the alleged falsifications and misappropriations which occurred during the tenure of the previous board of directors under the leadership of the late Brett Kebble. In the main, the assets in the possession of the company currently consist of investments in listed equities, cash, prospecting rights and various claims (including the R&E claims against JCI). Given the company's inability to produce Annual Financial Statements, the Board of R&E deems the regular publication of R&E's NAV together with other relevant information, as an appropriate means of updating shareholders.
- 1.2 R&E alleges that it was the victim of widespread frauds and thefts, unprecedented in South African commercial history. As a result hereof, the company has proceeded with various claims against third parties, aimed at achieving recoveries for R&E. One such claim is the R&E claims against JCI, which comprise some fifteen separate claims. (A summary of the R&E claims is presented in Annexure 1).
- 1.3 In addition to the R&E claims, the company is in the process of preparing further claims against third persons and concluding its forensic investigation. The Board of R&E has resolved to institute action against such persons whom the forensic evidence establishes sustainable causes of action exist against, provided the Board of R&E does not believe it is commercially inappropriate to do so.
- 1.4 As a result of commercial and practical considerations the board of R&E has further resolved to enter into a number of settlement agreements. (Shareholders are referred to Annexure 3 for further details).

2. PROGRESS IN RESPECT OF RESOLVING THE JCI DISPUTE

- 2.1 As a consequence of the mediation in which R&E and JCI have been engaged, R&E and JCI have been endeavouring to effect a merger of the companies since 23 April 2007 when the company announced its intention to merge with JCI. An extract from the announcement reads as follows:
- 2.2 *"The merger contemplated by the proposal ("the merger") will be effected by way of a scheme of arrangement ("the scheme") in terms of section 311 of the Companies Act, 1973, as amended, ("Companies Act") between JCI and its shareholders other than JCI subsidiaries and R&E. R&E will be the proposer of the scheme. If acceptable to the shareholders of R&E and JCI, and subject to satisfaction of the conditions set out in paragraph 4 below and any others that may be proposed,*

JCI shareholders will be required to exchange their shares in JCI for shares in R&E, thereby effectively merging the two companies. The proposed exchange ratio, ("the exchange ratio") which has been approved by both companies' boards of directors, is 1 R&E share for every 95 JCI shares in issue."

- 2.3 Given the inability of R&E and JCI to produce Annual Financial Statements and JCI's denial of any indebtedness towards R&E, it has not been possible for the companies to comply with the formal requirements of the JSE and the SRP. Consequently various regulatory dispensations have been formally applied for, proposing alternative disclosures which R&E believes are sufficient to enable shareholders to make an informed decision on the desirability of the proposed merger. In this regard, shareholders are referred to the merger update published on 30 October 2007.
- 2.4 On 5 May 2008, the JSE in part rejected the request made by R&E and JCI for dispensation from providing IFRS compliant financial statements. Although the JSE has granted R&E and JCI dispensation from providing historical financial results and financial positions, it has rejected their request for dispensation relating to individual balance sheets as at 31 March 2008, and there is no certainty as to whether or not the requisite regulatory consents will be forthcoming.
- 2.5 In the interim and as a result of the delays in consummating the proposed merger, the boards of R&E and JCI have been engaged in negotiating a possible settlement on commercial terms similar to the proposed merger.
- 2.6 On 14 July 2008, the Company published an announcement that all options available to it are being pursued by it. Such options include the proposed merger with JCI, a negotiated settlement and the less attractive option of arbitration.
- 2.7 On 21 July 2008, R&E and JCI concluded an MOU in terms of which, the companies will endeavour to conclude a binding settlement agreement within 21 days, which upon its implementation will result in a full and final settlement of all claims by R&E against JCI and vice versa. (Shareholders are referred to the announcement made by R&E in this regard on 22 July 2008).
- 2.8 The Board of R&E will continue to pursue all options available to it, and cautions that the option of an arbitration still remains a possibility, despite the costs and delays associated with such process.
- 2.9 Shareholders will be kept informed of progress.

3. THE REVELATIONS PURSUANT TO R&E'S BOARD BEING RE-CONSTITUTED AND THE ALLEGED COMMON CAUSE INDEBTEDNESS

- 3.1 On 14 October 2005, the newly constituted Board of R&E appointed JLMC to undertake a forensic investigation on behalf of R&E.
- 3.2 JCI similarly appointed independent forensic investigators, KPMG Services in October 2005, to perform a forensic investigation into the affairs of JCI.
- 3.3 On 5 September 2005, R&E's then auditors (Charles Orbach), resigned due to an inability to reconcile the financial affairs of R&E (which they found to be deficient in various respects), thus precluding them from being able to finalise their audit of R&E's financial statements for the financial year ended 31 December 2004. The difficulties faced by Charles Orbach extended amongst others to their inability to validate the existence of R&E's investment in RRL and various other listed investments.
- 3.4 In order to address the resignation of Charles Orbach, the newly constituted Board of R&E appointed KPMG to act as R&E's statutory auditors with effect from 27 October 2005.
- 3.5 Subsequent to KPMG's appointment, it was established by JLMC that CMMS, a subsidiary company of JCI (which had purported to fulfil a treasury function on behalf of both JCI and R&E), had not properly recorded the inter-company loan accounts between JCI and R&E. It transpired (based on the findings of the forensic investigators), that these errors in recording were part of the many mechanisms which had been employed to disguise alleged misappropriations.

- 3.6 Numerous instances were uncovered where funds had been received by CMMS and applied for the benefit of JCI where R&E was given no credit therefore.
- 3.7 The preliminary findings of JLMC indicated that there was a likelihood that the affairs of R&E had been misrepresented. This was compounded by the absence of a meaningful explanation as to what had become of the proceeds derived from the sale of various of R&E's shares in RRL.
- 3.8 The first report prepared by JLMC to the newly constituted Board of R&E concluded that the alleged misappropriations reported on, may well have constituted "the tip of the iceberg". Accordingly, JLMC were requested to conduct further investigations, culminating in the production of a series of interim reports.
- 3.9 Flowing herefrom, the Boards of R&E and JCI agreed that:
 - 3.9.1 JLMC and KPMG Services would continue their forensic investigations, independently of one another;
 - 3.9.2 Once finalised, such reports would be exchanged between the two sets of forensic investigators whereafter the respective Boards of R&E and JCI would evaluate them to determine what was not in dispute and thus due by JCI to R&E or *vice versa*;
 - 3.9.3 Both companies would identify "common cause" amounts. If any common ground was established as to the indebtedness of JCI to R&E, JCI would accept same as being due by it to R&E. Correspondingly, any indebtedness due by R&E to JCI would be accepted as due by it to JCI and payment would be made accordingly;
 - 3.9.4 In the absence of common ground, either in respect of amounts due or with reference to any claims which may exist, such matters would be referred to mediation;
 - 3.9.5 Were mediation to fail, the matters in dispute would be referred to arbitration.
- 3.10 The Boards of R&E and JCI determined that such claims as may exist, should be addressed initially by way of mediation and failing this, formal arbitration.
- 3.11 On 7 April 2006, R&E and JCI concluded a written agreement which has become known as the Mediation Agreement.
- 3.12 R&E has since written to JCI regarding the common cause indebtedness, which it alleges is due by JCI to it. R&E asserts that it has been accepted by JCI that it holds substantial monies which do not belong to JCI albeit not on the basis of any of R&E's pleaded causes of action. R&E contends that such acceptance relates to the sum of R767 million. On 12 March 2008, JCI denied that it has admitted that "it holds substantial monies which are owing to R&E and which should be reflected as assets of R&E".
- 3.13 In a letter dated 15 July 2008, JCI denied the existence of such indebtedness. These competing contentions will need to be addressed in due course, in the absence of a merger or settlement.
- 3.14 JCI also denies any liability towards R&E based on the causes of action relied upon by R&E in its Statement of Claim.

4. THE MEDIATION AGREEMENT AND THE R&E CLAIMS

- 4.1 The main features of the Mediation Agreement are as follows:
 - 4.1.1 Both R&E and its subsidiary and associated companies on the one hand and JCI and its subsidiary and associated companies on the other, would be treated as single entities;
 - 4.1.2 In terms of the Mediation Agreement, JCI is defined to include both it and its subsidiaries and associated companies or companies in which JCI has an interest, whether direct or indirect, including its interest in CMMS. (A similar definition applies to R&E and its subsidiary and associated companies);

- 4.1.3 At inception, both R&E and JCI would exchange separate forensic reports detailing the basis of any claims which either company alleges it enjoyed against the other;
 - 4.1.4 Both companies would thereafter formulate claims, by way of a Statement of Claim;
 - 4.1.5 Following the exchange of their respective Statements of Claim, both companies would exchange Statements of Defence;
 - 4.1.6 Three highly experienced Mediators comprising a Senior Counsel, a Mediation Specialist and a Chartered Accountant, were to be appointed to manage the mediation process and make recommendations to the companies;
 - 4.1.7 The shareholders of both companies in general meeting, would ultimately be required to decide whether or not to accept any recommendation that the Mediators may make;
 - 4.1.8 Failure by the shareholders to endorse the recommendation of the Mediators would result in the claims being referred to arbitration, in accordance with the expedited rules of AFSA, the outcome of which will be binding on the companies and subject only to one right of appeal.
- 4.2 On 20 June 2006, the forensic report prepared by KPMG Services being the 8th of May Report and the forensic report prepared by JLMC dated 20 June 2006, were exchanged, marking the commencement of the formal mediation process. (Subsequent to the preparation of the 8th of May Report, JCI served the further JCI report, which report was not contemplated under the strictures of the Mediation Agreement).
 - 4.3 Following the exchange of the forensic reports on 20 June 2006, R&E's legal team proceeded to formulate R&E's claims. R&E's Statement of Claim (which was served on JCI on 3 August 2006), initially comprised thirteen claims and exceeded R5 billion, based on the highest values attributable to the shares allegedly misappropriated prior to the issue of R&E's Statement of Claim (which R&E maintains were misappropriated from it by JCI, acting in collaboration with the perpetrators). As matters presently stand, R&E's claims against JCI comprise fifteen claims, R&E's Statement of Claim having been amended to include two new claims in January 2007.
 - 4.4 No Statement of Claim was served by JCI on R&E. On 8 September 2006, JCI served a Statement of Defence on R&E.
 - 4.5 The R&E claims against JCI, which are contested by JCI, presently amount (having regard to the highest values of its claims in respect thereof), to approximately R14 billion before interest. In the alternative, on an enrichment basis, R&E's claims amount (with reference to column VI below), to approximately R1.77 billion before interest. The R&E claims against JCI should be considered in the light of JCI's Net Asset Value at 31 March 2008 as presented by JCI's management to R&E, which, was represented to amount to R2.032 billion.
 - 4.6 The R&E claims are mainly predicated on the assertion that JCI, as an alleged joint wrongdoer, misappropriated a vast array of listed securities beneficially owned by R&E, alternatively by subsidiaries controlled by it, while other claims find their origin in a purported issue and allotment of shares in the issued share capital of R&E, R&E alleging that it received no value for the purported issue and allotment of its shares which it maintains were sold and the proceeds applied for the benefit of JCI.
 - 4.7 JCI has to date not formally lodged any claims against R&E but has indicated a right of set-off in respect of some claims which have allegedly not been disputed by R&E (which R&E denies), in respect of which JCI claims that the right of set-off forms an integral part of JCI's defences in the mediation. JCI has not raised set-off in contesting the R&E claims and the suggestion that the right to set-off forms an integral part of JCI's defences in the mediation is denied and without substance.

4.8 The following table summarises the R&E claims at the time they were lodged against JCI and should be read in conjunction with Annexure 1:

Please note that the Main Claim (Highest Value) which features in column II, revalued as at 31 March 2008, amounts based on the highest value thereof to approximately R14 Billion as detailed in column III hereunder.

Summary of claims						
Rand amount of main claim and alternatives thereto per R&E statement of claim						
I	II	III	IV	V	VI	
Claim No.	Basis of Main Claim	Main Claim (Highest Value) ¹ R	Main Claim (Illustrative Adjustment) ² R	First Alternative to Main Claim (Replacement of shares – Illustrative) ³ R	Second Alternative to Main Claim (Proceeds) ⁴ R	Third Alternative to Main Claim (Damages – Enrichment) ⁵ R
1.	Alleged theft of 12 360 000 RRL shares	1 968 082 800	5 402 908 557	2 104 933 956	887 217 084	796 966 825
2.	Alleged theft of 3 000 000 DRD shares	169 500 000	195 720 000	14 292 000	89 643 550	89 643 550
3.	Alleged theft of 1 904 962 RRL shares	303 327 099	832 713 227	324 419 029	64 326 241	64 300 000
4.	Alleged theft of 8 100 000 Afilease shares	95 499 000	165 078 000	146 835 180	15 108 104	11 292 342
5.	Alternative to claim 4 – Ostensible loan of shares ⁶	–	–	–	–	–
6.	Alleged theft of 94 000 000 Afilease shares	1 108 260 300	1 915 720 000	1 704 013 200	165 083 164	144 711 877
7.	Alleged theft of 2 000 000 DRD shares	113 000 000	130 480 000	9 528 000	31 029 671	10 458 719
8.	Alleged theft of 40 000 000 Simmer and Jack shares	94 000 000	311 200 000	248 432 000	10 000 000	10 000 000
9.	Alleged theft of 5 460 000 RRL shares	869 395 800	2 386 721 741	929 849 466	270 758 673	270 758 673
10.	Void issue of 8 800 000 R&E shares	149 600 000	252 905 840 ⁷	252 905 840	–	–
11.	Void issue of 5 160 000 R&E shares	87 720 000	148 294 788 ⁷	148 294 788	–	–
12.	Void issue of 1 306 000 R&E shares	22 202 000	37 533 526 ⁷	37 533 526	–	–
13.	Void issue of 1 492 000 R&E shares	25 364 000	42 879 036 ⁷	42 879 036	–	–
14.	Alleged theft of 4 000 000 RRL shares	636 920 000	1 748 514 096	681 208 400	368 672 211	368 672 211
15.	Alleged theft of 900 000 RRL shares	143 307 000	393 415 672	153 271 890	–	–
Total		5 786 177 999	13 964 084 482	6 798 396 310	1 901 838 698	1 766 804 197

Notes:

1. R&E's main claim is based on the highest price at which the shares referred to in column I have traded subsequent to their alleged theft and prior to 3 August 2006 when R&E's Statement of Claim was served, (save for claims 10,11,12 and 13 which are treated on the basis described in footnote 7 hereof).
2. For illustrative purposes R&E's main claims have been adjusted to take account of the highest price at which the shares referred to in column I have traded subsequent to their alleged theft and prior to 31 March 2008.
3. The first alternative to R&E's main claim is for an order that JCI deliver to it the number of shares allegedly misappropriated. For illustrative purposes the March 2007 VWAP of the shares referred to in column I has been utilised for purposes of determining the replacement cost of the shares referred to.

4. The second alternative to R&E's main claim is for an order that JCI return to R&E the proceeds resulting from the sales of the various shares referred to in column I, where this has been ascertained.
5. The third alternative to R&E's main claim is for an order that JCI makes payment to R&E of such amounts as were received by JCI on account of the sale of the shares referred to in column I, for which there was no just cause, where this has been ascertained.
6. Claim 5 is an alternative claim to Claim 4 and is based on a Scrip Lending Agreement ostensibly concluded, the details of such claim being set out in the Overview of the R&E Claims. To avoid duplication no amounts have been included above.
7. For illustrative purposes R&E's main claims have been adjusted to take account of the projected post merger NAV per R&E share of R28.7392 as published in the JCI NAV Statement which was published on 13 December 2007.

Interest and costs (continued from table on previous page)

In addition to the above claims against JCI, R&E claims interest thereon at the legal rate of interest, namely 15.5% per annum, calculated from the date on which the various causes of action arose to date of payment, together with costs.

5. THE PROSPECTS OF SUCCESS OF R&E'S CLAIMS

- 5.1 R&E's legal team was, in the context of the Mediation Agreement instructed to formulate claims against JCI.
- 5.2 In the formulation of such claims, R&E's legal team was instructed to have regard to:
 - 5.2.1 The findings of R&E's forensic investigators, namely JLMC;
 - 5.2.2 The series of forensic reports prepared by JLMC; and
 - 5.2.3 The various contributions from witnesses which have co-operated with R&E in its pursuit of recoveries against those who have harmed it.
- 5.3 R&E's legal team are of the view that substantial parity exists between the findings of the forensic report of JLMC and the 8th of May Report produced by KPMG Services for of JCI.
- 5.4 R&E's Counsel have furnished an opinion to R&E in terms whereof (on the basis of their analysis of the forensic reports and the witnesses interviewed thus far), they indicate that in their view, a reasonable prospect of success exists in respect of the R&E claims, subject always to the following:
 - 5.4.1 That the findings of JLMC are found to be accurate and capable of substantiation through evidence and the conclusions reached therein being able to withstand scrutiny;
 - 5.4.2 The legal principles upon which R&E's claims have been formulated being upheld;
 - 5.4.3 The evidence of third parties who have given input into the formulation of R&E's claims withstanding scrutiny and being upheld.

6. THE CONSTRAINTS UPON R&E IN PRODUCING MEANINGFUL ANNUAL FINANCIAL STATEMENTS

- 6.1 During the Kebble era, the uncertainty surrounding the asset position of R&E led to R&E's inability to produce Annual Financial Statements, the last of which were published for the year ended 31 December 2003. R&E's delinquency in doing so, led to the suspension of R&E from the JSE and to its delisting from the NASDAQ. Moreover, the Annual Financial Statements prepared by R&E for the financial year ended 31 December 2003 were found, during the investigations performed, to suffer from substantial shortcomings, requiring restatement.
- 6.2 On 31 March 2006, R&E's provisional unaudited and unreviewed results for the two years ended 31 December 2005 and the restated provisional results for the financial year ended 31 December 2003 were published.
- 6.3 In the commentary provided to these results, R&E's shareholders were afforded a broad overview of the affairs of R&E and the findings of JLMC prior thereto.
- 6.4 On 30 June 2006, R&E convened a general meeting of its shareholders, which meeting was purposed at informing shareholders of certain seminal events relating to *inter alia* the suspension

of R&E from the JSE; its delisting from the Nasdaq; what had given rise to the restructuring of the Board of R&E; the circumstances which had given rise to the resignation of R&E's erstwhile auditors (Charles Orbach); details of the forensic investigations in respect of the preliminary findings; steps which R&E had undertaken in order to recover certain of its misappropriated assets and what processes R&E would employ in its endeavour to recover against those who had harmed it; and details surrounding the Mediation Agreement.

- 6.5 Having prepared the unaudited and unreviewed results, the Board of R&E was initially optimistic that it would be in a position to finalise its financial statements for the years ended 31 December 2005 and 31 December 2004 prior to the end of September 2006. The Board of R&E soon realised however, that this expectation was unrealistic.
- 6.6 On the assumption that it could produce financial statements, R&E publicly announced that it would hold its Annual General Meeting on 28 September 2006.
- 6.7 The initial belief of elevating the unaudited and unreviewed results (through supplementation), into financial statements in accordance with IFRS, was soon overtaken when the mediation process brought complex legal and accounting issues to the fore. In the wake of these realisations, it became further apparent that the likelihood of the finalisation of financial statements in accordance with IFRS by 28 September 2006 was unattainable. It became apparent to the Board of R&E that even if financial statements could be prepared, such financial statements would be disclaimed by management and consequently an opinion would also have been disclaimed by R&E's auditors and therefore be meaningless to shareholders. The absence of certainty in regard to whether or not R&E would succeed in any claim against JCI, would have rendered the expression of an opinion in respect of a process which was at that stage far from complete and likely to be premature, valueless.
- 6.8 Following the appointment of Blersch and Dale to the Board of R&E in August 2006, they were also appointed to the Audit Committee of R&E, Blersch having served as Chairman thereof. The Audit Committee was tasked with taking all steps necessary to bring about the publication of R&E's Annual Financial Statements as soon as possible. Given the constraints which operated against the possibility of producing meaningful financial statements, the Audit Committee was not able to bring about the finalisation of the financial statements.
- 6.9 With the appointment of Steyn as R&E's Financial Director with effect from 13 December 2006, he identified new accounting issues which it was felt warranted substantial investigation before R&E's Annual Financial Statements could be prepared.
- 6.10 Given unresolved questions surrounding the status of assets which appeared to be in the possession of both companies in respect of which neither company could assert ownership with any degree of conviction, any financial statements which were to be prepared, would be completely meaningless. For R&E to produce financial statements capable of being audited indicating a historical ownership of certain investments, given the legacy of the Kebble era, would result in financial statements which would be disclaimed to such an extent as to be of little or no value to R&E's shareholders.
- 6.11 Furthermore, in order for R&E to prepare financial statements, it would be necessary for R&E to make a number of assumptions. In order for there to be any certainty in respect of these assets, it would have been necessary for the disputes between R&E and JCI to be adjudicated upon before the management of R&E could responsibly conclude in respect of the ownership thereof and consequently account for such assets.
- 6.12 The problem facing the Board of R&E in the possible preparation of financial statements, is compounded by the fact that various transactions appear at face value to have binding effect, whereas the investigations of the forensic investigators have established that many of these transactions were not intended to create legally enforceable and binding obligations, but rather were utilised as a facade to conceal various misappropriations.

- 6.13 So inconclusive is the accounting evidence in respect of various of the assets of R&E, that it is not possible for R&E to prepare financial statements which will have any meaningful significance to shareholders.
- 6.14 R&E is not in a position to produce financial statements in accordance with IFRS and will not without a resolution of the matter, either through a settlement, a merger or arbitration, be able to do so.

7. OVERVIEW OF THE NAV

(Shareholders are referred to Annexure 4 of this update which contains the R&E Group NAV Statement as at 31 March 2008 incorporating the Limited Assurance Report of the independent auditor.)

- 7.1 The NAV of the company as at 31 March 2008 is estimated at R8.39 per share or R603 million, compared to a value of R8.20 per share or R589 million as at 31 March 2007. **The estimated NAV must be assessed in the light of the fact that it excludes any provision for claims which the company might enjoy against JCI and any other parties.** On the assumption that the contemplated settlement terms included in the MOU announced on 22 July 2008 result in a binding settlement agreement, the NAV of R&E is estimated at R27.70 per share or R1.819 billion as at 31 March 2008 (the above NAV's were calculated using the VWAP of listed equities at 31 March 2008, including the Gold Fields VWAP per share of R123.50). **There is however no guarantee that a binding settlement agreement will be signed between R&E and JCI.**
- 7.2 The 2.4% or R14.2 million increase in the NAV of the company from 2007 to 2008 is mainly as a result of the following salient net changes.
- 7.3 Firstly, the Goldfields VWAP at the end of March 2007 was R128.09 per share compared to the R123.50 per share at the end of March 2008, resulting in a decrease in NAV of approximately R9.3 million. The investment in Pan Palladium Limited was realised for a cash consideration of R18.1 million resulting in an decrease in other listed investments in the NAV of R14.3 million. The "Gold Fields prospecting rights" were sold for a cash consideration as disclosed in the circular to shareholders dated 15 October 2007. No other material changes occurred in the assets of R&E. The taxation related liabilities comprising of income tax payable, deferred taxation, PAYE and VAT decreased by R42.6 million, from R92.7 million in 2007 to R50.1 million in 2008. This was in consequence of payments made by R&E and changes to calculations. No other material changes occurred in the liabilities of R&E. Capital recoveries resulting from settlement of claims for the period under review amounted to R12.7 million.
- 7.4 In addition to the above, the salient operating cost items are listed below:

	12 months ended 31 March 2008 ZAR million	15 months ended 31 March 2007 ZAR million
Interest earned	2.2	1.6
Dividends and other income	2.6	11.8
Directors' remuneration	(6.4)	(5.2)
Salaries	(3.6)	(5.9)
Legal expenses	(12.3)	(13.6)
Auditors' fees	(3.3)	(5.5)
Forensic costs	(2.6)	(6.9)
Consulting fees	(1.8)	(4.7)
Insurance premium	(7.9)	(3.8)
Sponsoring broker JSE	(1.1)	(0.1)
Administrative expenses	(2.3)	(4.2)

Due to the numerous claims, legal challenges and continuing forensic investigations, R&E continues to utilise the services of both its legal and forensic advisors which has resulted in legal and forensic related expenses of R14.9 million for the period under review. Directors' remuneration is detailed in paragraph 8 below. Insurance expenses relate to directors and offices insurance cover for the year ending 31 December 2008, and provide the company with USD 50 million insurance on normal commercial terms. The main differences between the salient operating costs for the 12 and 15 months ended on 31 March 2008 and 31 March 2007, respectively, are mainly attributable to other income reducing from R11.8 million to R2.6 million, as a result of the once-off option on listed shares which matured during May 2006 for an amount of R9.7 million; salaries decreasing as a result of staff retrenchments; legal, audit, forensic, consulting fees and administrative expenditure reducing as the detailed investigations and institution of actions nears completion; insurance premium increasing by R4.1 million as the company increased its cover from US\$25 to US\$50 million; and the sponsoring broker fees increasing due to increased corporate activity resulting from the proposed merger.

7.5 Abridged Net Asset Value Statement

(Note that the R&E Group NAV Statement excludes all claims and counter claims between the R&E Group and the JCI Group, refer to Annexure 4 for the basis of preparation)

	Unaudited at 31 March¹	
	2008	2007
	(R'000)	(R'000)
ASSETS		
Listed investments	330 163	355 071
Gold Fields	250 556	259 854
JCI	79 212	80 452
Other listed investments	395	14 765
Prospecting rights	78 700	296 385
Prospecting rights – GFO transaction	–	217 685
Other prospecting rights	78 700	78 700
Other assets	283 447	67 474
Loans receivable	73 968	46 374
Payment under settlement agreement	4 000	8 667
Cash and cash equivalents	205 479	12 433
TOTAL ASSETS	692 310	718 930
LIABILITIES		
Other liabilities	(89 100)	(129 883)
Provision for post-retirement medical benefit obligation	(32 984)	(34 317)
Income tax payable	(17 889)	(16 912)
Deferred taxation	(29 024)	(59 370)
Trade and other payables	(9 203)	(19 284)
TOTAL LIABILITIES	(89 100)	(129 883)
NET ASSETS	603 210	589 047

1. Although R&E's financial year-end is 31 December, the Group NAV statement has been prepared at 31 March to allow comparability to JCI's NAV. JCI has a 31 March financial year end.

ISSUED SHARES	Number of shares	Number of shares
Number of shares in issue	74 813 128	74 813 128
Shares identified for possible cancellation	(2 943 087)	(2 943 087)
Net shares in issue	71 870 041	71 870 041
Net asset value per share (Rand)	8.3931	8.1960

8. SERVICE CONTRACTS WITH R&E'S DIRECTORS, THEIR EMOLUMENTS AND THEIR REMUNERATIONS AND INCENTIVES

8.1 Service Contracts and Contracts of Engagement

8.1.1 R&E entered into a contract of engagement with Kronen Investments 96 (Pty) Limited (a company in which Steyn has an interest), and Steyn, the acting CEO of R&E which was formalised on 12 September 2007 and became effective from 1 November 2006, the date on which Steyn was appointed as an advisor to R&E, which provided that Steyn would serve as R&E's Financial Director with effect from 13 December 2006. Following upon Gray's resignation on the 11 July 2008, Steyn accepted the appointment as acting CEO on that date. The contract of engagement contains normal terms and conditions relative to such engagement contracts and other than as disclosed below has recently been formalised within the period beginning six months prior to the date of this document.

8.1.2 In terms of Steyn's contract of engagement, either party may terminate this contract upon the giving of 90 days' notice in writing to the other party.

8.2 Directors' emoluments and incentives

8.2.1 The Board of R&E resolved prior to Gray's resignation on 11 July 2008, to pay him an incentive bonus in the amount of R3.75 million before tax, on completion and voting by shareholders on the proposed merger, irrespective of the outcome thereof.

8.2.2 In terms of Gray's resignation on 11 July 2008, the board of R&E agreed to make a payment in lieu of the above, of an upfront incentive bonus amounting to R1 million, the remainder of R2.75 million thereof being payable should shareholders vote on a resolution of the disputes between R&E and JCI on or before 31 December 2008, regardless of the outcome thereof.

8.2.3 In terms of his contract of engagement, Steyn is entitled to receive an all-inclusive, package of R1 560 000.00 per annum. In addition to the all-inclusive package, R&E may award an annual bonus based on the performance of Steyn. The remuneration package will be reviewed on an annual basis.

8.2.4 The Board of R&E has resolved that its non-executive directors would be entitled to receive R150 000 per annum and that the Chairman would receive R250 000 per annum.

8.2.5 Other than as disclosed in the contract of engagement with Steyn, R&E has not paid any management, consulting, technical or other fees for services rendered by directors, directly or indirectly, including payments to management companies.

8.2.6 No share options are held by any directors and therefore none were exercised for the period commencing 24 August 2005 and ended on 31 March 2008.

8.3 Directors' remuneration

8.3.1 The following remuneration was paid to the directors of R&E for the period commencing 24 August 2005 to 28 February 2006 (or for a part thereof):

Director	Salary R	Bonus R	Directors' fees R	Sign-on incentive R	TOTAL R
Nurek	–	–	104 166	–	104 166
Gray*	700 000	100 000	–	2 600 000	3 400 000
Lamprecht*	700 000	100 000	–	6 956 250	7 756 250
Madumise	–	–	70 000	–	70 000
Nissen	–	–	20 000	–	20 000

* **Executive directors**

8.3.2 The following remuneration was paid to the directors of R&E for the period commencing 1 March 2006 to 28 February 2007 (or for part thereof):

Director	Salary R	Bonus R	Retrench- ment R	Directors' fees R	TOTAL R
Nurek	–	–	–	250 000	250 000
Gray*	1 254 000	1 156 000	–	–	2 410 000
Lamprecht*	695 442	300 000	600 000	–	1 595 442
Steyn*	400 000	–	–	–	400 000
Blersch	–	–	–	100 000	100 000
Dale	–	–	–	100 000	100 000
Madumise	–	–	–	118 125	118 125
Nissen	–	–	–	130 625	130 625

* **Executive directors**

8.3.3 The following remuneration was paid to the directors of R&E for the period commencing 1 March 2007 to 29 February 2008 (or for part thereof):

Director	Salary R	Bonus R	Retrench- ment R	Directors' fees R	TOTAL R
Nurek	–	–	–	250 000	250 000
Gray*	1 388 600	1 399 200	–	–	2 787 800
Steyn*	1 530 000	1 150 000	–	–	2 680 000
Blersch	–	–	–	12 500	12 500
Dale	–	–	–	12 500	12 500
Madumise	–	–	–	150 000	150 000
Nissen	–	–	–	12 500	12 500
De Bruin	–	–	–	137 500	137 500
Kovarsky	–	–	–	43 750	43 750

* **Executive directors**

9. R&E AND ITS DIRECTORS' INTERESTS AND DEALINGS

9.1 Directors' interests in R&E shares

9.1.1 As at 31 March 2008, no directors held any beneficial or non-beneficial interest, whether directly or indirectly, in R&E shares. Therefore there has been no change in the directors' interests in R&E shares.

9.2 Directors' interests in transactions

9.2.1 Save as otherwise disclosed herein, none of the directors have any material direct or indirect beneficial interests in any transactions which were effected by R&E during:

9.2.1.1 the current or immediately preceding financial year; or

9.2.1.2 an earlier financial year and which remain in any respect outstanding or unperformed.

10. DIRECTORS

The below table reflects the changes that have occurred on the Board of R&E since 24 August 2005 (the date the Board was re-constituted) to the last practicable date:

Name	Designation	Appointment date	Resignation date
R B Kebble	Chief Executive Officer	24/07/2003	24/08/2005
R A R Kebble	Non-Executive Chairman	05/03/1998	24/08/2005
H C Buitendag	Financial Director	01/03/2000	24/08/2005
M B Madumise	Independent Non-Executive Director	24/07/2003	CURRENT
L R Ncwana	Non-Executive Director	24/07/2003	24/08/2005
A C Nissen	Non-Executive Director	24/07/2003	01/04/2007
J C Lamprecht	Financial Director	24/08/2005	16/05/2006
P H Gray	Chief Executive Officer	24/08/2005	11/07/2008
D M Nurek	Chairman	07/10/2005	10/07/2008
J Bliersch	Independent Non-Executive Director	14/08/2006	09/03/2007
T G Dale	Independent Non-Executive Director	14/08/2006	09/03/2007
M Steyn	Chief Executive Officer (Acting)	13/12/2006	CURRENT
D I De Bruin	Independent Non-Executive Director	01/04/2007	CURRENT
D C Kovarsky	Chairman – Independent Non-Executive (Acting)	05/12/2007	CURRENT

11. LITIGATION STATEMENT INCORPORATING A STATEMENT OF SETTLEMENTS

Other than as disclosed in Annexure 3 of this document, there are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which R&E is aware which may have, or have had, a material effect on the R&E group's financial position during the past 12 months preceding the date of this document.

A statement of settlements which R&E has concluded with third parties is included in the litigation statement, Annexure 3.

12. MAJOR SHAREHOLDERS

As at 27 June 2008, being the most recent share register date of R&E, the following R&E shareholders beneficially held, directly or indirectly, an interest of 5% or more of the ordinary R&E shares in issue:

R&E shareholders	Number of R&E shares	Percentage holding of R&E shares
Allan Gray	17 459 458	23.34
Bank of New York (ADRs)	8 073 933	10.79
Uranium One Inc.	7 881 000	10.53
Clear Horizon Capital	5 566 651	7.44
Pershing Limited	3 869 746	5.17

13. DE-REGISTRATION OF U.S SECURITIES

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

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

13.3 Refer to the announcement made by R&E on 25 March 2008 in this regard.

14. R&E'S FUTURE STRATEGY

The Company is currently assessing a commercial resolution to the disputes with JCI, which, if implemented, is likely to result in the distribution of significant assets to shareholders. In addition, the company has instituted or is in the process of instituting claims against third parties in an attempt to recoup some of the assets which were lost due to the alleged misappropriations which occurred during the Kebble era. The board believes that the company will possess sufficient assets and contingent assets subsequent to the intended distribution, to propose a compelling business case to shareholders.

OVERVIEW OF THE R&E CLAIMS AGAINST JCI

1. Both Randgold and Exploration Company Limited ("**R&E**") and JCI Limited ("**JCI**") were formerly listed in the Mining Sector of the JSE Limited ("**JSE**"), and were suspended there from on 1 August 2005.
2. On 24 August 2005, the Boards of Directors of R&E and JCI were reconstituted.
3. Prior to the reconstitution of the Boards, the late Brett Kebble ("**Brett**"), was the Chief Executive Officer of both R&E (from 24 July 2003 to 24 August 2005), and JCI (from 1 September 1997 to 24 August 2005).
4. As at 23 August 2005:
 - 4.1 The Board of R&E comprised of:
 - 4.1.1 Roger Kebble ("**Roger**");
 - 4.1.2 Brett;
 - 4.1.3 Hendrik Buitendag ("**Buitendag**");
 - 4.1.4 Brenda Madumise ("**Madumise**");
 - 4.1.5 Lunga Ncwana ("**Ncwana**"); and
 - 4.1.6 Andrew Christoffel Nissen ("**Nissen**").
 - 4.2 The Board of JCI comprised of:
 - 4.2.1 Roger;
 - 4.2.2 Brett;
 - 4.2.3 Buitendag;
 - 4.2.4 Charles Cornwall ("**Cornwall**"); and
 - 4.2.5 John Stratton ("**Stratton**").
5. Having regard to investigations undertaken by R&E's forensic investigators John Louw McKnight & Co. (Pty) Limited (formerly known as Umbono Financial Advisory Services (Pty) Limited) ("**JLMC**") and information ascertained from third persons, R&E has reason to believe that throughout the era during which Brett was the CEO of R&E and JCI ("**the Kebble era**"), the R&E group was the victim of widespread frauds and misappropriations.
6. R&E has further reason to believe having regard to the findings of JLMC, that the frauds and misappropriations which were perpetrated against it and its subsidiaries and associated companies resulted in R&E's assets and those of its subsidiaries and associated companies being misappropriated and the channelling thereof (or the proceeds derived therefrom), to amongst others, the JCI group, either directly or indirectly, but not for the benefit of R&E.
7. Following the reconstitution of the Board of R&E on 24 August 2005 and the initial findings of JLMC coming to hand, the Board of R&E realised that it may enjoy a number of claims against the JCI group.
8. Arising herefrom, the Board of R&E considered that it would be in the best interests of R&E's shareholders for the R&E claims to first be attempted to be resolved by way of mediation as opposed to complex, time consuming and costly litigation and failing this, by way of formal arbitration. The Board of R&E believed, that rather than pursuing the institution of a multiplicity of court actions against the JCI group, which could give rise to vigorously contested claims and protracted and costly litigation (and which could further take several years to resolve), it was advantageous, pragmatic and sensible, that a mediation and to the extent necessary an arbitration of such claims (in which JCI and its subsidiaries and associated companies would be treated as a single entity), be pursued.

The Mediation/Arbitration Agreement

9. On 7 April 2006, R&E and JCI concluded a written Mediation / Arbitration Agreement ("**the Mediation Agreement**").
10. The main features of the Mediation Agreement are as follows:
 - 10.1 Both R&E and its subsidiaries and associated companies on the one hand and JCI and its subsidiaries and associated companies on the other, would be treated as single entities. In terms of the Mediation Agreement, JCI is defined so as to include both it and its subsidiaries and associated companies or in which JCI has an interest, whether direct or indirect, including its interest in Consolidated Mining Management Services Limited ("**CMMS**"). (A similar definition applies to R&E and its subsidiaries and associated companies and a reference to R&E and JCI herein incorporates a reference to each of their respective subsidiary and associated companies);
 - 10.2 At inception of the mediation, both R&E and JCI would exchange separate forensic reports, detailing the basis of any claims which they believed they enjoyed against the other, including their respective forensic investigators' findings, relative to the mediation;
 - 10.3 Both companies would thereafter formulate claims against each other, by way of a Statement of Claim;
 - 10.4 Following the service of their respective Statements of Claim, both R&E and JCI would formulate Statements of Defence, which would similarly be served on each other;
 - 10.5 Three highly experienced and multi disciplinary Mediators, comprising a Senior Counsel, a Mediation Specialist and a Chartered Accountant, were to be appointed to manage the mediation process and make recommendations to the companies;
 - 10.6 The shareholders of both companies in general meeting would decide whether or not to accept any recommendations made by the Mediators;
 - 10.7 Failure by the shareholders of R&E and JCI to endorse the recommendations of the Mediators, would result in the claims being referred to adversarial arbitration.
11. Initially, the Mediation Agreement envisaged that the mediation would be concluded by 31 July 2006, failing which the matter would be submitted to formal arbitration.
12. R&E and JCI soon realised that it would not be possible to conclude the mediation by 31 July 2006, resulting in the parties concluding an addendum to the Mediation Agreement on 19 July 2006 ("**the first addendum**"), purposed at extending the time period within which the mediation was to have been concluded by, until 30 November 2006.
13. In November 2006, the Mediators requested that the time period regulating the conclusion of the mediation as provided for in the first addendum, be further extended to afford them a reasonable time frame within which to do so and discharge their duties there under responsibly.
14. R&E and JCI agreed to the Mediators' request that the Mediation Agreement be further amended to facilitate the Mediators being able to make their recommendations as soon as reasonably possible, resulting in the conclusion of an arrangement to cater herefor and the formalisation thereof by way of a second addendum to the Mediation Agreement, which was signed on 28 September 2007 ("**the second addendum**").
15. The second addendum provides *inter alia*, that in the event of the intended merger between R&E and JCI not being implemented for any reason whatsoever, the matter shall immediately be submitted to formal arbitration, in accordance with the expedited Rules of the Arbitration Foundation of South Africa, the outcome of which will be binding on the companies and subject only to one right of appeal.

The Claims instituted by R&E against JCI

16. Following the conclusion of the Mediation Agreement, the investigations of R&E's forensic investigators JLMC suggested that R&E enjoyed a number of claims against JCI.

17. These claims found expression in a dedicated forensic report which JLMC prepared for purposes of the mediation, dated 20 June 2006 ("**the forensic report of JLMC**").
18. JCI in turn, commissioned KPMG Services (Pty) Limited ("**KPMG**"), to prepare a forensic report for purposes of the mediation which report was dated 8 May 2006 ("**the 8th of May report**").
19. On 20 June 2006, the forensic report of JLMC and the 8th of May report were exchanged, marking the commencement of the formal mediation process.
20. Following the exchange of the forensic reports prepared by JLMC on behalf of R&E and KPMG Services on behalf of JCI (as contemplated under the Mediation Agreement), R&E prepared a Statement of Claim, comprising 13 claims initially, exceeding R5.8 billion at that stage, based on the highest value ascribable to the R&E claims.
21. As matters presently stand, the R&E claims against JCI comprise fifteen claims in total, (R&E's Statement of Claim having been amended to include two new claims in January 2007). Two further claims are currently receiving consideration and are likely to result in additional claims being introduced into R&E's Statement of Claim.
22. On 3 August 2006, R&E's Statement of Claim was served on JCI. No Statement of Claim was served by JCI on R&E, however on 8 September 2006, JCI served a Statement of Defence on R&E, contesting the R&E claims.
23. Although not contemplated under the Mediation Agreement, following the service by JCI of its Statement of Defence, JCI caused a further JCI report in response to the forensic report of JLMC, to be served. Whilst this further report was furnished to the Mediators in the last quarter of 2006, the 8th of May report was only furnished to the Mediators in April 2007, the existence of the 8th of May report having been brought to the attention of the Mediators at a meeting held with them and the legal teams of both companies on 24 November 2006 however.
24. R&E's claims are in the main founded on the assertion that JCI, as an alleged joint wrongdoer, was party to the alleged misappropriation of a vast array of listed securities beneficially owned by R&E, alternatively subsidiaries or associated companies controlled by it, while other claims arise from the alleged void issue and allotment of shares in the issued share capital of R&E, R&E contending that it received no value for the purported issue and allotment of its shares. As to the quantum of damages which R&E would be entitled to were it to succeed with its claims against JCI, R&E approaches its claims on the basis of the alternatives (where applicable), as set out below.
25. JCI has denied any liability in respect of the claims proffered by R&E.
26. Following the service of R&E's Statement of Claim and the Statement of Defence by JCI, both R&E and JCI engaged in mediation.
27. The Mediation Agreement contemplates two distinct phases, the first, a mediation, the second, an arbitration. The arbitration phase will only commence in the event of the mediation failing for any reason whatsoever.
28. To date, none of the claims proposed by R&E against JCI have yet been proven, nor has R&E secured any formal awards against JCI in respect thereof.
29. On 28 February 2007, the Mediators issued an interim recommendation (followed by a postscript on 5 March 2007), in terms whereof the Mediators embraced the notion of a merger and indicated to both R&E and JCI that "*it is recommended that an overall settlement be pursued on the basis of a merger between the two companies.*" They concluded further, that "*having regard to all the above, a settlement figure in the range of R1.2 to R1.5 billion appears to be a realistic starting point to resolve the disputes between the companies – the basis being that the settlement figure be used to ultimately drive the merger ratio between the shareholders of the Companies.*"

30. On 14 April 2008, the Mediators provided a written Report in which they stated that:
- "In the unusual and variable circumstances enumerated above, the swap ratio proposed by the companies is in our opinion commercially prudent and not inequitable to the shareholders of Randgold or JCI."*
31. What follows constitutes a broad overview of the R&E claims as featured in its Statement of Claim, purposed at informing R&E's shareholders of what such claims entail.
32. This Overview of the R&E claims is in no way proposed to be exhaustive, and no assurances as to the accuracy, completeness or otherwise of what follows is given, the contents hereof being subject always to the further findings of R&E's forensic investigators and legal team, the need to potentially amend R&E's Statement of Claim in future (based on such findings and legal advice), as well as any other factors which may require consideration in due course and which could impact upon the R&E claims and its Statement of Claim.
33. R&E's shareholders are furthermore cautioned, that nothing contained herein has yet been established as a matter of fact or law. This Overview of the R&E claims is intended merely as a broad and concise summary of the R&E claims (as they appear in the Statement of Claim), subject to the ongoing processes in which R&E is engaged and any revision to the Statement of Claim which may become necessary. Furthermore, none of what follows is disclosed on the basis that it can be factually or legally sustained or that an award for that matter will definitively result for R&E.
34. R&E's Counsel have furnished an opinion to R&E in terms whereof (on the basis of their analysis of the forensic reports and the witnesses interviewed thus far), they indicate that in their view, a reasonable prospect of success exists in respect of the R&E claims, subject always to the following:
- 34.1 That the findings of JLMC are found to be accurate and capable of substantiation through evidence and the conclusions reached therein being able to withstand scrutiny;
- 34.2 The legal principles upon which R&E's claims have been formulated being upheld;
- 34.3 The evidence of third parties who have given input into the formulation of R&E's claims withstanding scrutiny and being upheld.
35. In turning to R&E's Statement of Claim, it is necessary to have regard to the following by way of background.

BACKGROUND

36. R&E's Statement of Claim assumes on the strength of *inter alia* the forensic findings (which have found expression in the Statement of Claim), the following, namely that at all material times:
- 36.1 R&E carried on business as a mining investment and exploration company;
- 36.2 JCI carried on business as a specialised mining finance resource company;
- 36.3 JCI owned the issued share capital of Consolidated Mining Corporation Limited which in turn owned 98% of the issued share capital of CMMS;
- 36.4 R&E alternatively its wholly owned subsidiary, African Strategic Investments (Holdings) Limited, (formerly Randgold Resources (Holdings) Limited) ("**Holdings**"), was the beneficial owner of 26 624 962 shares in RRL (reckoned on the basis of their split which occurred on 16 June 2004), as well as various other listed investments;
- 36.5 JCI was represented by a variety of persons formerly employed by it or with which it had a relationship, who constituted the directing and controlling mind and will of JCI and one or more of its subsidiaries and associated companies;
- 36.6 A number of persons, some of whom were formerly employed by JCI, alternatively associated with the JCI group and/or who served as Directors of JCI during the Kebble era, devised various schemes, aimed at *inter alia*, providing the JCI group with working capital to fund their ongoing operations, to pay their liabilities, to further their general interests, and to otherwise provide the

JCI group with sufficient funds to maintain their ongoing financial stability (“**the perpetrators**”). It is further alleged by R&E, that the perpetrators acted in concert with JCI, directed the affairs and business operations of the JCI group to the prejudice of R&E, either directly or indirectly, and in so doing, also acted in their personal capacities;

36.7 The perpetrators allegedly carried out various acts for the JCI group which were to their knowledge unlawful and to the prejudice of R&E, either directly or indirectly.

37. As a result of the conduct of the perpetrators (which R&E claims is attributable to JCI), R&E alleges that JCI is liable to it at law.

Broad overview of the R&E claims against JCI

In forming an appreciation of the R&E claims against JCI, R&E’s shareholders are informed that in most instances, the R&E claims have been prepared on the basis of a main claim and various alternatives thereto. If regard be had to R&E’s first claim against JCI by way of example, the following is noteworthy:

- This claim is based on an alleged misappropriation of certain of R&E’s RRL shares by JCI. On the assumption that this can be established, R&E alleges in the first instance, that JCI is liable to it for damages determined with reference to the highest value at which such shares (which it alleges were stolen from it), have traded subsequent to their theft. This constitutes R&E’s main claim with reference to claim one.
- *As an alternative to R&E’s main claim (to claim one) and on the assumption that R&E does not succeed with an award for damages against JCI based on the highest value of its RRL shares, R&E claims that JCI is liable to return to it the number of RRL shares which it alleges were misappropriated from it.*
- *As a further alternative to the two previous claims and in the event that R&E is not successful in establishing a claim based on either of the above, R&E in this event, contends that there has been a theft of the proceeds arising from the sale of its RRL shares by JCI, thereby entitling it to recover the proceeds resulting from the sale of its RRL shares.*
- *As an alternative to all of the above claims and in the event that R&E is not successful in establishing either a theft of shares, or a claim for the return of its misappropriated shares or a theft of the proceeds resulting from the sale thereof, R&E in such event, claims that JCI received funds resulting from the sale of its RRL shares, knowing that such funds were tainted, thereby entitling R&E to the return of such funds received.*
- *A further alternative failing all of the above, is predicated on the assertion that JCI was enriched at the expense of R&E in that it received funds in consequence of an illegal cause.*
- *The final alternative claim (with reference to R&E’s first claim against JCI, which pre-supposes that R&E does not succeed with any of the abovementioned claims), is based on the fact that no cause existed for JCI to receive payment of the amount which it did, arising from the sale of R&E’s RRL shares, thereby giving rise to R&E enjoying a claim for damages against JCI herefor.*

What follows constitutes a brief overview of the R&E claims, in respect of which R&E has reason to believe that it may enjoy claims against JCI.

R&E’s main claims which are predicated upon theft and are detailed below, have been determined with reference to the highest price at which the shares forming the subject matter of such claims have traded between the date of their alleged theft and 3 August 2006, when R&E’s Statement of Claim was served on JCI. The shareholders of R&E are informed, that the highest price of the individual shares alleged to have been misappropriated is subject to ongoing fluctuation having regard to the price at which such shares continue to trade. At the appropriate time, Randgold will cause an amendment to its Statement of Claim to be effected, to take account of the highest price at which such shares have traded, subsequent to their alleged theft.

Subject to what is stated herein and based on the further assumption that such claims are factually and legally sustainable, R&E alleges as follows:

Claim One

38. On 31 March 2002, R&E, alternatively Holdings, was the registered and beneficial owner of, *inter alia*, 12 360 000 shares in RRL. The number of shares are reckoned on their split which occurred during June 2004.
39. These shares are referred to as "**the RRL shares**".
40. By 1 April 2002, various trading accounts held at a stockbroker, known as Tlotlisa Securities (Pty) Limited ("**T-sec**"), were established by the perpetrators for the purposes and ends of JCI.
41. R&E contends that JCI devised a scheme in consequence of which the RRL shares were misappropriated and sold on the Nasdaq, the proceeds resulting, being remitted to T-Sec and used for the benefit of JCI.
42. During the period 5 April 2002 to 18 August 2005, R&E contends that the RRL shares were sold without its authority.
43. By virtue of the alleged scheme referred to, R&E asserts that JCI is liable to it for:
 - 43.1 Damages resulting from the alleged theft of the RRL shares amounting to R1 968 082 800.00 which amount is based on the highest price at which the RRL shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R437.13 per RRL share which represents the highest price at which RRL shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R2 976 855 300.00. To the extent that the price of RRL shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
 - 43.2 Delivery of 12 360 000 shares in RRL to it, alternatively payment of such amount as represents the value of the said 12 360 000 RRL shares on the date on which JCI is found to be liable to R&E; alternatively
 - 43.3 Damages resulting from the theft of the proceeds resulting from the sale of the RRL shares amounting to R887 217 084.00; alternatively
 - 43.4 Damages resulting from JCI having received proceeds arising from the sale of the RRL shares in an amount of R796 966 825.42.
44. To the extent necessary, R&E has taken a cession from Holdings of any claim enjoyed by it against JCI, arising from the alleged misappropriation of the said RRL shares.

Claim Two

45. As at 12 September 1998, R&E, alternatively its wholly-owned subsidiary First Wesgold, was the beneficial owner of *inter alia* 3 000 000 shares in Durban Roodepoort Deep Limited ("**DRD**"), which shares were, as at 8 February 2002 held in a nominee account.
46. R&E claims that JCI devised a scheme to sell the 3 000 000 DRD shares.
47. The 3 000 000 DRD shares were misappropriated and subsequently sold in order to enable JCI to raise loan funds to acquire 32.5% of the issued share capital of JCI Gold Limited, ("**the minority interest**") pursuant to a scheme of arrangement between JCI Gold Limited and its shareholders, which scheme of arrangement had been partially funded by BNC Investments (Pty) Limited.
48. R&E alleges that JCI was benefited from the sale of the 3 000 000 DRD shares.
49. By virtue of this alleged scheme, R&E contends that JCI is liable to it for:
 - 49.1 Damages resulting from the alleged theft of the 3 000 000 DRD shares amounting to R169 500 000.00 which amount is based on the highest price at which the 3 000 000 DRD shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R65.24 per DRD share which

represents the highest price at which DRD shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R195 720 000.00. To the extent that the price of DRD shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively

- 49.2 Delivery of 3 000 000 DRD shares to R&E, alternatively payment of such amount as represents the value of the said 3 000 000 DRD shares on the date on which JCI is found to be liable to R&E; alternatively
- 49.3 Damages resulting from the theft of the proceeds resulting from the sale of the 3 000 000 DRD shares amounting to R89 643 549.74; alternatively
- 49.4 Payment resulting from the receipt by JCI of the proceeds deriving from the sale of the 3 000 000 DRD shares in an amount of R89 643 549.74.

Claim Three

- 50. R&E's third claim pertains to 1 904 962 shares in RRL ("**the 1 904 962 RRL shares**").
- 51. R&E alleges that as at 5 April 2002, R&E, alternatively Holdings, was the registered and beneficial owner of *inter alia* the 1 904 962 RRL shares.
- 52. The reference to the 1 904 962 RRL shares is reckoned on their split which occurred during June 2004.
- 53. R&E alleges that JCI anticipated the need to raise cash to acquire the minority interest and in consequence thereof, devised a scheme which gave rise to the 1 904 962 RRL shares being sold.
- 54. R&E received no consideration from the sale of these shares.
- 55. JCI was benefited as a result of the sale of these shares, either directly or indirectly.
- 56. To the extent necessary, R&E has taken cession from Holdings of any claim enjoyed by it against JCI, arising from the alleged misappropriation of the said 1 904 962 RRL shares.
- 57. By virtue of the theft of the 1 904 962 RRL shares, R&E contends that JCI is liable to it for:
 - 57.1 Damages resulting from the alleged theft of the 1 904 962 RRL shares amounting to R303 327 099.26 which amount is based on the highest price at which the 1 904 962 RRL shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R437.13 per RRL share which represents the highest price at which RRL shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R832 716 039.06. To the extent that the price of RRL shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
 - 57.2 Delivery of the 1 904 962 RRL shares to R&E, alternatively payment of such amount as represents the value of the said 1 904 962 RRL shares on the date on which JCI is found to be liable to R&E; alternatively
 - 57.3 Damages resulting from the theft of the proceeds deriving from the sale of the 1 904 962 RRL shares amounting to R64 326 241.35; alternatively
 - 57.4 Damages resulting from the receipt by JCI of the proceeds deriving from the sale of the 1 904 962 RRL shares in an amount of R64 300 000.00.

Claim Four

- 58. As at 1 July 2003, R&E was the beneficial and registered owner of 8 100 000 shares in The Afrikaner Lease Limited ("**Aflease**").
- 59. R&E asserts, that the 8 100 000 Aflease shares were lodged in a trading account which T-Sec maintained in its books of account under the name CMMS.

60. R&E contends, that the 8 100 000 Alease shares were misappropriated from it and used to benefit JCI either directly or indirectly.
61. Accordingly, R&E contends that JCI in relation to such alleged theft of the 8 100 000 Alease shares, is liable to it for:
- 61.1 Damages resulting from the alleged theft of the 8 100 000 Alease shares or their current equivalent, amounting to R95 499 000.00 which amount is based on the highest price at which Alease shares traded subsequent to their theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (On 9 January 2006, Alease was converted to Uranium One Limited ("**Uranium One**"), in consequence of which conversion, every shareholder holding 100 Alease shares received 18 Uranium One shares in replacement thereof. Having regard to such conversion, the 8 100 000 Alease shares equate to 1 584 000 Uranium One shares. (For illustrative purposes, based on the cost to replace the 8 100 000 Alease shares (now 1 584 000 Uranium One shares), taking account of a share price of R113.22 per Uranium One share, (which represents the highest price at which Uranium One shares have traded prior to 31 March 2008), assuming that this price will not increase in the future, Randgold's main claim equates to R165 078 000.00. To the extent that the price of Uranium One shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
- 61.2 Delivery of the 8 100 000 Alease shares or their current equivalent, to R&E, alternatively payment of such amount as represents the value of the said 8 100 000 Alease shares or their current equivalent, on the date on which JCI is found to be liable to R&E; alternatively
- 61.3 Damages resulting from the theft of the proceeds deriving from the sale of the 8 100 000 Alease shares or their current equivalent, amounting to R15 108 103.50; alternatively
- 61.4 Damages resulting from the receipt by JCI of the proceeds deriving from the sale of the 8 100 000 Alease shares or their current equivalent, in an amount of R11 292 341.59.

Claim Five as an alternative to Claim Four

62. In the alternative to Claim Four, R&E asserts that during 2004, R&E and CMMS entered into a Scrip Lending Agreement in terms whereof R&E purportedly loaned 8 100 000 shares in Alease to CMMS.
63. R&E contends that as at 31 March 2005, CMMS became obliged to return to R&E the 8 100 000 shares in Alease, or their current equivalent.
64. R&E alleges that CMMS failed to return the 8 100 000 shares in Alease or their current equivalent, to R&E.
65. By virtue hereof, R&E contends that JCI is liable to it for:
- 65.1 Delivery of the 8 100 000 shares in Alease or their current equivalent to it; alternatively
- 65.2 Payment of the value thereof being R31 590 000.00.

Claim Six

66. As at 27 September 2004, R&E, alternatively First Wesgold, was the beneficial owner of *inter alia*, 94 000 000 Alease shares ("**the 94 000 000 Alease shares**").
67. R&E alleges that during the latter part of 2004, JCI devised a scheme which was intended to amongst other things wrongfully deprive R&E of the 94 000 000 Alease shares and vest control thereof in JCI.
68. By virtue of this alleged scheme, R&E contends that JCI is liable to it for:
- 68.1 Damages resulting from the alleged theft of the 94 000 000 Alease shares or their current equivalent, amounting to R1 108 260 300.00 which amount is based on the highest price at which Alease shares traded subsequent to their theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (Having regard to the conversion of Alease to Uranium One on 9 January 2006, the 94 000 000 Alease shares equate to 16 920 000 Uranium One shares. For illustrative purposes, based on the cost to replace the 94 000 000 Alease shares (now

16 920 000 Uranium One shares), taking account of a share price of R113.22 per Uranium One share, (which represents the highest price at which Uranium One shares have traded prior to 31 March 2008), assuming that this price will not increase in the future, Randgold's main claim equates to R1 915 720 000.00. To the extent that the price of Uranium One shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively

- 68.2 Delivery of the 94 000 000 Alease shares or their current equivalent to it, alternatively payment of such amount as represents the value of the said 94 000 000 Alease shares or their current equivalent, on the date on which JCI is found to be liable to R&E; alternatively
- 68.3 Damages resulting from the alleged theft of the proceeds deriving from the sale of the 94 000 000 Alease shares or their current equivalent, amounting to R165 083 164.47; alternatively
- 68.4 Damages resulting from the receipt by JCI of the proceeds deriving from the sale of the 94 000 000 Alease shares or their current equivalent, in an amount of R144 711 877.39.

Claim Seven

- 69. In and during 1998, R&E was the beneficial owner of *inter alia*, 2 000 000 DRD shares ("**the 2 000 000 DRD shares**").
- 70. R&E alleges that JCI devised a scheme, which alleged scheme was intended to wrongfully deprive R&E of the 2 000 000 DRD shares.
- 71. R&E alleges that such scheme resulted in JCI gaining control of the 2 000 000 DRD shares and the said shares being sold for the benefit of JCI.
- 72. By virtue of the alleged scheme, R&E contends that JCI is liable to it for:
 - 72.1 Damages resulting from the alleged theft of the 2 000 000 DRD shares amounting to R113 000 000.00 which amount is based on the highest price at which the 2 000 000 DRD shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R65.24 per DRD share which represents the highest price at which DRD shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R130 480 000.00. To the extent that the price of DRD shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
 - 72.2 Delivery of 2 000 000 DRD shares to it, alternatively payment of such amount as represents the value of the 2 000 000 DRD shares on the date on which JCI is found to be liable to R&E.

Claim Eight

- 73. As at 30 November 2004, R&E was the beneficial owner of 40 000 000 shares in Simmer & Jack Limited ("**the R&E Simmer & Jack shares**").
- 74. R&E contends that JCI, in conjunction with the perpetrators, devised a scheme, which scheme is alleged to have given rise to R&E's Simmer & Jack shares being misappropriated in order to facilitate a rights offer, then in contemplation by Simmer & Jack.
- 75. By virtue of the alleged theft of the R&E Simmer & Jack shares, R&E alleges that JCI is liable to it for:
 - 75.1 Damages resulting from the alleged theft of the R&E Simmer & Jack shares amounting to R94 000 000.00 which amount is based on the highest price at which the R&E Simmer & Jack shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R7.78 per Simmer & Jack share which represents the highest price at which Simmer & Jack shares have traded subsequent to their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R311 200 000.00. To the extent that the price of Simmer & Jack shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively

75.2 Delivery of 40 000 000 shares in the issued share capital of Simmer & Jack to it, alternatively payment of such amount as represents the value of the said 40 000 000 Simmer & Jack shares on the date on which JCI is found to be liable to it.

Claim Nine

76. As at 31 March 2002, R&E was the beneficial owner alternatively Holdings was the registered and beneficial owner of *inter alia* 5 460 000 RRL shares ("**the 5 460 000 RRL shares**").
77. R&E contends that JCI devised a scheme, which scheme was intended to deprive R&E of the 5 460 000 RRL shares and to vest control thereof in JCI.
78. In consequence hereof, R&E claims that JCI concluded an Overseas Securities Lending Agreement with Investec Bank UK PLC which entailed a loan of the 5 460 000 RRL shares, to Investec Bank UK.
79. Arising from the implementation of the said Overseas Securities Lending Agreement, R&E alleges that it was deprived of the 5 460 000 RRL shares by JCI.
80. To the extent necessary, R&E has taken a cession from Holdings of any claim enjoyed by it against JCI, arising from the alleged misappropriation of the said 5 460 000 RRL shares.
81. By virtue of the alleged theft of the 5 460 000 RRL shares, R&E claims that JCI is liable to it for:
- 81.1 Damages resulting from the alleged theft of the 5 460 000 RRL shares amounting to R869 395 800.26 which amount is based on the highest price at which the 5 460 000 RRL shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R437.13 per RRL share which represents the highest price at which RRL shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R2 386 729 800.00. To the extent that the price of RRL shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
- 81.2 Delivery to R&E of the 5 460 000 RRL shares, alternatively payment to R&E of such amount as represents the value of the said 5 460 000 RRL shares on the date on which JCI is found to be liable to it; alternatively
- 81.3 Damages resulting from the alleged theft of the proceeds arising from the sale of the 5 460 000 RRL shares amounting to R270 758 672.90; alternatively
- 81.4 Damages resulting from the receipt by JCI of the proceeds arising from the sale of the 5 460 000 RRL shares, in an amount of R270 758 672.90.

Claim Ten

82. During July 2003, R&E contends that JCI devised a scheme which was purposed amongst other things at:
- 82.1 Ostensibly creating legitimate capital of R&E, in an amount of R259 600 000.00;
- 82.2 Appropriating such capital through the invalid allotment of 8 800 000 R&E shares, from its authorised but un-issued share capital;
- 82.3 Vesting control of the 8 800 000 R&E shares in JCI and one or more of its associated companies, so that the proceeds derived from any sale thereof might be applied for a purpose other than to benefit R&E.
83. The scheme is alleged to have been implemented through the conclusion of a purported agreement between R&E, Equitant Trading (Pty) Limited ("**Equitant**") and Phikoloso Mining (Pty) Limited for the ostensible sale by Equitant to R&E of the entire issued share capital of Viking Pony Properties 359 (Pty) Limited ("**Viking Pony**") and the claims due by that entity to Equitant, in consideration for the allotment and issue by R&E of 8 800 000 fully paid-up ordinary shares in the share capital of R&E to Equitant. R&E alleges that various shares which Viking Pony was warranted to own, in fact did not exist and that

the said agreement was a simulation, resulting in the alleged void issue and allotment of R&E's shares, R&E receiving no value in respect thereof.

84. R&E maintains that through this alleged scheme, JCI gained control either directly or indirectly, of the 8 800 000 R&E shares.
85. The 8 800 000 R&E shares were purportedly allotted in consequence of the said alleged scheme, and were sold on the open market.
86. R&E alleges that it received no value in consequence of the purported allotment of the 8 800 000 R&E shares.
87. To regularise the position, R&E avers, that it will be required to purchase 8 800 000 R&E shares on the open market at a cost to it of R149 600 000.00 and to thereafter cancel their allotment in its issued share capital.
88. As a consequence of this alleged scheme, R&E contends that it has sustained damages for which JCI is liable to it for payment of, in the amount of R149 600 000.00.
89. Having regard to a projected post-merger NAV per R&E share of R28.7393, as published in the JCI NAV Statement which was published on 13 December 2007, the cost to R&E of regularising the position, based on a projected replacement cost of an R&E share (at R28.7393), would equate to R252 905 840.00.

Claim Eleven

90. In and during 2004, R&E alleges that JCI, together with the perpetrators, devised a scheme, which was intended to ostensibly create legitimate capital in R&E and to appropriate such capital through the invalid allotment of 5 160 000 R&E shares from its authorised but un-issued share capital.
91. In addition, R&E contends that JCI sought to vest *de facto* control of the 5 160 000 R&E shares in JCI.
92. R&E avers that the various agreements which were concluded in consequence of this alleged scheme were simulated, these involving the purported sale of an interest in a company in Angola ostensibly giving R&E access to diamond rights in Angola.
93. R&E alleges that the various agreements which were concluded in consequence of the alleged scheme were simulated.
94. The 5 160 000 R&E shares having been issued and sold in the open market, R&E alleges that it received no value in consequence of the allotment and sale of these shares.
95. R&E contends that it has suffered damages in that in order to regularise the position, it will be required to purchase the 5 160 000 R&E shares on the open market and thereafter to cancel such shares which were unlawfully allotted.
96. As a consequence of this alleged scheme, R&E contends that JCI is indebted to it for the sum of R87 720 000.00, being the amount that R&E will be required to expend in order to purchase the 5 160 000 R&E shares.
97. Having regard to a projected post-merger NAV per R&E share of R28.7393, as published in the JCI NAV Statement which was published on 13 December 2007, the cost to R&E of regularising the position, based on a projected replacement cost of an R&E share (at R28.7393), equates to R148 294 788.00.

Claim Twelve

98. In and during 2004, R&E alleges that JCI together with the perpetrators, devised a scheme, which was intended to ostensibly create legitimate capital in R&E and to appropriate such capital through the invalid allotment of 1 306 000 R&E shares from its authorised but un-issued share capital.

99. In addition, R&E contends that JCI sought to vest *de facto* control of the 1 306 000 R&E shares in JCI.
100. R&E avers that the various agreements which were concluded in consequence of this alleged scheme were simulated, these involving the purported sale of an interest in a company in Angola ostensibly giving R&E access to diamond rights in Angola.
101. R&E alleges that the various agreements which were concluded in consequence of the alleged scheme were simulated.
102. The 1 306 000 R&E shares having been issued and sold in the open market, R&E alleges that it received no value in consequence of the allotment and sale of these shares.
103. R&E contends that it has suffered damages and that in order to regularise the position, it will be required to purchase the 1 306 000 R&E shares on the open market and thereafter to cancel such shares which were unlawfully allotted.
104. As a consequence of this alleged scheme, R&E contends further, that JCI is indebted to it for the sum of R22 202 000.00, being the amount that R&E will be required to expend in order to purchase the 1 306 000 R&E shares.
105. Having regard to a projected post-merger NAV per R&E share of R28.7393, as published in the JCI NAV Statement which was published on 13 December 2007, the cost to R&E of regularising the position, based on a projected replacement cost of an R&E share (at R28.7393), equates to R37 533 526.80.

Claim Thirteen

106. In and during 2004, R&E alleges that JCI together with the perpetrators, devised a scheme, which was intended to ostensibly create further legitimate capital in R&E and to appropriate such capital through the invalid issue and allotment of 1 492 000 R&E shares from its authorised but un-issued share capital.
107. In addition, R&E contends that JCI sought to vest *de facto* control of the 1 492 000 R&E shares in JCI.
108. R&E avers that the various agreements which were concluded in consequence of this alleged scheme were simulated, these involving the purported sale of an interest in a company in Angola ostensibly giving R&E access to diamond rights in Angola.
109. R&E alleges that the various agreements which were concluded in consequence of the alleged scheme were simulated.
110. The 1 492 000 R&E shares having been issued and sold in the open market, R&E alleges that it received no value in consequence of the allotment and sale of these shares.
111. R&E contends that it has suffered damages and that in order to regularise the position, it will be required to purchase the 1 492 000 R&E shares on the open market and thereafter to cancel such shares which were unlawfully issued and allotted.
112. As a consequence of this alleged scheme, R&E contends that JCI is indebted to it for the sum of R25 364 000.00, being the amount that R&E will be required to expend in order to purchase the 1 492 000 R&E shares.
113. Having regard to a projected post-merger NAV per R&E share of R28.7393, as published in the JCI NAV Statement which was published on 13 December 2007, the cost to R&E of regularising the position, based on a projected replacement cost of an R&E share (at R28.7393), equates to R42 879 036.60.

Claim Fourteen

114. In regard to claim fourteen, R&E alleges that as at 31 March 2002, it, alternatively Holdings, was the beneficial owner of *inter alia* 4 000 000 shares in RRL ("**the 4 000 000 RRL shares**").

115. R&E contends that in and during the period 2004 to 2005, JCI together with the perpetrators devised a scheme which was intended to wrongfully deprive R&E of the 4 000 000 RRL shares and to vest control thereof in JCI.
116. In pursuance of the said scheme, R&E alleges that the perpetrators acting for and on behalf of JCI caused the 4 000 000 RRL shares to be lodged with Société Generale ("**SocGen**") as security for scrip advanced by SocGen to JCI.
117. The 4 000 000 RRL shares were sold by SocGen for the benefit of JCI, and not for the benefit of R&E.
118. R&E thus asserts, that it received no benefit on account of the sale thereof.
119. To the extent necessary, R&E has taken a cession from Holdings of any claim enjoyed by Holdings against JCI, arising from the alleged misappropriation of the said 4 000 000 RRL shares.
120. By virtue of the appropriation of the 4 000 000 RRL shares, R&E alleges that it has sustained damages and that JCI is liable to it for:
 - 120.1 Damages resulting from the alleged theft of the 4 000 000 RRL shares amounting to R636 920 000.00 which amount is based on the highest price at which the 4 000 000 RRL shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R437.13 per RRL share which represents the highest price at which RRL shares have traded subsequent to the date of their alleged theft, but prior to 31 March 2008, on the assumption that this price will not increase in future, Randgold's main claim equates to R1 748 520 000.00. To the extent that the price of RRL shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively
 - 120.2 Delivery to it of 4 000 000 shares in Resources, alternatively payment to R&E of such amount as represents the value of the said 4 000 000 RRL shares on the date on which JCI is found to be liable to it; alternatively
 - 120.3 Damages resulting from the receipt by JCI of the proceeds arising from the sale of the 4 000 000 RRL shares amounting to R386 672 211.00; alternatively
 - 120.4 Payment of the amount of R386 672 211.00 on the basis that JCI received funds in consequence of an illegal cause.

Claim Fifteen

121. By way of R&E's fifteenth claim against JCI, R&E alleges that on 31 March 2002, it, alternatively Holdings, was the registered and beneficial owner of *inter alia*, 900 000 shares in RRL ("**the 900 000 RRL shares**").
122. R&E contends that during the period 1 April 2002 to 23 August 2005, the 900 000 RRL shares *inter alia*, were allegedly misappropriated by the perpetrators acting in collaboration with JCI and which shares *inter alia*, were lodged with one Paul Main.
123. R&E submits that the 900 000 RRL shares were appropriated from it for the benefit of JCI and that R&E received no benefit herefor.
124. To the extent necessary, R&E has taken a cession from Holdings of any claim enjoyed by it against JCI, arising from the alleged misappropriation of the said 900 000 RRL shares.
125. By virtue of the misappropriation of the 900 000 RRL shares, R&E alleges that it has sustained damages and that JCI is liable to it for:
 - 125.1 Damages resulting from the alleged theft of the 900 000 RRL shares amounting to R143 307 000.00 which amount is based on the highest price at which the 900 000 RRL shares traded subsequent to their alleged theft and prior to 3 August 2006, when R&E's Statement of Claim was served. (For illustrative purposes and based on a price of R437.13 per RRL share which represents the highest price at which RRL shares have traded subsequent to the date

of their alleged theft, but prior to 31 March 2008, based on the assumption that this price will not increase in future, Randgold's main claim equates to R393 417 000.00. To the extent that the price of RRL shares increases in future, such increase will result in a commensurate increase in R&E's main claim); alternatively

125.2 Delivery of the 900 000 RRL shares to it, alternatively payment of such amount as represents the value of the said 900 000 RRL shares on the date on which JCI is found to be liable to R&E; alternatively

125.3 Damages resulting from the sale of the 900 000 RRL shares amounting to R143 307 000.00.

Further Claims

126. Following the initial amendment of R&E's Statement of Claim, and based on further investigation, R&E has established that it may enjoy additional claims against JCI.

127. These claims are in the process of receiving consideration and are likely, to be introduced as additional claims to R&E's Statement of Claim in due course.

128. Shareholders will be kept informed of developments in this regard.

Interest

129. In addition to the above claims against JCI, R&E claims interest on the various amounts claimed, at the rate of 15.5% per annum.

JCI's Statement of Defence briefly considered

130. On 8 September 2006, JCI delivered its Statement of Defence to R&E's Statement of Claim.

131. JCI disputes that it is indebted to R&E for any amount.

132. JCI denies that the perpetrators constituted the directing and controlling mind and/or will of JCI. In the result, JCI disputes that R&E enjoys the claims which it asserts against JCI.

133. In answering R&E's Statement of Claim, JCI contends *inter alia*, that:

133.1 Its main business was to carry on and invest in mining and property ventures as a principal;

133.2 Its main object was the investment in mining and property ventures as principal;

133.3 No ancillary powers were excluded;

133.4 To the extent that any of the perpetrators of JCI participated in or performed activities outside of the capacity of the relevant company for which they acted, such perpetrators were not authorised to do so, did not thereby bind such company(ies) nor did they act within the course and scope of their duties and therefore did not bind any of the companies to any consequence arising from their acts;

133.5 Neither it nor any of its subsidiaries and associated companies accepted the benefits arising from the conduct of the perpetrators.

134. JCI asserts that insofar as R&E is able to establish that the perpetrators committed unlawful acts, there is no basis upon which JCI should be held responsible for such unlawful acts given that JCI could not and would not have authorised such acts and in any event did not have the capacity or the plenary powers to do so.

135. JCI maintains that if R&E is ultimately able to impute liability to JCI or any one of its subsidiaries or associated companies, this can only be established on the basis that JCI and such subsidiaries or associated companies, were enriched. JCI however denies that there was any such enrichment and further denies the quantification of R&E's damages or that it is liable for damages as alleged.

136. In addition to the above, JCI has indicated to R&E, that to the extent that JCI is found to be liable to R&E, it may enjoy claims against R&E on account of value allegedly given by JCI to R&E, arising from the proceeds of R&E's misappropriated assets, as follows:

136.1 An amount of R208 142 593.00 in respect of funding allegedly furnished by CMMS to R&E for the acquisition of certain Western Areas shares (allegedly acquired by R&E); and

136.2 An amount of R50 600.00 in respect of 1.5 million DRD shares.

137. No claims have been formally made by JCI against R&E for the abovementioned amounts, and accordingly it is premature for R&E to consider such alleged claims in the absence of such claims having been formally introduced. If and when formal claims are made by JCI in regard hereto, R&E will consider its position and respond appropriately.

Conclusion

138. R&E does not propose to comment on the defences raised by JCI herein, nor are any legal or other opinions asserted by way of this Overview of the R&E claims.

139. No representations are made as to the accuracy of any of the above and R&E, their Directors and legal advisers disclaim all liability regarding the accuracy or otherwise of any of what is contained herein.

140. The adjudication of the R&E claims is subject to the mediation and/or arbitration referred to in the Mediation Agreement and the factual and legal sustainability of such claims.

SUMMARISED FORENSIC REPORT PREPARED BY JOHN LOUW McKNIGHT & CO FOR R&E

1. INTRODUCTION

The new Board of Directors of Randgold & Exploration Company Limited ("R&E") who were appointed on 24 August 2005, were concerned *inter alia* as to the whereabouts of 26 624 962 Randgold Resources Limited ("RRL") ordinary shares (calculated on a post split basis), beneficially owned by R&E, alternatively African Strategic Investment (Holdings) Limited (formerly Randgold Resources (Holdings) Limited) ("RR(H)"), its wholly owned subsidiary. Prior to the Board's reconstitution, there had been much speculation in the media and frequent enquiries by shareholders as to whether R&E, alternatively RR(H) still held these shares.

The new Board appointed John Louw McKnight and Co. (Proprietary) Limited ("JLMC"), (formerly Umbono Financial Advisory Services (Pty) Limited), on 14 October 2005, to conduct an independent forensic investigation into the trade, dealings, affairs and property of R&E. JLMC was initially primarily tasked with investigating the so-called "missing" RRL shares and the Phikoloso Black Economic Empowerment ("BEE") transaction.

During the investigation undertaken, numerous other irregularities and alleged frauds involving the disposal of the greater part of R&E's assets were identified and investigated.

The forensic investigation indicated that material frauds were perpetrated by *inter alia*, JCI Limited and one or more of its subsidiaries and associated companies ("JCI") (acting in conjunction with former directors of JCI and/or employees associated either directly or indirectly with it), who misappropriated investments in listed shares belonging to R&E or entities controlled by it, or who caused new shares to be issued for no value and then sold with the proceeds being laundered through a web of special purpose vehicles with trading and bank accounts. Our findings suggest that misappropriated investments were concealed through a combination of improper scrip lending agreements, forged stockbroker confirmations and purported legal agreements.

The purpose of this report is to provide shareholders with a summary of findings of the forensic investigation including details of the assets misappropriated by some former directors of JCI acting in concert with JCI and executive officers of JCI, Consolidated Mining Management Services Limited ("CMMS"), a subsidiary of JCI, and other related parties.

Furthermore, legal counsel has been instructed by the Board of Directors of R&E to formulate claims based on the findings of JLMC.

2. SUMMARY OF FORENSIC INVESTIGATION FINDINGS

2.1 Overview

2.1.1 Our investigation has revealed that R&E was the victim of substantial frauds and thefts, which frauds and thefts were perpetrated largely by JCI and its subsidiaries and associated companies, by misappropriating a vast array of listed securities beneficially owned by R&E (either directly or indirectly), or alternatively by JCI benefiting from the void issue and allotment of shares in the issued share capital of R&E, by channelling these securities (or the proceeds derived there from), to JCI and its subsidiaries and associated companies, with the aim of providing *inter alia* these entities with amongst other things working capital to fund their ongoing operations, to pay their liabilities, to further their general interests, and to otherwise provide them with sufficient funds to maintain their ongoing financial stability.

2.1.2 JCI was represented by a variety of persons formerly employed by it or with which it had a relationship either directly or indirectly, who constituted the directing and controlling mind and will of JCI and one or more of its subsidiaries and associated companies ("the perpetrators"). The perpetrators performed acts which had the effect of benefiting JCI and its subsidiaries and associated companies to the prejudice of R&E either directly or indirectly.

2.1.3 Our investigation has further revealed that R&E was largely an investment holding company and that the cash flow required by R&E and its subsidiaries would not have required a significant disposal of its listed securities. The level of resources required to manage its operations was negligible.

2.2 Disposal of RRL ordinary shares

2.2.1 General

2.2.1.1 A primary focus of our forensic investigation was to determine the whereabouts of R&E's investment in RRL shares (either held directly or indirectly through RR(H)) or where the proceeds of any sales of such shares had been credited or banked.

2.2.1.2 We were able to trace the sale of all RRL shares on the Nasdaq National Market ("Nasdaq") between 1 April 2002 and 18 August 2005 by reference to the database records of stockbroker Tlotlisa Securities (Proprietary) Limited (formerly Tradek Balderson (Proprietary) Limited, formerly EW Balderson (Proprietary) Limited) ("T-Sec"). T-Sec appear to have acted on the instructions of JCI and the perpetrators and in turn gave instructions for the sale of the RRL shares on the Nasdaq. We interrogated the database records of T-Sec and compiled a spreadsheet of all sales of RRL shares by trading account, by year.

2.2.1.3 Many of the allegations and findings of JLMC, particularly with regard to the disposal of the RRL shares and their subsequent disguise by Bookmark Holdings (Proprietary) Limited ("Bookmark"), have been borne out by KPMG Services (Proprietary) Limited ("KPMG Services"), being JCI's forensic investigators, in a report prepared by them, for purposes of the mediation, dated 8 May 2006. KPMG Services appear on the face of it, to have concluded, *inter alia*, that:

- "The strategy adopted by the directors and officers of JCI Limited and its subsidiaries required access to significant funding for the execution of such strategy. We noted that JCI had little access to funding and we understand that the group did not enjoy support from financial institutions, save for the event of the Investec UK transaction, which generated funding to JCI of some R209.1 million initially, and an additional R48 million at a later stage. Hence, CMMS performed a treasury function in conjunction with T-Sec, and later with SocGen, essentially borrowing shares in the market and selling same for purposes of raising funds for the JCI Group, essentially hoping on a bear market to reduce the cost of funding, alternatively hoping that the return on assets of JCI would outperform the share market.";
- "We found no evidence indicating that JCI and its subsidiaries, particularly CMMS owned any RRL shares.";
- "RRL shares were traded in the CMMS trading accounts at T-Sec and that the proceeds of the sales of such RRL shares were applied towards CMMS";
- "Having received the benefit from the sale of the RRL shares, it follows logically that CMMS may have to return the shares to RR(H) in the absence of a contrary agreement";
- "CMMS benefited from the sale of the RRL shares";
- "there had been an unauthorised dispossession of the RRL shares of RR(H) and that, upon the sale thereof, the proceeds of such sale were not used in the interest of R&E, but in the interest of CMMS with an intention to conceal such fact"; and
- "Assuming that the RRL shares sold," which shares were sold for the benefit of JCI and its subsidiaries amounting to 16 686 794 post split shares as set out in the abovementioned report, "had to be returned to RR(H), and assuming a share price of US\$17 for RRL shares and a Rand/US\$ exchange rate of some R6.38/\$1 an amount of R1.81 billion would then have been required to fund the return of the RRL shares".

2.2.2 **Background**

- 2.2.2.1 As at 5 October 2001 RR(H), a wholly owned subsidiary of R&E, was the registered shareholder of 13 312 481 (pre-split) RRL ordinary shares.
- 2.2.2.2 On 16 June 2004 RRL ordinary shares were split on a 2 for 1 basis.
- 2.2.2.3 RRL is a company incorporated in Jersey (registered number 62686) and is listed both on the Nasdaq and the London Stock Exchange.
- 2.2.2.4 R&E, through its wholly-owned subsidiary RR(H), had South African Exchange Control approval to hold these shares in a foreign listed company.
- 2.2.2.5 Despite the RRL shares being subject to exchange control restrictions, 13 372 467 (pre-split) RRL shares were pledged to ABSA Bank Limited (ABSA) for a debenture financing facility, prior to 5 October 2001. On 28 March 2002, ABSA returned one share certificate comprising 13 312 481 RRL shares to R&E, for splitting of the share certificate. Subsequent to the transfer secretaries splitting the certificate, 7 360 000 RRL shares were returned to ABSA as ongoing security for a rollover debenture financing facility. 59 986 shares were withheld by ABSA *in lieu* of a capital raising fee for the debenture facility. JCI appears to have secured the balance of these shares without the authority of either R&E or RR(H).
- 2.2.2.6 By 1 April 2002, various trading accounts appear to have been either specifically opened at T-Sec by JCI and the perpetrators for purposes of disguising the sale of RRL shares, or where such trading accounts already existed in the names of entities or individuals which on the face of it appear to have had no connection to JCI, such trading accounts were also used for purposes of disguising the sale of RRL shares and later other listed securities for *inter alia* the benefit of JCI and others. These trading accounts included, amongst others, Alibiprops 13 (Proprietary) Limited ("Alibiprops"), New Heights 120 (Proprietary) Limited ("New Heights"), Paradigm Shift (Proprietary) Limited (formerly Paradigm Shift CC) ("Paradigm Shift"), Wolwekloof Carry Account ("Wolwekloof Carry"), R B Kebble Carry Account ("R B Kebble Carry"), Consolidated Investments (Proprietary) Limited – Account No. 648410 ("CMMS trading account") and CMMS Demat.

2.2.3 **Reconciliation of RRL shares held and the disposal thereof**

- 2.2.3.1 A reconciliation of RRL shares held from 5 October 2001 to 19 January 2006 and an analysis of the proceeds resulting from the sale of such shares, has been prepared.

2.2.4 **Shares sold in 2002**

- 2.2.4.1 On 3 April 2002 share certificate 746 representing 13 312 481 (pre-split) shares was split by Computershare Investor Services (CI) into seven new certificates as follows:

	Number of shares
1 new certificate (899) of (returned to ABSA Bank Limited)	7 360 000
5 new certificates (900/1/2/3/4/ of 1 million shares each)	5 000 000
1 new certificate (905) of	952 481
Original certificate (746)	13 312 481

- 2.2.4.2 The 952 481 RRL shares (certificate 905) were subsequently split into 800 000 and 152 481 shares respectively. The 800 000 shares were sold on 5 April 2002, with net proceeds of R54 115 233 being credited to a trading account in the name of New Heights, in the records of T-Sec. The monies derived from this sale of 800 000 RRL shares appear to have been transferred on the instructions of JCI in conjunction with the perpetrators, to a Mallinicks trust account on 16 April 2002. We found no resolution from the Board of RR(H) authorising such sale.

- 2.2.4.3 The balance of 152 481 RRL shares were sold, with the transaction being recorded in a trading account in the name of Wolwekloof Carry in the records of T-Sec. The mandate holder of this trading account was R A R Kebble. These shares were sold for R10 211 008 and the monies derived from this unauthorised sale of 152 481 RRL shares were transferred to a bank account styled "R A R Kebble – ABSA Private Bank" – an account with a R16 million overdraft facility which had been drawn down, at R A R Kebble's instruction, with the proceeds being used by CMMS.
- 2.2.4.4 The sale of 952 481 RRL shares was not recorded in the investment register of R&E in 2002. To conceal the fact that the shares had been sold without authority and without credit to R&E, these shares became the subject of a scrip loan between R&E (lender) and Kemonshey Holdings (Pty) Limited (borrower), a Gibraltar registered company, the directors of whom were John Stratton and Buitendag.

2.2.5 **Shares sold in 2003**

- 2.2.5.1 In the calendar year 2003, 575 000 RRL shares on a pre-split basis (1 150 000 shares on a post split basis) were sold through Barnard Jacobs Mellett-USA ("BJM") on the Nasdaq on the instructions of instructing broker T-Sec, (T-Sec appearing in turn to have received instructions from JCI and the perpetrators) for R92 595 106, with the proceeds credited to a trading account in the name of CMMS in the records of T-Sec, which trading account was used by CMMS for purposes of trading in listed shares on behalf of CMMS. These shares were sold in seven individual transactions between 25 September 2003 and 20 October 2003. No entries were made in the books of either R&E or RR(H) until 30 November 2003. On that date R79 834 606 was debited to a general ledger account styled "loan asset – CMMS (RRL Shares)" and subsequently transferred on 31 December 2003 to a general ledger account styled "Loan asset – Masupatsela" and the balance of R12 760 000 was debited directly to a general ledger account styled "Loan asset – Masupatsela". This general ledger account was by design used to disguise related party transactions with CMMS and was even supported by a purported loan agreement between R&E and Masupatsela Investment Holdings (Pty) Limited, this company having entered into a back to back agreement with CMMS.
- 2.2.5.2 A further 325 000 RRL shares on a pre-split basis (650 000 shares on a post split basis) were sold through BJM on the NASDAQ, on the instructions of instructing broker T-Sec, (who in turn appears to have received instructions from JCI and the perpetrators), in eight individual transactions between 14 November 2003 and 6 December 2003, with the proceeds being credited to a trading account in the name of Alibirops in the records of T-Sec. The net proceeds of R55 060 350 were deposited directly into R B Kebble's personal bank account (R40 960 350) and into Tuscan Mood 1224 (Pty) Ltd's bank account (R14 100 000). No credit for these unauthorised sales was given to R&E.

2.2.6 **Shares sold in 2004**

- 2.2.6.1 During the calendar year 2004, 4 090 000 RRL shares on a combined pre and post split basis (6 810 000 shares on a post split basis) were sold through BJM on the Nasdaq on the instructions of instructing broker T-Sec, (following instructions which they appear to have received from JCI and the perpetrators), through four trading accounts in the name of R B Kebble Carry, CMMS, CMMS Demat and Alibirops in the records of T-Sec. The CMMS Demat trading account (account number 660415) at T-Sec was also used for purposes of trading in listed shares on behalf of CMMS.
- 2.2.6.2 75 000 RRL shares on a pre split basis (150 000 shares on a post split basis) were sold in two individual transactions on 26 and 27 February 2004, with the net proceeds of R9 425 400 credited to the R B Kebble Carry trading account in the records of T-Sec. The proceeds of these sales were credited to various bank accounts with some of the proceeds credited to the JCI Share Incentive Scheme trading account in the records of T-Sec.

- 2.2.6.3 2 800 000 RRL shares on a combined pre and post split basis (4 350 000 shares on a post split basis) were sold in 18 individual transactions between 6 April 2004 and 25 June 2004, with the net proceeds of R259 108 924 credited to the CMMS trading account in the records of T-Sec. Of these share sales, the proceeds from the sale of only 1 500 000 RRL shares on a pre-split basis (3 000 000 shares on a post split basis), being R186 171 496, was debited to a general ledger account styled "Loan asset – Masupatsela", being in substance the inter-company loan account between R&E and CMMS. The balance of the shares sold being 1 350 000 shares, (after the two for one share split) were never debited to R&E's loan account against CMMS. This represented 1 300 000 RRL shares (on a pre-split basis) sold for R72 937 428, being the net proceeds.
- 2.2.6.4 31 000 RRL shares on a pre-split basis (62 000 shares on a post split basis) were sold in an individual transaction on 12 February 2004 with the net proceeds of R4 608 150 being credited to a trading account in the name of CMMS Demat in the records of T-Sec. These proceeds were transferred to CMMS and were debited to a general ledger account styled, "Loan asset – Masupatsela", being in substance the inter-company loan account between R&E and CMMS.
- 2.2.6.5 A further 1 184 000 RRL shares on a combined pre and post split basis (2 248 000 shares on a post split basis) were sold in 22 individual transactions with the net proceeds of R154 692 754 credited to a trading account in the name of Alibi props in the records of T-Sec. These proceeds were transferred to various bank accounts with R B Kebble being the beneficiary of R7 800 000, Tuscan Mood the beneficiary of R22 783 392, CMMS and a related entity of CMMS being the beneficiary of R101 497 425, Lunda Sul (an R B Kebble controlled bank account) was the beneficiary of R1 124 687 and the Western Areas trading account was the beneficiary of R21 505 250.

2.2.7 **Shares sold in 2005**

- 2.2.7.1 Between 30 December 2004 and 18 August 2005, 3 750 000 RRL ordinary shares (on a post split basis) were sold through BJM on the Nasdaq on the instructions of instructing broker T-Sec, (T-Sec apparently having in turn received instructions from JCI and the perpetrators), yielding net proceeds of R311 726 397. These proceeds were credited to the CMMS trading account at T-Sec without a corresponding credit to R&E in its intercompany account with CMMS.

2.2.8 **Bookmark and the RR(H) Scrip Lending Agreement ("SLA")**

- 2.2.8.1 On 6 February 2004, RR(H) represented by Buitendag and Bookmark represented by S Rasethaba, purportedly concluded an SLA in terms of which RR(H) purportedly loaned 10 million RRL shares (on a post split basis) to Bookmark.
- 2.2.8.2 An SLA was also entered into between JCI and Bookmark, to allow Bookmark to provide RR(H) with security cover for the above SLA.
- 2.2.8.3 The above SLA's do not appear to have been authentic and appear to have been part of the mechanisms used to conceal unauthorised sales, lending and misappropriations of RRL shares. This transaction resulted in the incorrect reporting of listed investments in RRL (9.9 million shares with a fair value of R666.1 million) as at 31 December 2003.

2.2.9 **Conclusion**

- 2.2.9.1 A claim has been formulated against JCI for the alleged theft of 14 264 962 RRL shares (on a post split basis), less 1 904 962 RRL shares on a post split basis (952 481 pre-split) used by BNC/Investage, (the subject of a separate claim number 3 – refer paragraph 2.3), using the highest rand price per share between 5 April 2002 and the date of this claim. On this basis, the total claim being 12 360 000 shares at R159.23 per share, which claim amounts to R1 968 082 800 has been formulated (claim number 1);

- 2.2.9.2 Alternatively, JCI may be liable for the delivery of 12 360 000 RRL shares to R&E, alternatively payment of such amount as represents the value of the said 12 360 000 RRL shares on the date on which JCI is found to be liable to R&E;
- 2.2.9.3 Alternatively, JCI may be liable for damages resulting from the alleged theft of the proceeds resulting from the sale of the 12 360 000 RRL shares amounting to R887 217 084;
- 2.2.9.4 Alternatively, JCI may be liable for damages having received proceeds arising from the sale of the RRL shares in the amount of R796 966 825.
- 2.2.9.5 This claim is of equal application against the perpetrators as reflected in the Overview of Claims, being Annexure 1.
- 2.2.9.6 A review of a report released by KPMG Services, the forensic accountants of JCI, for purposes of the mediation dated 8 May 2006, appears to have materially corroborated the above findings with reference to the RRL shares.

2.3 **Misappropriation of 3 000 000 Durban Roodepoort Deep Limited (“DRD”) shares and 952 481 RRL shares (on a pre split basis) belonging to R&E.**

- 2.3.1 In April 2002, the then directors of Consolidated African Mines Limited (“CAM”), the forerunner to JCI, and of JCI Gold Limited (“JCI Gold”), announced CAM’s intention to propose a scheme of arrangement between JCI Gold and its shareholders, other than CAM. In terms hereof JCI Gold would become a wholly-owned subsidiary of CAM. It was also proposed that on implementation of the scheme, the listing of JCI Gold shares on the JSE would be terminated.
- 2.3.2 In terms of the scheme, CAM would acquire all of the scheme shares in return for which participants would receive:
 - a scheme consideration of 7 new CAM shares issued at R0.45 each, R4.00 in cash; and
 - 4 CAM debentures of R1.25 each for every one JCI Gold share.

Scheme participants were given the option of electing the share alternative, being 9 new CAM shares issued at R0.45 each and credited as fully paid, instead of the cash component.
- 2.3.3 The cash element of the funding required to enable CAM to acquire the minority interest in JCI Gold amounted to R155 million. In terms of the scheme, BNC Investments (Proprietary) Limited (“BNC”) and Investage 170 (Proprietary) Limited (“Investage”) undertook to lend CAM R155 million in order for CAM to meet its scheme obligations to minority shareholders. The scheme of arrangement was duly approved and an announcement to that effect was made on 27 June 2002. On 8 July 2002, CAM changed its name to JCI. BNC, Investage and JCI were not in a financial position to legitimately raise the said sum of R155 million, either in whole or in part, whether by way of non-related party borrowings or otherwise.
- 2.3.4 In a circular to JCI shareholders dated 19 August 2002, shareholders were advised of a renounceable rights offer by JCI of 344 488 942 new ordinary shares of 1 cent each at an issue price of 45 cents per ordinary share in the ratio of 24, 5 new ordinary shares for every 100 ordinary shares held in JCI at the close of business on 16 August 2002.
- 2.3.5 The purpose of the rights offer was communicated as follows:

“The proceeds of the rights offer will be used to repay the underwriting loans made by BNC and Investage to JCI amounting to R155 million in order to facilitate the implementation of the scheme [of arrangement between JCI Gold and its shareholders]. The lenders [BNC and Investage] have agreed to underwrite the rights offer and shall subscribe to all of the rights offer shares not taken up by the JCI shareholders. The lenders’ obligations to pay the subscription price in respect of the underwriters’ shares shall be set-off against JCI’s obligation to repay the underwriting loans.”
- 2.3.6 The “underwriting lenders”, BNC and Investage were private companies under the control of The Kebble family (R A R and R B Kebble) and of CHD Cornwall respectively, all of whom were directors of JCI/CAM at the date of the abovementioned scheme of arrangement and rights offer.

- 2.3.7 At the time BNC committed itself as an “underwriting lender” in terms of the said scheme and rights offer, it was in default in respect of an obligation to redeem certain variable rate redeemable preference shares issued to Societe Generale, Johannesburg Branch (“SocGen”), which had been entered into between BNC and SocGen in an amount of R125 million subscribed for on 26 May 1997, redeemable on 30 May 2001. The default capital obligation at that date was in respect of 46 593 unredeemed preference shares, the liability for which was approximately R46.6 million.
- 2.3.8 The directors of BNC and Investage, acting in concert with the directors of JCI, “raised” funds of R155 million to meet their “underwriting loan” commitments, being R85 million and R70 million respectively, by misappropriating 3 000 000 Durban Roodepoort Deep (“DRD”) shares and 952 481 RRL shares, both of which were the property of R&E.
- 2.3.9 On 3 March 2000, CAM ostensibly “borrowed” 3 000 000 DRD shares from R&E, First Wesgold Mining Company Limited (“FirstWesgold”) and Bentonite Nominees Limited (“Bentonite”), being two wholly owned subsidiaries of R&E.
- 2.3.10 Our investigation has revealed that the missing 3 000 000 DRD shares as at 3 March 2000 may in all likelihood have been concealed as at 31 December 2000 by the use of an alleged false scrip lending agreement dated 3 March 2000, entered into between R&E (as lender) and an Australian registered private company, Notable Holdings (Proprietary) Limited (“Notable”) with registration number CAN 009 271 621, however this agreement appears to have been backdated. The legal and beneficial owners of the shares in the issued share capital of Notable were John Stratton and Buitendag, both directors of CAM.
- 2.3.11 The backdating of this alleged false scrip lending agreement is further corroborated by the fact that prior to, but by no later than 13 November 2001, various parties and R&E signed a settlement deed whereby Notable, on behalf of CAM, was required to return 3 000 000 DRD shares to R&E, which shares were held on behalf of Notable by Societe Generale Securities (London) Limited (“SGS”).
- 2.3.12 On 10 December 2001, Mrs F Markides – secretary to R A R Kebble – took delivery of 3 000 000 DRD shares (in certificated form – certificate number 27786) from SocGen via SGS. These shares were registered in the name of Goudstad Nominees (SocGen’s nominee company) and appear to have been dematerialised by at least 27 November 2001, according to Ultra Registrars. The CSD dematerialised control account had 3 077 173 DRD shares in it as at that date. We can only construct that 3 000 000 DRD shares were re-materialised into certificate 27786 and delivered to R A R Kebble on 10 December 2001, with 77 156 DRD shares having to be rematerialised and delivered to DRD in terms of the abovementioned settlement deed.
- 2.3.13 On 11 February 2002 this share certificate was delivered to T-Sec and placed in a trading account in the name of P B Bawden (P B Beale). Between 10 December 2001 and 11 February 2002 these shares must have remained in the custody of R A R Kebble and/or R&E.
- 2.3.14 It is instructive that on delivery of the 3 000 000 DRD shares to R A R Kebble, SocGen referred to its client as “SGJ Acc client R A Kebble”. We interpret this as although the shares were registered in Goudstad Nominees, SocGen considered the beneficial owner to be R A R Kebble. R A R Kebble has confirmed to us that he was never the beneficial owner of 3 000 000 DRD shares.
- 2.3.15 Between 8 February 2002 and 25 February 2002, 3 000 000 DRD shares belonging to R&E were sold through the P B Bawden, New Heights and Hothouse Investments Limited trading accounts held at T-Sec and through The Chardonnay Trust trading account held at Rice Rinaldi Securities. The proceeds of these shares, being approximately R90 million, appear to have been channelled through a “myriad” of bank accounts held at Brait Merchant Bank, ABSA and Standard Bank Limited and various trust accounts held at Bowman Gilfillan and Mallinicks and ultimately found their way into two term deposit accounts at Corpcapital Bank in the name of BNC and Investage.

- 2.3.16 In the meantime, however, approximately R28 million of the above proceeds were transferred to an 'escrow' account held by Frankel Consulting on 18 February 2002, pending a partial redemption of BNC's redeemable preference share liability to SocGen. The default capital obligation in February 2002 was in respect of 46 593 unredeemed preference shares, the liability for which was approximately R46.6 million. On 12 April 2002, Frankel Consulting paid the sum of approximately R28 million to SocGen in part settlement of BNC's liability.
- 2.3.17 Further amounts of R25 million and approximately R1.8 million (net) cash from JCI, were demanded by BNC in repayment of its short term advances to CAM and JCI Gold to restore the balance of term deposits available for the underwriting loan funding. These monies were not used for underwriting loan purposes but were rather used to redeem a tranche of BNC's preference shares held by SocGen. A further R25 million loan was sourced by BNC/R A R Kebble from a third party, which loan was subsequently repaid by way of 55.6 million JCI shares originally acquired by BNC in terms of the JCI renounceable rights offer in August 2002.
- 2.3.18 952 481 RRL shares (on a pre-split basis) were disposed of as follows:
- 800 000 RRL shares were sold through the New Heights trading account at T-Sec, deriving proceeds of approximately R54.1 million which proceeds were then ultimately deposited into Corpcapital Bank term deposit account in the name of Investage; and
 - 152 481 RRL shares were sold through the Wolwekloof Carry trading account at T-Sec realising approximately R10.2 million which proceeds were then used to partially repay an overdraft account in the name of R A R Kebble, opened on behalf of CMMS.
- 2.3.19 On 15 July 2002, the proceeds from these misappropriated DRD and RRL shares, together with interest which had accrued in respect of these proceeds, and which had amounted to approximately R155 million, was transferred by BNC and Investage to a JCI Gold scheme bank account. Loan agreements were entered into between CAM and Investage and BNC for R70 million and R85 million respectively. The proceeds from these loan accounts were to be used by CAM to distribute to scheme participants the cash component in terms of the JCI Gold scheme of arrangement.
- 2.3.20 On 19 August 2002, shareholders were advised of a renounceable rights offer by JCI, the reason for the rights offer being *inter alia* to raise sufficient cash to repay BNC and Investage in respect of the loans advanced. Due to the high price at which the rights offer had been underwritten, the underwriters being BNC and Investage, took up the majority of the shares issued and in settlement of the 'underwriting loans', Investage and BNC received approximately 155.4 million and 188.8 million JCI shares respectively – being approximately 1 share at 45 cents for every R1 lent.
- 2.3.21 On 25 September 2002, CHD Cornwall – whilst a director of JCI – pledged Investage's 155.4 million JCI shares to Nedbank Limited ("Nedbank") to secure increased personal overdraft facilities. Nedbank duly took possession of the said JCI shares, and appears to have transferred such shares into the name of its nominee company.
- 2.3.22 Acting on Investage's instructions, Nedbank commenced selling the JCI shares and by 30 January 2003, the bank had sold 75.2 million of the 155.4 million pledged JCI shares.
- 2.3.23 On 15 July 2003 a further 40.2 million JCI shares were sold by Nedbank, leaving a balance of 40 million JCI shares as at 30 September 2003.
- 2.3.24 On 4 December 2003 Investage passed a resolution authorising Nedbank to sell as many of the JCI shares pledged as security for the obligations of CHD Cornwall and his property company, Silver Terrace Investments (Proprietary) Limited, as necessary in order to raise R30 million. The R30 million raised from the proceeds of the sale was to be apportioned as to R13 million and R17 million in reduction of Cornwall's personal debt and his property company's debt respectively. By 23 January 2004 all the JCI shares had been sold, the total proceeds of which were R101 million.
- 2.3.25 BNC, having raised long term redeemable preference share debt in May 1997 of R125 million and short-term debt of R30.5 million from SocGen and SBC Warburg, both

international banks, entered into a secured financing agreement with Hawkhurst Investments Limited (“Hawkhurst”), an offshore investment fund, to refinance itself during 1999. At the time of entering into this agreement, Hawkhurst took a pledge of BNC’s investment in JCI shares and JCI options which amounted to 79.8 million JCI shares and 35.6 million JCI options. BNC subsequently defaulted on repaying this debt and the offshore lenders appear to have perfected their security, being the original 79.8 million JCI shares, the JCI options and a further 132.4 million JCI shares that were transferred into their funds name. The 132.4 million JCI shares originated from the 188.8 million JCI shares received by BNC in settlement of their ‘underwriting loan’.

- 2.3.26 Of the 188.8 million JCI shares received by BNC:
- 132.4 million shares were transferred to the offshore lenders as a result of a pledge of shares and options agreement entered into with BNC;
 - 55.6 million shares were used to settle the loan of R25 million; and
 - 310 000 JCI shares were transferred into the Western Areas Share Incentive Trust trading account held at T-Sec.
- 2.3.27 BNC reduced/redeemed its R125 million redeemable preference share debt between May 1997 and December 2003 as follows: R28 million was borrowed from CAM by Mzi Khumalo and applied in part redemption of 28 000 shares in May 1999; R30.4 million was sourced from Hawkhurst and applied in redemption of 30 407 shares in June 1999; 20 000 shares were purchased for R20 million, which was sourced from the alleged theft and sale of *inter alia* 2 000 000 DRD shares, held by entities within the R&E Group, for R31 million between 15 September 1999 and 5 October 1999, and applied in part reduction of the debt on 5 October 1999; 22 622 shares were purchased from SocGen for R22.6 million, which was sourced from the alleged theft and sale of 3 000 000 DRD shares, held by R&E, for R89 643 550 between 8 February 2002 and 1 March 2002 and applied in part reduction of the debt on 15 April 2002; R20 million was sourced from the alleged theft of a portion of the proceeds from the first tranche of R61.66 million paid by Investec Bank UK Limited to T-Sec on the instructions of JCI, and was applied in redemption of 23 971 shares that T-Sec had purchased from SocGen in reduction of the debt on 31 December 2003.

2.3.28 ***The Scrip Lending Agreements (“SLAs”) with Kemonshey and Notable***

- 2.3.28.1 Two SLAs with several addenda to each, were entered into between R&E (and sometimes RR(H)) with Gibraltar-registered Kemonshey Holdings (Proprietary) Limited (“Kemonshey”) and with Australian-registered Notable.
- 2.3.28.2 The SLAs were both signed by John Stratton, a director of JCI, who claimed to be acting as agent for both CHD Cornwall on the Kemonshey SLA and for R B Kebble on the Notable SLA. R A R Kebble signed for both R&E and RR(H).
- 2.3.28.3 The Kemonshey SLA was the mechanism used to conceal the misappropriation of 952 481 RRL shares in 2002, and the Notable SLA to conceal the misappropriation of 3 000 000 DRD shares in 2000 (refer 2.3.10 above).
- 2.3.28.4 In terms of relevant International Accounting Standards, shares lent in terms of SLAs, where the economic benefits and rights remain vested in the lender, are not derecognised as assets of the lender. Accordingly, the misappropriated shares used to fund BNC’s and Investage’s ‘underwriting loan’ commitments, as described in 2.3.6 above, were lent without the necessity for derecognition as assets in the books and records of R&E.
- 2.3.28.5 Subsequent to the concealment of the misappropriated listed investments by using SLAs, the settlement shares were varied by way of addenda to the SLAs, being:
- 3.3 million WAL shares instead of 952 481 RRL shares; and
 - 660 000 WAL shares plus cash of R27 million instead of the 3 000 000 DRD shares.
- 2.3.28.6 These varied settlement shares and cash were never delivered nor paid and were fictitious and yet were brought to account as listed investments and

an unimpaired loan receivable, replacing the misappropriated shares in the books and records of R&E in 2003 and 2004. These fictitious assets were finally derecognised as at 31 December 2005.

2.3.29 **Conclusion**

- 2.3.29.1 Evidence suggests that by at least the end of 2000 and 2002, 3 000 000 DRD listed shares, and 1 600 000 RRL shares (on a post split basis) respectively, being the property of R&E, were allegedly misappropriated, the proceeds of which were ultimately channelled into funding the underwriting loans made by BNC and Investage to buy out the minorities in JCI Gold, in terms of a scheme of arrangement. In June 2002 the proceeds from the sale of 304 962 RRL shares (on a post split basis), registered in the name of Durlacher Limited Nominees, were credited to a trading account in the name of Wolwekloof Carry, a trading account under the control of R A R Kebble, held at T-Sec, and then transferred to a bank account at ABSA Private Bank in the name of R A R Kebble (t/a account 16). This account had been drawn down by CMMS to the extent of R16 million, at R A R Kebble's instruction.
- 2.3.29.2 Damages resulting from the alleged theft of the 3 000 000 DRD shares amounting to R169 500 000 and the 1 904 962 RRL shares amounting to R303 327 099 which amount represents the highest value of DRD and RRL shares subsequent to their alleged theft, have been formulated against JCI (claims numbers 2 and 3);
- 2.3.29.3 Alternatively, JCI and the perpetrators may be liable to return 3 000 000 DRD and 1 904 962 RRL shares to R&E, alternatively payment of such amount as represents the value of the said 3 000 000 DRD and 1 904 962 RRL shares on the date on which JCI is found to be liable to R&E;
- 2.3.29.4 Alternatively, JCI and the perpetrators may be liable for damages resulting from the alleged theft of the proceeds resulting from the sale of the 3 000 000 DRD and 1 904 962 RRL shares amounting to R89 643 550 and R64 326 241 respectively;
- 2.3.29.5 Alternatively, JCI may be liable for the payment resulting from the receipt by it of the proceeds deriving from the sale of the 3 000 000 DRD and 1 904 962 RRL shares in an amount of R89 643 550 and R64 326 241 respectively.
- 2.3.29.6 This claim is of equal application against the perpetrators as reflected in the overview of claims report being Annexure 1.

2.4 **The Phikoloso Transaction**

- 2.4.1 The transaction ostensibly structured to secure a BEE shareholding of some 19% in R&E by Phikoloso Mining (Proprietary) Limited ("Phikoloso"), appears to be on evidence available a mechanism to provide liquidity and personal gain for certain former directors, company officials and others as well as to benefit JCI either directly or indirectly.
- 2.4.2 The methodology was to issue and list new R&E shares ostensibly to acquire a newly incorporated special purpose vehicle with substantially fictitious assets, and then to gain control of such R&E shares and deal therewith to give effect to JCI's ends and purposes.
- 2.4.3 8 800 000 R&E shares with an approximate market value of R259.6 million were issued in return for a 100% stake in Viking Pony Properties 359 (Proprietary) Limited ("Viking") which purportedly held a 75% stake in a BEE company, Kabusha Mining & Finance (Proprietary) Limited ("Kabusha") and a direct investment in certain listed shares.
- 2.4.4 Prior to Viking's incorporation, Kabusha had negotiated to acquire 23 000 000 shares in The Afrikander Lease Limited ("Aflease") from Benoryn Investments (Proprietary) Limited ("Benoryn") for R92 million, to be funded by JCI. The purchase consideration was to be paid in two tranches of R40 million and R52 million.
- 2.4.5 JCI did not meet its commitment to fund the first tranche and it would appear that the directors of Kabusha then agreed with the directors of R&E to "sell" 8 100 000 Aflease shares on the market to R&E, thereby securing settlement, and providing a source of funding to pay the first tranche.

- 2.4.6 R&E settled the transaction by transferring R40.7 million to its trading account at T-Sec and the Alease shares were immediately transferred from R&E's trading account to CMMS's trading account, for no value.
- 2.4.7 Kabusha regarded and recorded this as a secured loan from Viking. At no stage did R&E record this transaction as an investment in Alease shares, in fact it recorded this cash outflow as an acquisition of mineral rights in Sierra Leone. The financial director of R&E confirmed to the external auditors of Kabusha that it held the 8 100 000 Alease shares on Kabusha's behalf, despite the fact that CMMS had "borrowed" these shares, as disclosed in the audited group financial statements of JCI for the year ended 31 March 2004. Whilst residing in the CMMS trading account, 2 000 000 shares were transferred in October 2004 to a trading account under the control of R B Kebble, with no value accruing to R&E and the remaining 6 100 000 shares were sold in the CMMS trading account realising proceeds of R11 292 342 (significantly less than their original purchase consideration).
- 2.4.8 The JCI commitment to fund the second tranche of R52 million was also not met. By this stage the funding requirement for the Alease shares had been "regularised" by way of a loan agreement for R92 million between Viking and Kabusha. The R52 million second tranche was eventually settled, with interest, by JCI after litigation was instituted against JCI.
- 2.4.9 In a separate transaction purportedly with R&E, Kabusha desirous of raising funds to meet costs associated with the default on the second tranche, again sold 1 675 000 Alease shares on the market on 22 July 2004 to ensure settlement. These shares were acquired in the Lunda Sul trading account at T-Sec, using funds sourced from the sale of new R&E shares issued for Angolan diamond concessions.
- 2.4.10 These shares, which Kabusha asserted as its property, were sold by the related party despite R&E confirming as at 31 December 2004 that CMMS was holding these shares on behalf of Kabusha.
- 2.4.11 Kabusha continued to account for both the 8 100 000 and the 1 675 000 Alease shares in its financial statements, resulting in R&E including these shares in its group financial statements as at 31 December 2004, when in fact these shares had been sold.
- 2.4.12 In order to bolster Viking's net asset value at the date of acquisition to justify the purchase consideration, fictitious investments in Alease (7.3 million shares), Harmony Gold Mining Company Limited ("Harmony") (315 000 shares) and Anglo American Platinum Corporation Limited ("Amplats") (235 000 shares) had been created by way of false brokers notes. These non-existent shares were subsequently "sold" to R&E and the Harmony and Amplats shares were purportedly scrip lent to Bookmark in a SLA to disguise their non-existence.
- 2.4.13 At 31 December 2003 they were reflected as listed investments in the audited financial statements of R&E. They remained listed investments through 31 December 2004 and were finally derecognised as investments as at 31 December 2005. The non-existence of the Alease shares was disguised by way of a forged stockbroker's confirmation as at 31 December 2003 and by way of a fraudulent legal agreement as at 31 December 2004. This investment was derecognised as at 31 December 2005.
- 2.4.14 **Bookmark and the Harmony and Amplats SLA**
- 2.4.14.1 On 1 October 2004, R&E represented by Buitendag and Bookmark represented by S Rasethaba, purportedly concluded an SLA in terms of which R&E purportedly loaned 315 000 Harmony and 235 000 Amplats shares to Bookmark.
- 2.4.14.2 The above SLA does not appear to have been authentic and appears to have been the mechanism used to conceal fictitious investments in Harmony and Amplats shares. This transaction resulted in the incorrect reporting of listed investments in Harmony (315 000 shares at a cost value of R34.2 million) and Amplats (235 000 shares at a cost value of R68.5 million). The fictitious Harmony and Amplats investments were reflected as assets of R&E as at 31 December 2004, with a fair value of R67.7 million in aggregate when in fact these assets did not exist.

2.4.15 **Conclusion**

- 2.4.15.1 In July 2003 R&E acquired the entire issued share capital of, and all shareholders' claims on loan account against Viking in exchange for the issue of 8 800 000 new R&E shares, equivalent to 19.7% of R&E's issued share capital. The new shares were issued in the name of Equitant Trading (Proprietary) Limited and placed in that company's trading account at T-Sec.
- 2.4.15.2 In September 2003, 3 088 000 R&E shares were transferred out of the Equitant trading account to the Paradigm Shift trading account (a trading account under R B Kebble's control), whereupon 1 600 000 R&E shares were thereafter transferred to CMMS, 3 000 000 R&E shares were transferred to a trading account of Letseng Diamonds (Proprietary) Limited (account number 0671982) held at Consilium Capital (SA) (Proprietary) Limited, and 300 000 R&E shares were transferred to the CMMS trading account at T-Sec on P B Beale's instruction.
- 2.4.15.3 The purported creation, allotment, listing and issue of 8 800 000 R&E ordinary shares for no apparent value received has culminated in a claim against JCI and other associated entities amounting to R149 600 000 (claim number 10).

2.5 **The Alease Share Claims**

- 2.5.1 R&E had in February 2004 concluded certain agreements with Alease in terms of which R&E would provide funding to Alease by subscribing for 24 million ordinary shares in Alease for a consideration of R82.4 million and underwriting a R100 million Alease rights offer.
- 2.5.2 These funding agreements were renegotiated into a Share Swap agreement and a Randgold loan facility of R50 million.
- 2.5.3 In terms of the Share Swap, Alease acquired 9 400 000 R&E shares and R&E through its wholly owned subsidiary, First Wesgold, acquired 94 000 000 Alease shares. The Share Swap was valued at approximately R125 million.
- 2.5.4 First Wesgold acquired the Alease Swap Shares in September 2004. These shares were immediately placed into the CMMS trading account at T-Sec. We could find no evidence that R&E or First Wesgold authorised the placing of these shares in this trading account.
- 2.5.5 From a reconstruction of the First Wesgold investment schedules as they pertain to investments in Alease shares and from an internal analysis of the "Group" holdings in Alease shares it is evident that 93 000 000 Alease shares were placed into First Wesgold's investment register in September 2004. The difference between the swap shares and the number of shares placed in the investment register of 1 000 000 shares represents a 'commission' paid, we understand, to Nexus Securities. 94 000 000 shares were without the authority of First Wesgold placed in CMMS's trading account and co-mingled with other Alease shares belonging to R&E and CMMS.

- 2.5.6 Treating the sale of the shares on a FIFO basis the movement of the Alease shares in the CMMS trading account would have been as follows:

Analysis of shares beneficially owned by CMMS, R&E and First Wesgold placed in the CMMS trading account	Number of Alease shares				
	CMMS	Alibirops	SA Stockbrokers	First Wesgold	R&E
Shares on hand 1 July 2003					8 100 000
– per T-Sec CMMS trading account (number 648 410)	1 837 661				
– per T-Sec Demat trading account (number 660 415)	600 000				
Shares on hand 31 March 2004	2 437 661	–	–	–	8 100 000
Shares sold in September 2004	(2 437 661)				(2 812 120)
Shares issued in October 2004				94 000 000	
Shares transferred to Alibirops trading account in October 2004		2 000 000			(2 000 000)
Shares sold in October 2004				(501 227)	(3 287 880)
Shares sold in November 2004		(2 000 000)		(6 669 560)	
Transfer to Imara S P Reid – December 2004 as commission				(500 000)	
Shares delivered to SA Stockbrokers December 2004			2 500 000	(2 500 000)	
Shares returned from SA Stockbrokers December 2004			(1 692 286)	1 692 286	
Shares transferred to Alibirops in December 2004		1 692 286		(1 692 286)	
Shares sold in December 2004		(854 400)	(807 714)	(30 779 771)	
Shares on hand 31 December 2004	–	837 886	–	53 049 442	–
Shares purchased in January 2005				10 000	

Analysis of shares beneficially owned by CMMS, R&E and First Wesgold placed in the CMMS trading account	Number of Alease shares				
	CMMS	Alibirops	SA Stockbrokers	First Wesgold	R&E
Shares transferred to Alibirops trading account– January 2005		99 614		(99 614)	
Shares purchased in February 2005				311 691	
Shares placed with Investec in terms of the Option Agreement in February 2005				(8 000 000)	
Shares purchased in March 2005			69 900		
Shares sold in January 2005		(937 500)		(44 566 419)	
Shares sold in February 2005				(915 000)	
Shares sold “short” at 31 March 2005	-	-	-	(140 000)	-
Shares purchased in April 2005				140 000	
Shares purchased in May 2005				500 000	
Shares transferred to Nexus Securities 1 June 2005 as commission				(500 000)	
Shares on hand 31 December 2005	-	-	-	-	-

2.5.7 **Conclusion**

2.5.7.1 *The 94 000 000 Alease shares*

- 2.5.7.1.1 In October 2004, R&E entered into a share swap agreement with Alease wherein 9 400 000 R&E shares were swapped for 94 000 000 Alease shares. The Alease shares were placed in the CMMS trading account and recorded in the investment ledger of First Wesgold, a wholly owned subsidiary of R&E. A claim has been formulated against JCI for the alleged theft of 94 000 000 Alease shares based on the highest Rand price for SXR (formerly Alease) shares at a conversion rate of 0.18 SXR share for every one Alease share, being a claim of R1 108 260 300 (claim number 6);
- 2.5.7.1.2 Alternatively, delivery of 94 000 000 Alease shares or their current SXR equivalent, alternatively payment of such amount as represents the value of the said 94 000 000 Alease shares or their current equivalent, on the date on which JCI is found to be liable to R&E;
- 2.5.7.1.3 Alternatively, damages resulting from the theft of the proceeds deriving from the sale of the 94 000 000 Alease shares or their current equivalent, amounting to R165 083 164;

2.5.7.1.4 Alternatively, damages resulting from the receipt by JCI of the proceeds deriving from the sale of the 94 000 000 Alease shares or their current equivalent, in an amount of R144 711 877.

2.5.7.2 *The 8 100 000 Alease shares*

2.5.7.2.1 On 1 July 2003 R&E acquired 8 100 000 Alease shares from Kabusha, the sale proceeds of which were to be applied by Kabusha in settlement of its commitment to pay the first tranche of R40 million to Benoryn in respect of the purchase of 23 000 000 Alease shares. These shares were transferred to the CMMS trading account at T-Sec on the instruction of JCI, culminating in a claim against CMMS for having lost control or alternatively benefitting from the proceeds of these shares. Using the highest Rand price for SXR (formerly Alease) shares at a conversion rate of 0.18 SXR share for every one Alease share, subsequent to their alleged theft, a claim has been formulated against JCI for R95 499 000 (claim number 4);

2.5.7.2.2 Alternatively, delivery of 8 100 000 Alease shares or their current SXR equivalent, alternatively payment of such amount as represents the value of the said 8 100 000 Alease shares or their current equivalent, on the date on which JCI is found to be liable to R&E;

2.5.7.2.3 Alternatively, damages resulting from the alleged theft of the proceeds deriving from the sale of the 8 100 000 Alease shares or their current equivalent, amounting to R15 108 104;

2.5.7.2.4 Alternatively, damages resulting from the receipt by JCI of the proceeds deriving from the sale of the 8 100 000 Alease shares or their current equivalent, in an amount of R11 292 342.

2.6 **Theft of 2 000 000 DRD Ordinary Shares**

2.6.1 A scrutiny of Durban Roodepoort Deep's share register reflects that R&E was the registered owner of 6 689 327 ordinary shares on 12 September 1998. According to the share register this is the highest number of shares held by R&E.

2.6.2 By 31 December 1998 the shareholding had declined to 2 709 842 ordinary shares. At 31 December 1999 the investment register in the books and records of R&E reflected a shareholding of 4 971 110 ordinary shares, which together with 1 447 433 ordinary shares in the name of its wholly-owned subsidiary, First Wesgold, totalled 6 418 543 shares against 3 238 493 in the share register for both R&E and First Wesgold, being an overstatement of 3 180 050 shares.

2.6.3 During the period, 10 September 1999 to 1 October 1999, 2 788 000 DRD shares, belonging to R&E, First Wesgold and Bentonite were transferred to the CMMS trading account (Account No. 211615 at EW Balderson) being the predecessor account, to the CMMS trading account at T-Sec for no value and without any authority from the Board of R&E. At this time, neither CMMS, nor any of the companies in the JCI Group held any DRD shares. These shares were disposed of, realising proceeds of R31 029 671. Of these proceeds, R20 543 952 was paid to SocGen. On 18 March 1999, R A R Kebble and R B Kebble, signed a letter of undertaking, whereby they undertook to redeem R20 000 000 of the variable rate redeemable preference shares, issued to SocGen by BNC, by no later than 30 September 1999. It would appear that this payment of R20 543 952 was made in settlement of the above obligation.

2.6.4 During the 2000 calendar year, 788 000 DRD shares were returned by CMMS to the First Wesgold trading account, where these shares were subsequently disposed of.

2.6.5 By 31 December 2000 R&E had no DRD shares and First Wesgold had 4 169 DRD shares per the share register. By contrast, the audited group financial statements reflected a shareholding of some 5 000 000 ordinary shares with a market value of R25 000 000.

- 2.6.6 On 29 May 2002, CAM, addressed a letter to the directors of R&E, presumably for audit purposes, confirming that CAM was holding 2 000 000 DRD shares on behalf of R&E as at 31 December 2001.
- 2.6.7 According to the share register, R&E held no shares and FWG held 4 169 shares as at 31 December 2001 and 2000. CAM went on to confirm that 1 500 000 shares were released and returned to R&E on 15 March 2002.
- 2.6.8 On 15 March 2002, 1 500 000 DRD shares were ostensibly recorded as having been sold by R&E for R42 576 771 through T-Sec. This sale, however, did not take place but was merely a mechanism used to remove 1 500 000 DRD shares from the investment register of R&E. The fictitious brokers note used to remove the shares from the books and records of R&E, was compiled by George Poole. The JSE surveillance unit has further confirmed that no such trade of 1 500 000 DRD shares took place on the JSE on 15 March 2002.
- 2.6.9 The purpose of recording the fictitious sale of 1 500 000 DRD shares appear on available evidence to have been twofold:
- It was designed to firstly remove 1 500 000 DRD shares from the investment register and books and records of R&E, which shares had already been sold by no later than September 1999;
 - It was designed to record the fact that the first payment in respect of the ABSA debenture facility, being a composite amount of R39 180 000, had been paid on 28 March 2002, when in fact this payment had been made directly by CMMS to ABSA.
- 2.6.10 The fact that CMMS was a party to this disguise by making such payment and ultimately not reflecting it as an amount owing by R&E, seems to be evidence that it conspired to disguise the fact that R&E's DRD shares were allegedly stolen by JCI on or before 15 March 2002.
- 2.6.11 Further evidence that JCI was a party to this disguise is supported by a purported confirmation from Tradek which appears to have been forged dated 5 June 2002 where CAM "confirmed" that the Consolidated African Mines Limited trading account held 500 000 DRD shares as at 5 June 2002 and that the aforementioned shares were unencumbered.
- 2.6.12 Subsequent to the 2001 year end of R&E, various directors of JCI, all acting in concert with each other, and in concert with JCI, used a number of disguises to obviate the need to remove the ostensible 500 000 DRD shares still unaccounted for from R&E's records.
- 2.6.13 On 3 December 2004, Buitendag, ostensibly on behalf of R&E entered into a share swap agreement with Slipknot Investments 203 (Proprietary) Limited whereby R&E swapped 500 000 DRD shares in return for 14 000 000 JCI shares. This purported share swap was designed to eliminate the remaining "unaccounted" for 500 000 DRD shares, replacing them with 14 000 000 JCI shares which could be explained notwithstanding that no external audit was completed for the 2004 financial year-end.
- 2.6.14 These JCI shares were never received by R&E and have been derecognised as a listed investment.
- 2.6.15 **Conclusion**
- 2.6.15.1 R&E alleges that JCI in conjunction with the perpetrators, devised a scheme, which scheme resulted in JCI and one or more of the perpetrators, gaining control of the 2 000 000 DRD shares rendering JCI liable for damages resulting from the theft of the DRD shares amounting to R113 000 000, which amount represents the highest value of the 2 000 000 DRD shares subsequent to their theft (claim number 7);
- 2.6.15.2 Alternatively, JCI may be liable for the delivery of 2 000 000 DRD shares to R&E, alternatively payment of such amount as represents the value of the 2 000 000 DRD shares on the date on which JCI is found to be liable to R&E.

2.7 Misappropriation of 40 million Simmer & Jack Mines, Limited ordinary shares

2.7.1 In late 2004 Simmer & Jack Mines, Limited ("Simmers") contemplated a rights issue. In the circular to shareholders dated 20 June 2005, the directors of Simmers asserted that JCI, through the holdings of its subsidiary and associated companies, held 77.6% of the issued share capital of Simmers.

2.7.2 This holding was made up as follows:

Shareholder	Number of shares ('000)	Percentage
CMMS	85 118	37.8
Continental Goldfields	40 000	17.8
Consolidated Mining Corporation	9 423	4.2
R&E	40 000	17.8
Total	174 541	77.6

2.7.3 The rights offer contemplated raising 516 241 685 new ordinary shares for R129 million, with cash raised of approximately R59 million.

2.7.4 The cash component, for which either cash or guarantees had to be in place, before the JSE would sanction the rights offer, was raised as follows:

Source	Number of shares	R'm
From Top-Gold AGmvK sale	116 000 000	29.0
Loan/sale from JCI	100 000 000	25.0
From management consortium	20 000 000	5.0
Total	236 000 000	59.0

2.7.5 JCI in turn was to raise the R25 million it had committed to Simmers to facilitate the rights offer by obtaining a "loan" from Top-Gold of R25 million, secured by 100 000 000 Simmers shares.

2.7.6 It is not clear whether JCI lent the 100 000 000 Simmers shares to Top-Gold under a scrip lending agreement or whether JCI actually sold the 100 000 000 shares to Top-Gold for R25 000 000.

2.7.7 What is of relevance though is that JCI did not have 100 000 000 shares to lend nor sell, as it had pledged its shares to secure financing from Sasfin.

2.7.8 The 100 000 000 shares which were transferred to Top-Gold in December 2004 in terms of a "bookover" transaction executed through T-Sec, were sourced (in rounded numbers) from:

Shareholder	Number of shares	Value R
Continental Goldfields	40 000 000	10 000 000
R&E	40 000 000	10 000 000
Consolidated Mining Corp	9 000 000	2 250 000
Orlyfunt Holdings	11 000 000	2 750 000
Total	100 000 000	25 000 000

- 2.7.9 There is no evidence that R&E agreed to its investment in Simmers being either sold or lent to Top-Gold or JCI respectively, in order to facilitate JCI raising R25 million to meet its loan commitment to Simmers, which in turn would facilitate Simmers' intended rights offer.
- 2.7.10 The directors of R&E asserted that R&E was the beneficial owner of 40 000 000 Simmers shares in the preliminary annual financial statements of R&E for the year ended 31 December 2004. No cognisance was taken of either a sale to Top-Gold, as evidenced by the "bookover" and transfer of the 100 000 000 Simmers shares, of which the 40 000 000 shares were part, nor of a scrip lending agreement wherein all economic rights were transferred to Top-Gold i.e. a sale. Top-Gold asserted in its unaudited half year financial report as at 31 December 2004 that it was the owner of 40 000 000 Simmers shares. There is also no evidence that R&E lent the shares to JCI, to allow JCI to on-lend the shares to Top-Gold.
- 2.7.11 We accordingly assert that the 40 000 000 Simmers shares were misappropriated by JCI in conjunction with other perpetrators, which together with other Simmers shares were used by JCI in order to raise R25 million.
- 2.7.12 **Conclusion**
- 2.7.12.1 By virtue of the alleged theft of the Simmers shares, R&E alleges that JCI is liable to it for the payment of R94 000 000 (which amount represents the highest price per share for Simmers shares between 1 December 2004 and the date of this claim) (Claim number 8);
- 2.7.12.2 Alternatively, JCI may be liable to R&E for the delivery of 40 000 000 Simmers shares, alternatively payment of such amount as represents the value of the said 40 000 000 Simmers shares on the date on which JCI is found to be liable to R&E.
- 2.8 **Overseas Securities Lending Agreement – Investec Bank (UK) Limited – monetisation of 5 460 000 RRL shares allegedly stolen by JCI**
- 2.8.1 As at 3 March 2004, R&E alternatively RR(H), was the beneficial owner of *inter alia* 5 460 000 RRL shares. On this date, JCI and Investec Bank (UK) Limited ("IBUK") entered into an Overseas Securities Lending Agreement ("OSLA") referred to as a "hedged equity transaction", the rationale for which was to allow JCI to borrow cash against a parcel of shares (the 5 460 000 RRL shares belonging to R&E or RR(H)) on better terms than a normal share cover loan would offer. No authority was given by R&E or RR(H) to lend these 5 460 000 RRL shares to JCI.
- 2.8.2 The structure required JCI to lend IBUK 5 460 000 RRL shares in American Depositary Receipt ("ADR") format. (Shares can only be sold on the Nasdaq if they have been converted into ADR format). JCI received a fixed amount of collateral (being cash collateral) from IBUK as security against the share loan, and the RRL share parcel was hedged against the collateral by way of a range of put and call options.
- 2.8.3 JCI required the collateral amount to be paid in SA Rands ("ZAR"). To ensure that the ZAR collateral amount was never greater in value than the hedged parcel of shares (put options denominated in US\$), JCI was required to purchase a US\$ Put/ZAR Call FX Option from IBUK.
- 2.8.4 The settlement of these options was subject to the repayment by JCI of the ZAR collateral plus interest. The cost of the FX option was deducted from the collateral before it was paid to JCI.
- 2.8.5 The gross collateral amount was R221 975 537 which after deducting the option premium, yielded R208 794 833.
- 2.8.6 This was paid in four tranches; the first tranche of R61 659 084 was paid on 19 March 2004 to T-Sec. This R61.66 million was on the instructions of JCI channeled by T-Sec into a trading account controlled by R B Kebble from which R11.68 million was redirected to SocGen in partial settlement for an advance of R26.68 million (utilised previously to fund Western Areas to the extent of R21.68 million and CMMS to the extent of R5 million), R20 million was credited to a CMMS trading account and R29.98 million was transferred

to a Western Areas trading account. Of the funds transferred out of the first tranche to the Western Areas' trading account, R20 million was recouped from this trading account and R15 million was recouped from a Western Areas bank account and used (1) to partially redeem BNC's preference share obligation to SocGen in an amount of R20 million and (2) to repay the balance of SocGen's advance of R26.68 million, being R15 million.

- 2.8.7 The second and third tranches, amounting in total to R78 782 924 were paid to Investec Private Bank to settle short term advances to JCI.
- 2.8.8 The fourth tranche of R68 352 825 was paid directly into CMMS's bank account.
- 2.8.9 A further R48 783 142 was paid to JCI on the restructuring of the equity options and collateral amounts by JCI in August 2004, by adjusting the equity put options upwards, and adjusting the equity call options downwards.
- 2.8.10 On settlement of the FX option structure in May 2006, under the new Board, an amount of R26 731 548 was paid to R&E.
- 2.8.11 **Conclusion**
 - 2.8.11.1 The 5 460 000 RRL shares are the subject of a claim against JCI, which claim has been formulated on the basis of an alleged theft of shares, using the highest rand price per share between April 2002 and the date of this claim. On this basis, the total claim is 5 460 000 shares at R159.23 per share which claim amounts to R869 395 800 (claim number 9);
 - 2.8.11.2 Alternatively, JCI may be liable to R&E for delivery of 5 460 000 RRL shares, alternatively payment to R&E of such amount as represents the value of the said 5 460 000 RRL shares on the date on which JCI is found liable to R&E;
 - 2.8.11.3 Alternatively, JCI may be liable to R&E for the alleged theft of the proceeds arising from the sale of the 5 460 000 RRL shares amounting to R270 758 673;
 - 2.8.11.4 Alternatively, JCI may be liable to R&E for damages resulting from the receipt by it of the proceeds arising from the sale of the 5 460 000 RRL shares in an amount of R270 758 673.

2.9 The Angolan Operations

- 2.9.1 Despite attempts by JCI to establish diamond mining operations in Angola, various projects entered into were transformed into opportunities to issue and list new R&E shares, ostensibly to acquire equity stakes in Angolan concessions obtained by South African companies and then to allegedly misappropriate such shares for cash for the benefit of JCI.
- 2.9.2 4 960 000 R&E shares were issued in respect of three separate projects and placed in a trading account in the name of Lunda Sul at T-Sec. These shares, together with 200 000 R&E shares arising from an additional issue of 1 506 000 shares ostensibly issued for mining equipment (which shares were placed in dematerialised form in a Trans Benguela Logistics (Proprietary) Limited trading account at T-Sec), were then sold for R86.2 million. These proceeds were then transferred to various third party bank accounts. Of these funds, R30.8 million was channelled into the personal bank account of R B Kebble. Of the balance of 1 306 000 R&E shares, 200 000 shares were transferred to the Robinson Deep trading account at SA Stockbrokers, 607 000 shares were transferred to the Alibiprops trading account at T-Sec, with 641 000 of these R&E shares being transferred to the CMMS trading account at T-Sec as securities were purportedly required to be used for a pledge. All the instructions to transfer the securities were issued by P B Beale, who in turn was acting on instructions issued by the perpetrators.
- 2.9.3 A further 1 492 000 R&E shares were issued for a fourth Angolan project and placed in the CMMS trading account at T-Sec. The whereabouts of these shares and/or the proceeds of their sale was the subject of a separate forensic investigation. Without detracting from the basis of the legal claim, a minimum claim for the 1 492 000 R&E shares issued at R18.50 per share, for which R&E received no value, has been asserted against CMMS.
- 2.9.4 On 23 June 2004 1 506 000 R&E shares were issued and listed at R18.50 per share, ostensibly to settle the purchase consideration for the acquisition of mining equipment

from Trans Benguela Logistics. 200 000 of these shares were transferred to a trading account in the name of Lunda Sul Holdings (Pty) Limited (refer 2.9.2 above). The balance of 1 306 000 is the subject of a separate claim.

2.9.5 The issue and listing of the 7 958 000 R&E shares was void and designed solely to make such shares available for misappropriation from R&E. The fictitious assets arising from these share issues, falsely reported in aggregate as having a carrying value of R162 million as at 31 December 2004 respectively, have been fully impaired. Recoveries are being sought from the recipients of these shares.

2.9.6 **Conclusion**

2.9.6.1 On 23 June 2004, 1 492 000 new R&E shares were issued at R18.50 per share, ostensibly for a participation in an Angolan diamond concession. These shares were placed in a CMMS trading account at T-Sec, culminating in a claim against CMMS for damages. In order to regularise the position, R&E will be required to purchase the 1 492 000 R&E shares on the open market and thereafter to cancel such shares which were unlawfully issued and allotted. Using the issue price of R18.50 per share (being the price at which R&E can buy these shares back) R&E contends that JCI is indebted to it for the sum of R25 364 000 (claim number 13).

2.9.6.2 Between April and June 2004, 5 160 000 new R&E shares were issued, 2 268 000 at R25.00 per share and the balance at R18.50 per share. These shares were placed in a trading account at T-Sec in the name of Lunda Sul, disposed of, and the funds appear to have been misappropriated by JCI and the perpetrators from this trading account, culminating in a claim against JCI for damages. In order to regularise the position, R&E will be required to purchase the 5 160 000 R&E shares on the open market and thereafter to cancel such shares which were unlawfully issued and allotted in R&E's share register. Using the issue price of R25.00 per share (in respect of 2 268 000 shares) and R18.50 per share (in respect of 2 892 000 shares) – being the price at which R&E can buy these shares back – R&E contends that JCI is indebted to it for the sum of R87 720 000 (claim number 11).

2.9.6.3 On 23 June 2004, 1 506 000 new R&E shares were issued for mining equipment at R18.50 per share. These shares were placed in a trading account in the name of Trans Benguela Logistics (Pty) Limited in the records of T-Sec, 200 000 of which were transferred to a trading account in the name of Lunda Sul Holdings (Pty) Limited and are included in claim number 11 (refer paragraph 2.10.6.2 above). The balance of these shares were subsequently transferred to several trading accounts at various stockbrokers, with no value accruing to R&E. 641 000 R&E shares were transferred to a CMMS trading account culminating in a claim for damages. In order to regularise the position, R&E will be required to purchase the 1 306 000 R&E shares on the open market and thereafter to cancel such shares in its share register which were unlawfully issued and allotted. Using the issue price of R18.50 per share (being the price at which R&E can buy these shares back) R&E contends that JCI is indebted to it for the sum of R22 202 000 (claim number 12).

2.10 **Alleged theft of 4 000 000 RRL shares and disposal of 3 000 000 WAL shares to secure securities lending facility for JCI.**

2.10.1 **Alleged theft of 4 000 000 RRL shares to secure securities lending facility for JCI**

2.10.1.1 As at 31 December 2003, R&E alternatively RR(H) was the beneficial owner of *inter alia* 4 000 000 RRL shares.

2.10.1.2 CMMS, through T-Sec, entered into a securities lending facility with SocGen thereby facilitating the raising of finance to meet its ongoing cash commitments for the benefit of JCI. In the first instance JCI/CMMS commenced this form of trading in approximately 2001/2002. On 3 March 2004, 1 000 000 RRL shares (on a pre split basis) belonging to RR(H) were used for the first time as collateral for the securities lending agreement between SocGen and T-Sec when RR(H)

purportedly authorised the rep pledging of these shares in favour of SocGen. In terms of the securities lending agreement Soc Gen would have had recourse in the event of default to T-Sec and T-Sec would in turn have had recourse against CMMS/JCI. This was subsequently increased to 2 000 000 (pre split) RRL shares by the pledge of an additional 1 000 000 RRL shares belonging to RR(H) on 30 April 2004. The share pledge letter, Crest transfer forms and pledge resolutions appear to be forgeries (with alleged forged R B Kebble and P B Bawden signatures) and did not constitute the written consent of the Board of Directors of RR(H). The RR(H) resolution purportedly authorising the pledge was dated 2 July 2004. The transfer secretaries were requested to “flag” these shares in the share register and under no circumstances should the “flag” be removed without authorisation from SocGen. This was the beginning of the pledging process with RRL shares being used to collateralise T-Sec’s exposure to SocGen on the short sales position.

- 2.10.1.3 In order for JCI to borrow any particular security for immediate sale, T-Sec was required in terms of the JCI Securities Lending Agreement with SocGen, to provide SocGen with sufficient collateral in respect of the scrip which it intended borrowing.
- 2.10.1.4 Collateral in the form of 4 000 000 RRL shares which appear to have been stolen, were ostensibly made available by JCI in respect of this Securities Lending Agreement. Such shares were owned by RR(H) and were neither beneficially owned by JCI nor any of its subsidiaries.
- 2.10.1.5 The JCI Securities Lending Agreement was utilised by JCI to borrow and sell securities to generate cash which could be used by JCI and its various subsidiaries and associate companies (including CMMS) to meet JCI’s day to day business and other commitments.
- 2.10.1.6 Whilst JCI was selling the various counters (which it had through T-Sec borrowed from SocGen), short into the market, the market conditions militated against the short sale of such scrip. The market was experiencing a “Bull run” at the time, and T-Sec had advised against the short sale of the borrowed shares when sales were executed, the concern being that in the event of the price of the relevant counters sold short into the Bull market escalating, JCI would be required to re-purchase the scrip sold by it on the maturity dates (when it would become liable to return the borrowed shares to SocGen), at prices far in excess of those at which the borrowed scrip had initially been sold. This gave rise to a loss being occasioned by JCI in having to buy back the scrip at far higher prices than the scrip was initially sold for.
- 2.10.1.7 *Conclusion*
 - 2.10.1.7.1 By virtue of the alleged theft of the 4 000 000 RRL shares, R&E alleges that it has sustained damages and that JCI may be liable to it for an amount of R636 920 000 which amount represents the highest value of the 4 000 000 RRL shares subsequent to their alleged theft (claim number 14);
 - 2.10.1.7.2 Alternatively, JCI may be liable to R&E for delivery of 4 000 000 RRL shares, alternatively payment to R&E of such amount as represents the value of the said 4 000 000 RRL shares on the date on which JCI is found to be liable to R&E;
 - 2.10.1.7.3 Alternatively, JCI may be liable to R&E for the theft of the proceeds arising from the sale of the 4 000 000 RRL shares amounting to R386 672 211;
 - 2.10.1.7.4 Alternatively, JCI may be liable to R&E for damages resulting from the receipt by it of the proceeds arising from the sale of the 4 000 000 RRL shares in an amount of R386 672 211.

2.10.2 ***Alleged unauthorised use of 3 000 000 WAL shares to reduce losses occasioned by JCI on its scrip lending facility***

2.10.2.1 On 26 October 2004, a trading account in the name of R&E – “the R&E Scrip Lending Account” was opened at T-Sec which appears to have been opened for the ends and purposes of JCI as mentioned herein, appointing T-Sec, as agent for this purpose. Up and until 27 January 2005 the R&E Scrip Lending Account at T-Sec largely remained inactive. Evidence indicates that minimal trading in this account had taken place prior to this date.

2.10.2.2 On 12 January 2005, a Global Master Securities Lending Agreement was purportedly concluded between R&E and SocGen. This facility appears to have been almost exclusively used for the benefit of JCI and not R&E. On 27 January 2005, JCI caused a negative open position of R209 413 659 to be transferred from the CMMS/JCI Scrip Lending Account to the R&E Scrip Lending Account at T-Sec without any evidence or authority from R&E’s Board.

2.10.2.3 The transfer of the said liability to the R&E Scrip Lending Account amounted to a foisting of a liability on R&E. The loss position which was assigned to the R&E Scrip Lending Account, was made up of various short positions as follows:

	R
Tiger Brands Limited (300 000 shares)	28 815 000
Investec Limited (477 472 shares)	81 026 999
Standard Bank Limited (1 524 834 shares)	99 571 660
	209 413 659

2.10.2.4 This negative open position was transferred to the R&E Scrip Lending Account from the JCI/CMMS Scrip Lending Account for at least two reasons:

- (a) to reduce JCI’s/CMMS’s losses attributable to scrip borrowing, which had reached R791 286 699 by December 2004 as a consequence of an apparent reckless disregard for market conditions at the time; and
- (b) to assist T-Sec in reducing its overexposure to a single client (JCI/CMMS), so that it could comply with its Counterparty Risk Requirement component of its overall Capital Adequacy requirement imposed by the JSE.

2.10.2.5 This adverse position was addressed through JCI/CMMS (together with other perpetrators), devising a scheme, which resulted in JCI/CMMS at the time, instructing T-Sec to transfer from the CMMS Scrip Lending Account a liability of R209 413 659 to the R&E Scrip Lending Account on 27 January 2005.

2.10.2.6 Certain collateral held by T-Sec and/or the scrip lender was also transferred on 27 January 2005 to ostensibly cover the scrip borrowing losses foisted upon R&E, (although such collateral fell well short of such position). These included:

	Number of shares	Value R
JCI	89 526 009	30 438 843
Matodzi	52 896 597	35 969 686
WAL	2 000 000	60 000 000
		126 408 529

2.10.2.7 3 000 000 RRL shares, which shares under the unlawful control of JCI/CMMS had been pledged by JCI to SocGen in terms of the T-Sec Scrip Lending facility, were also transferred back to R&E ostensibly to cover the negative short position referred to, but these shares were the property of RR(H), were on R&E’s Group balance sheet and did not constitute ‘value’ to R&E. The shortfall between the negative position foisted and the true collateral

'value' received was R83 005 130. The above collateral (being the JCI, Matodzi and WAL shares) was subsequently transferred out of the R&E Scrip Lending Account (back to CMMS) without value to R&E.

- 2.10.2.8 An analysis of the CMMS Scrip Lending Account (operated for JCI), revealed during December 2004, a loss of R791 286 699, being the aggregate of all losses that had arisen in the course of selling short into the market, the various shares which had been borrowed from SocGen.
- 2.10.2.9 The R&E Scrip Lending Account was operated with the apparent sole purpose of raising cash primarily for the benefit of JCI without due regard for prevailing market conditions. This is borne out by the fact that scrip which had been borrowed from SocGen was immediately sold into a rising market (against prevailing market conditions and advice) resulting in a spiralling loss position manifesting in the R&E Scrip Lending Account with each passing trade. Proceeds which resulted appeared to have been applied for the benefit of JCI.
- 2.10.2.10 In the course of running up the losses in the R&E Scrip Lending Account in the fashion described above, 79 parcels of shares (being various counters) were borrowed and sold short into the market.
- 2.10.2.11 During the period January 2005 to July 2006, our findings indicate that JCI in fact borrowed scrip from SocGen in the name of R&E, which it caused to be sold, through the R&E Scrip Lending Account, and the proceeds deriving therefrom were applied for the benefit of JCI and its subsidiaries and associated companies and not for the benefit of R&E. The obligation to return the shares ostensibly borrowed by R&E in the R&E Scrip Lending Account, did not rest with R&E, but rather with JCI.
- 2.10.2.12 In trading the R&E Scrip Lending Account in the manner afore described, a share trading loss amounting to R389 823 969 built up in the R&E Scrip Lending Account between 27 January 2005 and 16 January 2006.
- 2.10.2.13 We are informed, that a short while after the security referred to in paragraph 2.10.2.6 above was transferred to R&E, being the JCI, Matodzi and WAL shares which were initially transferred to R&E, the majority were subsequently re-transferred back to the CMMS Scrip Lending account from the R&E Scrip Lending account.
- 2.10.2.14 Furthermore, the cash generated in the R&E Scrip Lending Account, being R109 922 499 was transferred to JCI and/or JCI related entities. A mere R6 million appears however to have been transferred to R&E's bank account of which R2 629 494 was transferred by R&E back into the R&E Scrip Lending Account in order to address further losses which had arisen.
- 2.10.2.15 Notwithstanding the theft of the 4 000 000 RRL shares referred to in paragraph 2.10.1.7.1 above SocGen on 19 January 2006 forced a sale of R&E's 4 000 000 RRL shares. The sale of the 4 000 000 RRL shares realised proceeds of R386 195 582, same being used to repurchase counters which needed to be returned and which had amounted to R389 823 969.
- 2.10.2.16 Our recent findings reveal that in terms of various agreements (the Consortium Sale Agreement and the Option Agreement including various amendments thereto) entered into on 2 December 2004 between R&E, Tawny Eagle Holdings (Proprietary) Limited ("Tawny"), Anglo South Africa Capital (Proprietary) Limited ("Anglo") and Inkwenkwezi Gold (Proprietary) Limited ("Inkwenkwezi"), Inkwenkwezi had acquired 3 434 625 WAL shares (being one quarter of the sale shares it was intended to acquire in terms of the Consortium Sale Agreement), the acquisition of which had been funded by a loan from R&E of R128 798 437 which loan carried interest at prime plus 150bps. In terms of the Consortium Sale Agreement, R&E had indemnified Anglo against liability, loss or damage which Anglo may suffer or sustain or which may be attributable to the failure by Inkwenkwezi to pay the purchase price for the sale shares or any portion

thereof, together with interest thereon, or due to the cancellation and termination of the agreement on account of a breach by Inkwenkwezi of such agreement. In indemnifying Anglo, R&E had agreed that if a default occurred, R&E be required to pay to Anglo, by way of penalty, the amount of R70 million. As security for, *inter alia*, R&E's aforementioned obligations to Anglo, R&E pledged 5 268 800 WAL shares to Anglo. On 15 February 2005, Anglo agreed to release 1 317 200 of such shares from the pledge – this being due to Inkwenkwezi having honoured its obligations in respect of a quarter of the purchase price for the WAL shares. By July 2006, Inkwenkwezi was in breach of the Consortium Sale Agreement by failing to pay the purchase price for the remainder of the sale shares to Anglo and as a result of such failure Anglo cancelled the agreement. Pursuant to settlement negotiations, Anglo and R&E reached agreement on 4 August 2006 for R&E to pay R10 million to Anglo in full and final settlement of all claims arising from or connected with the Consortium Sale Agreement, on the cancellation and termination of such agreement, on account of Inkwenkwezi's breach. On receipt of the R10 million from R&E, Anglo agreed to release the pledge in respect of 3 951 600 WAL shares (being the difference between the original pledge by R&E of 5 268 800 WAL shares and 1 317 200 WAL shares which shares had been released from the pledge on 15 February 2005).

- 2.10.2.17 Our recent findings further reveal that 3 000 000 WAL shares, which shares had ostensibly been pledged to R&E by Inkwenkwezi as security for the aforementioned loan of R128 798 438 to acquire 3 434 625 WAL shares, were allegedly stolen by JCI and pledged to BJM as collateral for a JCI Scrip Lending facility and sold on 11 July 2006. The 3 000 000 WAL shares were subsequently sold in the R&E Scrip Lending Account as per agreement between Leonard Steenkamp of T-Sec and P Gray. SocGen, the lender, had demanded return of the various shares which had been sold short in the R&E Scrip Lending Account and in the CMMS Scrip Lending Account at T-Sec. In order to raise cash to fund the purchase of these shares which had been sold short in these trading accounts, Investec, presumably through the mechanism of a loan to JCI, agreed to provide finance. In addition 3 000 000 WAL shares standing to the credit of the Randgold Scrip Lending Account, which shares were owned jointly by R&E (being 1 410 013 WAL shares) and by Inkwenkwezi (being the balance), were sold by T-Sec, the proceeds being applied to acquire shares which had been sold short in the R&E Scrip Lending Account (these positions having been initially foisted upon R&E) and in the CMMS Scrip Lending Account. The proceeds from the sale of the 3 000 000 WAL shares of R122 506 887 were credited to the R&E Scrip Lending Account. On 12 July 2006, M van Zyl of T-Sec advised Trish Beale that the shares had been sold and sought authority for R80 million to be transferred from the R&E Scrip Lending Account to the CMMS Scrip Lending Account. On 12 July 2006 P Gray and R Pearcey duly instructed T-Sec to make the transfer.
- 2.10.2.18 On 24 July 2006, the directors of Inkwenkwezi mandated R&E to exercise its security interest in the 3 434 625 WAL shares in its sole discretion and authorized R&E to dispose of these shares and to apply the proceeds from the sale of the 3 434 625 WAL shares firstly to settle the R10 million Anglo penalty, secondly to repay the capital portion of the Randgold loan, thirdly to repay any interest which had accrued in respect of the loan and finally to refund Inkwenkwezi in respect of any residual remaining. Notwithstanding the fact that R&E had been mandated by Inkwenkwezi to dispose of the 3 434 625 WAL shares and to apply the proceeds thereof in the aforementioned manner (albeit that this permission had been obtained after the date on which 3 000 000 WAL shares had already been disposed of), JCI caused 3 000 000 WAL shares to be disposed of and the proceeds from the 3 000 000 WAL shares to be used to acquire shares which had been sold short and which needed to be returned to SocGen, an obligation which rested with JCI.

2.10.2.19 Upon further analysis of the R&E Scrip Lending Account, it is apparent that in December 2005, 1 183 504 WAL shares were subscribed for at a price of R18.00 per share in terms of a WAL rights offer dated 25 November 2005 and debited to the R&E Scrip Lending Account. It is insightful that 1 183 504 is the number of rights attaching to a holding of 3 951 600 WAL shares (the very same number of WAL shares registered in R&E's name in the records of Computershare at the time and pledged to Anglo in terms of the Consortium Agreement). At the time of the WAL rights offer, WAL shares were trading at a price of R37.00 per share. At the time when the R&E Scrip Lending Account was finally closed out in December 2006, R&E were not placed with these rights as they were allocated to JCI. This provides further corroborating evidence that the R&E Scrip Lending Account was purely opened to serve as a vehicle created by JCI as an extension of the JCI Scrip Lending Facility, thereby assisting T-Sec in reducing its overexposure to a single client (JCI/CMMS), so that it could comply with its Counterparty Risk Requirement component of its overall Capital Adequacy requirement imposed by the JSE

2.10.2.20 *Conclusion*

Further claims are being formulated in respect of damages occasioned to R&E arising from the sale of 3 000 000 WAL shares (or Gold Fields Limited shares, being their current equivalent) which JCI caused R&E to sell, to repurchase shares which had ostensibly been borrowed from the scrip lender in the R&E Scrip Lending Account, and which were required to be returned to the scrip lender, notwithstanding that such obligation rested with JCI.

2.11 **Net placing of 900 000 RRL shares offshore to secure liabilities of Paul Main.**

2.11.1 R&E alternatively, RR(H), was the beneficial owner of *inter alia* 900 000 (post split) RRL shares.

2.11.2 On 28 October 2003, 1 000 000 RRL shares, on a pre split basis, were delivered to a firm of solicitors in London in respect of person/s against whom R&E has formulated claims. There is no resolution in RR(H)'s statutory records authorising the delivery of the 1 000 000 RRL shares.

2.11.3 In June 2004 these shares were split (2 for 1) resulting in the security shares now numbering 2 000 000. Of the 2 000 000 RRL shares, only 1 100 000 RRL shares have been returned. These returned shares were themselves then allegedly stolen by CMMS/JCI and sold on the Nasdaq during the course of 2005. The returned shares are part of the claim relating to the 12 360 000 RRL shares (refer 2.2.9.1 above), of which 3 750 000 were sold in the CMMS trading account in 2005.

2.11.4 **Conclusion**

2.11.4.1 The 900 000 RRL shares remain outstanding and are the subject of a claim against JCI and others. A claim has been formulated against these parties on the basis of an alleged theft of shares, using the highest rand price per share between April 2002 and the date of this claim. On this basis, the total claim is 900 000 shares at R159.23 per share which claim amounts to R143 307 000 (claim number 15);

2.11.4.2 Alternatively, JCI may be liable for the delivery of the 900 000 RRL shares to R&E, alternatively payment of such amount as represents the value of the said 900 000 RRL shares on the date on which JCI is found to be liable to R&E.

2.12 **Further claims relating to the disposal of JCI ordinary shares and WAL ordinary shares.**

2.12.1 As at 31 December 2002, First Wesgold was the beneficial owner of *inter alia*, 28 000 fully paid up ordinary shares in the issued share capital of WAL and 12 574 836 fully paid up shares in the issued share capital of JCI.

- 2.12.2 In and during the period, January 2003 to 4 July 2003, 12 574 836 JCI shares and 28 000 WAL shares were disposed of with the proceeds of R8 969 188 being credited to a trading account in the name of First Wesgold in the records of T-Sec. These shares were sold in thirteen individual transactions between 23 May 2003 and 4 July 2003. The share proceeds were dispersed as follows: R3 140 438 was transferred to CMMS and R5 051 350 was paid to a director of JCI and CMMS at the time.
- 2.12.3 No entries were recorded in the books of R&E or First Wesgold until 30 June 2003 and then again on 31 August 2003. On these dates, five entries totalling R8 191 788 were debited to a general ledger account, styled "Loan asset – CMMS (shares)" and subsequently transferred on 31 December 2003 to a general ledger account, styled "Loan asset – Masupatsela". This general ledger account was by design used to disguise a related party transaction with CMMS and was even supported by a purported loan agreement between R&E and Masupatsela Investment Holdings (Proprietary) Limited, this company having entered into a back-to-back agreement with CMMS.
- 2.12.4 In the general ledger of CMMS, the amounts paid to the abovementioned director were debited to an account styled "Sundry debtors" on 30 September 2003 and was subsequently transferred on 31 March 2004 (JCI's year-end) to an account styled "Consolidated Investments – Alibiprops" to conceal a loan to a director.
- 2.12.5 **Conclusion**
- 2.12.5.1 A claim is in the process of being formulated against JCI for the alleged theft of 12 574 836 JCI shares and 28 000 WAL shares.

3. CONCLUSION

Our findings have revealed that at law, R&E enjoys a cause of action against JCI due to the conduct of certain of the perpetrators being ascribed to JCI in that they controlled and directed the business and affairs of JCI. The perpetrators purportedly participated in, were privy to, authorised and instigated various acts for the benefit of JCI and its subsidiaries and associated companies in the knowledge that such acts were unlawful, and which have been of prejudice to R&E either directly or indirectly. Because JCI has been sued as a joint wrongdoer, it would follow that similar claims will be brought against other third parties who purportedly acted unlawfully and in collusion with JCI.

John Louw
Director

21 July 2008

R&E'S LITIGATION STATEMENT AND STATEMENT OF SETTLEMENTS CONCLUDED

1. During the Kebble era, R&E appears (with reference *inter alia* to the findings of its forensic investigators and information furnished to R&E by third parties), to have been the victim of substantial frauds and misappropriations of its assets.
2. R&E has reason to believe that the frauds and misappropriations which appear to have been perpetrated against it and its subsidiaries and associated companies, comprised of the widespread misappropriation of R&E's assets (largely listed securities) and the channelling thereof (or the proceeds derived therefrom), to a variety of persons and entities, whom R&E has further reason to believe allegedly wronged it.
3. In the wake of the discovery of the alleged defalcations which occurred, the newly constituted board of R&E, appointed JLMC (formerly Umbono Financial Advisory Services (Pty) Limited), to undertake a forensic investigation into the affairs of R&E. This ultimately resulted in JLMC uncovering a variety of schemes which appear to have been designed by the perpetrators, which R&E alleges constituted extensive frauds and misappropriations of R&E's assets during the Kebble era. The forensic investigations have enabled R&E to identify the persons who have caused it harm and against whom redress should be sought.
4. R&E is in the process of proceeding with legal action against various persons and entities whom R&E alleges have occasioned it a loss, provided that legally sustainable causes of action exist and it is not commercially imprudent to do so.
5. The most significant claims which R&E has pursued to date, are its claims against JCI in the context of the mediation in which R&E and JCI are currently engaged (the R&E claims) as well as R&E's action against PriceWaterhouseCoopers Incorporated.

The Mediation against JCI

6. On 7 April 2006, R&E and JCI concluded a written Mediation/Arbitration Agreement (the Mediation Agreement).
7. In terms of the Mediation Agreement, R&E and its subsidiaries and associated companies on the one hand and JCI and its subsidiaries and associated companies on the other, are to be treated as single entities. JCI is defined to include both it and its subsidiaries and associated companies or in which JCI has an interest whether directly or indirectly, including its interests in CMMS. (A similar definition applies to R&E and its subsidiaries and associated companies).
8. The Mediation Agreement contemplates two distinct phases, the first, a mediation, the second, an arbitration.
9. Following the conclusion of the Mediation Agreement, R&E's forensic investigators, JLMC, established that R&E enjoyed a number of claims against JCI.
10. Subsequent to the exchange of forensic reports prepared by JLMC on behalf of R&E and KPMG Services on behalf of JCI, R&E prepared a Statement of Claim as contemplated under the Mediation Agreement, comprising 13 claims initially and exceeding R5 billion based on the highest value thereof.
11. As matters stand at present, the R&E claims against JCI comprise fifteen claims (R&E's Statement of Claim having been amended to include two new claims in January 2007 and in respect of which two further claims are currently receiving consideration). R&E's shareholders are referred to the Overview of the R&E claims, being Annexure 1 to this update which details the extent of R&E's claims against JCI.
12. On 3 August 2006, R&E served its Statement of Claim on JCI. No Statement of Claim was served by JCI on R&E, however on 8 September 2006, JCI served a Statement of Defence on R&E.
13. The basis of the R&E claims are mainly founded on the assertion that JCI, as an alleged joint wrongdoer, misappropriated a vast array of listed securities beneficially owned by R&E alternatively, subsidiaries controlled by it, whilst other claims arise from the void issue and allotment of shares in the issued share capital of R&E. R&E maintains that JCI was represented by a variety of persons formerly employed

by JCI or with which it had a relationship, who constituted the directing and controlling mind and will of JCI and one or more of its subsidiaries and associated companies and whom are alleged to have collaborated with JCI in the implementation of various schemes employed, to the detriment of the R&E group.

14. In respect of the claims predicated on the assertion that R&E's securities were misappropriated, R&E seeks to recover damages against JCI on a measure of the highest value at which such listed investments have traded subsequent to their alleged misappropriation. There are a number of alternatives to the case predicated on theft, each of which (if established), afford unto R&E a lower quantum of damages respectively. Such alternatives are set out in the Overview of the R&E claims.
15. JCI has denied in its Statement of Defence filed in terms of the Mediation Agreement, that it was a wrongdoer or that it was a party to any frauds or misappropriations.
16. To date, none of the claims proposed by R&E against JCI have been proved, nor has R&E secured any formal awards against JCI in respect thereof. Such claims remain subject to the mediation and arbitration processes contemplated under the Mediation Agreement. JCI has defended the R&E claims, contending that it is not indebted to R&E for the amounts claimed or at all.

Claims against third parties

17. Shareholders are informed that claims against all persons in respect of whom sustainable causes of action exist, are in the process of being finalised.
18. By virtue of the fact that the institution of such claims is nearing completion, it is premature until such actions have been instituted, for R&E to name the persons against whom R&E contemplates proceeding. It suffices to mention, that such persons may include (but are not limited to), former employees and management of R&E and/or JCI, stockbrokers, professionals and other parties who contributed either directly or indirectly to the losses sustained by R&E, where legally sustainable causes of action may exist and R&E has reason to believe that the pursuit thereof is warranted.
19. The following specific actions have already been initiated by the Board of R&E in the post-Kebble era:

Liquidation of various corporations

- 19.1 R&E has liquidated a number of entities whom it alleges participated in the schemes referred to, including *inter alia*, Tuscan Mood 1224 (Pty) Limited ("**Tuscan Mood**"), Viking Pony Properties 359 (Pty) Limited, Investage 170 (Pty) Limited ("**Investage**") and BNC Investments (Pty) Limited ("**BNC**");
- 19.2 Section 417 and 418 enquiries have been held in respect of these liquidated entities in order to *inter alia* identify a variety of persons who have wronged R&E, with a view to making possible recoveries against such persons;
- 19.3 R&E has proved a claim in the liquidated estate of Tuscan Mood in the amount of R1.968 billion and is hopeful of making a recovery from such estate. The attention of the shareholders is directed to the fact that in consequence of the absence of the finalisation at present of the winding up of the estate of Tuscan Mood, this estate is subject to the possible proof by creditors of additional claims (which could have a bearing on R&E's concurrent claim). It is at this stage uncertain whether R&E will receive a dividend out of this estate;
- 19.4 Additionally, R&E has proved claims in the liquidated estates of Investage in the amount of R69 million and BNC in the amount of R169.5 million, and hopes to make a recovery from such estates, however it is not certain whether or not it will.

Sequestration of Brett Kebble

- 19.5 In March 2006, R&E posthumously sequestered the estate of Brett;
- 19.6 R&E initially proved a concurrent claim at the first meeting of creditors, in Brett's estate, in the amount of R1.968 billion;
- 19.7 At a meeting specially convened by the trustees in Brett's estate, in October 2006, R&E sought to prove further claims in Brett's estate, sounding in an amount of R711 539 099.26 ("**the additional claims**"). The additional claims were rejected by the Master of the High Court.

In consequence thereof, R&E brought an application to the High Court to review the decision of the Master, such application having come before the Cape Provincial Division of the High Court, in October 2007. The High Court overturned the decision of the Master and admitted the additional claims into proof. In the result, R&E has proved total claims in the deceased sequestrated estate of Brett, in an amount of R2 679 539 099.26;

- 19.8 R&E is hopeful of making a recovery from Brett's estate. Brett's estate has however, not yet been finalised and it is conceivable that additional claims by third party creditors (which are likely to have a bearing on R&E's concurrent claims totalling approximately R2.67 billion), may still be admitted;
- 19.9 Shareholders are further informed, that the South African Revenue Services ("**SARS**"), sought to prove a claim in Brett's estate at the first meeting of creditors in an amount of approximately R188 million. Such claim was rejected by the Master of the High Court whose decision is the subject matter of a review application which is being opposed by the trustees of Brett's estate. Were SARS to succeed in proving a claim, such claim is likely to significantly impact upon R&E's entitlement to a recovery from such estate, if at all.

Action against Paul Main

- 19.10 On 2 October 2007, R&E served a summons on Paul Main for *inter alia*, the return of 900 000 shares in the issued share capital of Randgold Resources Limited ("**RRL**"). R&E claims that Main is obliged to return such shares to it and in the alternative hereto, the value thereof. In the further alternative, R&E claims 550 000 RRL shares alternatively the value thereof, based on an alleged undertaking from Main to return such shares. R&E also claims payment of the dividends which RRL declared for the financial year ended 31 December 2006 to holders of its shares, in respect of the claimed shares. Such action is being defended by Main and in the absence of a settlement between the parties, is likely to proceed to trial.

Action against PriceWaterhouseCoopers

- 19.11 On 7 March 2008, R&E issued a summons out of the High Court against PWC for R7.6 billion (representing the total of the R&E claims therein – excluding interest and costs). On 25 March 2008, PWC filed a notice to defend the action and the matter is proceeding as a defended one.

Action against inter alia certain former directors/employees

- 19.12 R&E is in the process of serving summons on:
- 19.12.1 Hendrik Christoffel Buitendag (the former financial director of Randgold and JCI);
 - 19.12.2 John Stratton (a former director of JCI);
 - 19.12.3 Charles Henry Delacour Cornwall (a former director of JCI);
 - 19.12.4 Lieben Hendrik Swanevelder (the former group financial accountant of JCI);
 - 19.12.5 John Chris Lamprecht (the former financial director of Randgold and JCI);
 - 19.12.6 Lunga Raymond Ncwana (a former director of Randgold and a director of Equitant Trading (Pty) Limited);
 - 19.12.7 Songezo Benton Mjongile (a former director of Equitant Trading (Pty) Limited);
 - 19.12.8 Equitant Trading (Pty) Limited ("Equitant");
 - 19.12.9 Dimitrios Perevos ("Perevos").

20. In respect of Messrs Cornwall and Stratton who are currently residing outside of South Africa, R&E is pursuing the obtaining of the leave of the Court to have summons served on these persons.

Claims against R&E

21. Other than the claims referred to in the under mentioned Statement of Settlements, no formal claims have to R&E's knowledge been instituted against it.

General

22. Actions will in the ensuing weeks be issued against various other parties whom R&E alleges acted in concert with the architects of the various schemes allegedly employed to denude R&E of its assets. Such claims are likely to be substantial, although there is no guarantee that such claims will result in awards being granted in favour of R&E or for that matter that R&E will be able to make successful recoveries in respect thereof. It is premature at this stage, to disclose the claim values, breakdowns thereof and identities of the persons against whom such claims are expected to be made and any other related details concerning such claims, given that such claims have not yet been finalised and disclosing the details thereof, may adversely impact upon the recoverability of these claims.
23. Shareholders are informed that actions may not be instituted against third parties in respect of whom little or no forensic evidence exists to suggest that such person/s were directly involved in the alleged schemes alluded to in this update and/or against whom R&E believes its prospects of recovery may be limited and which may unnecessarily burden R&E in wasteful costs.

Settlements concluded

The Equitant Agreement

24. On 16 March 2006 R&E concluded a Memorandum of Agreement with Equitant Trading (Pty) Limited.
25. This Agreement is referred to herein as "**the Equitant Agreement**".
26. In terms of the Equitant agreement, Equitant acknowledged that an Agreement concluded between R&E, Equitant and Phikoloso Mining (Pty) Limited ("**Phikoloso**") on 28 July 2003 ("**the Phikoloso Agreement**") (in terms whereof Equitant sold to R&E the sale shares and claims as defined therein and R&E paid the purchase price therefore by way of the issue of 8.8 million fully paid up R&E shares), amounted to a fraud.
27. The Phikoloso Agreement appears to have resulted in the transfer of 8.8 million R&E shares to Equitant and the ultimate recipients of the proceeds (resulting from the sale thereof), receiving shares and proceeds without there being any basis therefore, and without R&E receiving any value in respect of the shares ostensibly issued and allotted by it to Equitant.
28. Subsequent to the Phikoloso Agreement, and despite the fact that the Phikoloso Agreement was supposed to result in the acquisition of approximately 19% of R&E's issued share capital by historically disadvantaged persons, forensic evidence suggests that within a month of such shares having been ostensibly issued and allotted, Phikoloso surrendered the 8.8 million R&E shares, resulting in the misappropriation thereof.
29. In consequence of the issue of the 8.8 million Randgold shares, Equitant held:
 - 29.1 56 000 000 ordinary JCI shares;
 - 29.2 R886 770.21 together with interest accrued thereon,("the Equitant Assets").
30. Equitant acknowledged to R&E by way of the Equitant Agreement, that there was no basis, whether legal or otherwise, for Equitant to hold the Equitant Assets and that the Equitant Assets should be returned to R&E.
31. In consequence of the conclusion of the Equitant Agreement, T-Sec transferred the 56 000 000 ordinary JCI shares to R&E as it was obliged to, under the Equitant Agreement. T-Sec furthermore, transferred an amount of R890 321.61 to R&E on 31 March 2006 (being the amount mentioned in 30.2 above together with accrued interest).
32. The Equitant Agreement was not concluded in settlement of all and any claims enjoyed by R&E against Equitant.

The Itsuseng Agreement

33. On 16 March 2006 R&E concluded a Memorandum of Agreement with Itsuseng Strategic Investments (Pty) Limited ("**Itsuseng**") and Itsuseng Financial Services (Pty) Limited ("**Financial Services**").
34. This Agreement is referred to herein as "**the Itsuseng Agreement**".

35. Itsuseng acknowledged to R&E by way thereof, that subsequent to the conclusion of the Phikoloso Agreement, that it had come to learn that the Sale of Shares Agreement was a simulated transaction.
36. In consequence of 8.8 million R&E shares being issued by R&E to Equitant, in the manner set out above, Itsuseng came to hold the following assets which arose directly or indirectly as a result of the transfer to Equitant of the 8.8 million R&E shares and which Itsuseng acknowledged it was enriched by:
 - 36.1 9 013 410 ordinary JCI shares in the issued share capital of JCI;
 - 36.2 R3 015 396.22 together with interest accrued thereon;
 - 36.3 307 961 936 ordinary shares in the issued share capital of Lyons Financial Solutions Holdings Limited ("**Lyons**"), ("**the Itsuseng Assets**").
37. Subsequent to the 8.8 million R&E shares being issued to Equitant, Itsuseng also held 9 million debentures in JCI ("**the debentures**") which were redeemed on 18 January 2006.
38. Following upon the conclusion of the Itsuseng Agreement, T-Sec transferred the 9 013 410 ordinary JCI shares to R&E.
39. Furthermore and as the Itsuseng Agreement obliged T-Sec to do, T-Sec transferred to R&E the amount referred to above, (in respect of which an arrangement was concluded between R&E and JCI).
40. In addition to the Itsuseng Assets, Itsuseng also agreed to transfer to R&E:
 - 40.1 R3 500 000.00;
 - 40.2 16 857 179 ordinary JCI shares in the issued share capital of JCI.
41. Subsequent to the conclusion of the Itsuseng Agreement, Itsuseng transferred R3 500 000.00 to be paid to R&E as it was obliged to and T-Sec transferred to R&E the 16 857 179 ordinary JCI shares.
42. It was a further term of the Itsuseng Agreement that Itsuseng and Financial Services would ensure that an amount of R5 200 000.00 was paid to R&E. Itsuseng and Financial Services are in breach of this Agreement in an amount of R3 199 333.75, which is still owing to R&E. R&E has demanded payment of this amount and is considering its options in regard thereto.
43. The Itsuseng Agreement was not concluded in settlement of all and any claims enjoyed by R&E against Itsuseng and R&E may pursue further legal action against Itsuseng and Financial Services.

The George Poole Settlement Agreement

44. George Poole ("**Poole**") was the former Head of Investor Relations employed by JCI.
45. An agreement has been concluded with Poole which is currently being implemented and formalised in writing. The Agreement has not yet been signed due to the nature of the Agreement concluded with Poole, which requires Poole to comply with ongoing obligations of co-operation and assistance which Poole is in the process of complying with and rendering.
46. Poole has pledged his full co-operation to R&E and has assisted it in proving a number of claims in various insolvent estates. In addition, Poole has furnished R&E with further co-operation undertakings which he is currently complying with.
47. Poole has furthermore agreed to surrender the majority of his assets and/or those controlled directly or indirectly by him, which has largely occurred and is in the process of being given effect to.
48. Shareholders are advised that R&E believes that it is entitled to the receipt of the majority of Poole's assets. This notwithstanding, shareholders are cautioned that third parties have intimated that they may seek to sequester Poole and to recover from R&E the assets surrendered by Poole to it. R&E will evaluate its position in the light hereof and will take all steps deemed appropriate in order to safeguard the interests of its shareholders in this regard.

Settlement Agreement with Roger Kebble

49. On 1 October 2006, R&E and JCI concluded a written agreement of settlement ("**the RARK Agreement**") with Roger Kebble ("**Roger**").
50. Although the RARK Agreement was cancelled by R&E and JCI on 6 November 2007, due to an alleged repudiation thereof, on 28 February 2008, R&E *inter alia*, concluded a further agreement with Roger, reinstating to the extent necessary, the RARK Agreement.

51. In terms of the RARK Agreement, Roger agreed to pay R30 million to R&E, which has been paid.
52. In terms of the RARK Agreement, Roger is obliged to co-operate fully with R&E in the mediation and matters related thereto and additionally to comply with various other undertakings, which, upon fulfilment, will bring about a full and final settlement.

Settlement Agreements concluded with John De Villiers Berry, Marjorie Maria Labuschagne, Emmarentia Oosthuizen and Maureen Louise Snashall

53. On 2 March 2006, John De Villiers Berry ("**Berry**"), Marjorie Maria Labuschagne ("**Labuschagne**"), Emmarentia Oosthuizen ("**Oosthuizen**") and Maureen Louise Snashall ("**Snashall**") each instituted separate actions against R&E (predicating their causes of action on alleged retrenchment agreements), out of the Witwatersrand Local Division of the High Court.
54. On 22 March 2006, R&E noted appearances to defend each of the actions.
55. During or about May to June 2006, R&E concluded Settlement Agreements with each of the abovementioned persons. Confidentiality undertakings form part of each of the Settlement Agreements.

Settlement Agreement with Masupatsela Angola Mining Ventures (Pty) Limited

56. On 27 October 2006, Masupatsela Angola Mining Ventures (Pty) Limited ("**Masupatsela**") proceeded with an application out of the Witwatersrand Local Division of the High Court, against T-Sec, (the First Respondent), R&E (the Second Respondent), the JSE Limited (the Third Respondent), and the Financial Services Board (constituting the Fourth Respondent), for an order *inter alia*, that T-Sec return to Masupatsela 1 492 000 ordinary shares in the issued share capital of R&E, together with ancillary relief.
57. Despite the joinder of R&E in these proceedings, no relief was sought against R&E in the application, resulting in Masupatsela and R&E agreeing in April 2007, that R&E would not oppose the application (no concession being made by R&E in respect of Masupatsela's application, either in respect of the relief sought, or in respect of the correctness of any allegations relied upon by Masupatsela).

Agreement concluded by and between R&E, JCI, Kabusha Mining and Finance (Pty) Limited, Trinity Holdings (Pty) Limited and Viking Pony Properties 359 (Pty) Limited (in liquidation)

58. On 29 September 2006, R&E and JCI on the one hand and Kabusha Mining and Finance (Pty) Limited ("**Kabusha**"), Trinity Holdings (Pty) Limited ("**Trinity Holdings**") and Viking Pony Properties 359 (Pty) Limited (in liquidation), concluded a Settlement Agreement.
59. The Settlement Agreement provides *inter alia* for the settlement of any claim by R&E against Kabusha or Trinity Holdings, flowing from any claim enjoyed by R&E pursuant to the payment of R42 million associated with certain Alease shares and for the settlement of any claim enjoyed by Kabusha and Trinity Holdings against R&E, in respect of the said Alease shares.
60. The Settlement Agreement provides further, for the settlement of a number of further matters between *inter alia*, Trinity Holdings and JCI and JCI and Kabusha.

Application by Trinity and six others against R&E for the liquidation of R&E

61. On 3 March 2006, Trinity Preferred Endowment Fund, Trinity Preferred Living Annuity Fund, Greg Becker, Marten du Plessis, The Trustees for the time being of the JWA Trust, Rory Sweet and Silver Strand Absolute Return Fund LP (collectively "**Trinity and six others**"), proceeded with an application ("**the Liquidation Application**"), out of the Witwatersrand Local Division of the High Court, against R&E for *inter alia*, an order:
 - 61.1 Placing R&E under a provisional order of liquidation in the hands of the Master of the High Court;
 - 61.2 That a *rule nisi* be issued calling upon all interested parties to show cause, on a future date, as to why R&E should not be placed under final order of liquidation.
62. On 10 March 2006, R&E filed a notice of intention to oppose the Liquidation Application and on 10 May 2006 served its Answering Affidavit.
63. In September 2006, the Liquidation Application was withdrawn by Trinity and six others by agreement between the parties.

Application by Trinity and four others interdicting Messrs. Gray and Nurek from being involved with the R&E claims against JCI

64. On 29 March 2007, Trinity Preferred Provident Fund, Trinity Protected Provident Fund, Trinity Preferred Living Annuity Fund, Clear Horizon Multi Strategy Fund *En Commandite* Partnership, Trinity Protected Living Annuity Fund (collectively "**the Applicants**"), proceeded with an application ("**the Interdict Application**"), out of the Witwatersrand Local Division of the High Court, against David Morris Nurek ("**Nurek**"), Peter Henry Gray ("**Gray**"), Andrew Christoffel Nissen ("**Nissen**") and R&E for *inter alia*, an order:
- 64.1 Declaring that:
- 64.1.1 Nurek, Gray and Nissen had a conflict of interest in that they served as directors of both R&E and JCI;
- 64.1.2 It would be inconsistent with their fiduciary duties to R&E for Nurek, Gray and Nissen to be involved in, or exercise any powers as directors in connection with any issue relating to the R&E claims against JCI;
- 64.2 Interdicting and restraining Nurek, Gray and Nissen from involving themselves in, or exercising any powers concerning any issue relating to the R&E claims against JCI.
65. R&E, Nurek, Gray and Nissen having filed a notice of intention to oppose, served an Answering Affidavit on 14 May 2007, traversing some 200 pages, which the Applicants replied to on 24 May 2007.
66. On 4 June 2007, the Interdict Application was settled in terms of a written Settlement Agreement which was concluded between the parties thereto.
67. Having regard to the Settlement Agreement, the Applicants agreed *inter alia*, to:
- 67.1 Withdraw the Interdict Application, on the basis that each party would be liable for their own costs;
- 67.2 Irrevocably and unconditionally support the merger and vote in favour thereof;
- 67.3 Unconditionally and irrevocably retract all allegations of improper conduct that were made in the Interdict Application (and/or the Setting Aside Application referred to below), on the part of the Directors of R&E, common to JCI. (The Respondents to the Interdict Application and R&E (having regard to the Setting Aside Application referred to below), similarly agreed to retract all allegations of improper conduct levelled against the Applicants).
68. The Agreement of Settlement was furthermore entered into on the basis that it was in full and final settlement of any claims which the Applicants enjoyed against any other party to the Interdict Application (and/or the Setting Aside Application referred to below), including JCI and any of its subsidiary and/or associate companies and R&E and any of its subsidiary and/or associate companies, prior to the Applicants' signature of the Agreement of Settlement. R&E, JCI and the other parties to the Interdict Application also agreed to enter into the Settlement Agreement on this basis.
69. On 7 June 2007, the Applicants formally withdrew the Interdict Application against Nurek, Gray, Nissen and R&E, by serving the requisite Notice of Withdrawal.

Application by Trinity to set aside the deemed Annual General Meeting of 9 March 2007 ("the Setting Aside Application")

70. On 10 April 2007, the Applicants under case number 13628/2007, out of the Transvaal Provincial Division of the above Honourable Court proceeded with an application ("**the Setting Aside Application**"), against the Registrar of Companies ("**the Registrar**") and R&E in terms whereof, they sought an order *inter alia*:
- 70.1 Reviewing and setting aside the decision by the Registrar ("**the administrative action**"), in terms of section 179(4) of the Companies Act, 1973 in or about February 2007, to direct the calling of a general meeting of R&E, which meeting was held on 9 March 2007 ("**the section 179(4) meeting**");
- 70.2 Directing that Johann Blersch and Thomas Graham Dale be re-instated as directors of R&E;
- 70.3 Declaring the decisions of the board of directors of R&E, taken after the election of directors at the 179(4) meeting pursuant to which Blersch and Dale were not re-elected, to be null and void and of no force and effect.

71. R&E filed a notice of intention to oppose the Setting Aside Application which the Applicants simultaneously with the Interdict Application agreed to withdraw, this having been catered for in the Settlement Agreement referred to above.
72. On 7 June 2007 the Applicants formally withdrew the Setting Aside Application against R&E and the Registrar.

RANDGOLD

RANDGOLD & EXPLORATION COMPANY LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1992/005642/06)

Share code: RNG ISIN: ZAE000008819 (suspended)

GROUP NET ASSET VALUE INFORMATION

Incorporating the Limited Assurance Report of the independent auditor

DIRECTORS' RESPONSIBILITY STATEMENT

The R&E directors are responsible for the preparation and presentation of the Group Net Asset Value Statement of R&E, at 31 March 2008 and accompanying Notes.

The Group Net Asset Value Statement has been prepared in accordance with the basis of preparation set out in the accompanying Notes, for the purpose of providing the shareholders with financial information relevant to the resolution of the disputes between R&E and JCI. The Group Net Asset Value Statement has not been prepared in accordance with IFRS or other generally accepted accounting principles.

The R&E directors' responsibility includes determining that the basis of preparation is an acceptable basis for preparing and presenting the Group Net Asset Value Statement and accompanying Notes, and making accounting estimates, which, in the opinion of the R&E directors, are reasonable in the circumstances.

KPMG, the independent auditor is responsible for reporting on whether, based on the auditor's procedures arising from a limited assurance engagement, the Group Net Asset Value Statement at 31 March 2008 has been prepared, in all material respects, in accordance with the basis of preparation set out in the accompanying Notes to the Group Net Asset Value Statement.

Approval of the Group Net Asset Value Statement

The Group Net Asset Value Statement at 31 March 2008 and accompanying Notes were approved by the R&E board on 23 July 2008 and are signed on its behalf by:

David Kovarsky
Chairman

Marais Steyn
Chief Executive Officer

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF RANDGOLD & EXPLORATION COMPANY LIMITED

We have performed our limited assurance engagement on the Group Net Asset Value Statement of Randgold & Exploration Company Limited at 31 March 2008 and accompanying notes, as set out on pages 73 to 81.

Directors' responsibility for the Group Net Asset Value Statement

The Randgold & Exploration Company Limited directors are responsible for the preparation and presentation of the Group Net Asset Value Statement in accordance with the basis of preparation, set out in the Notes to the Group Net Asset Value Statement, for the purpose of providing the shareholders with financial information relevant to the resolution of the disputes with JCI Limited, as referred to in the Notes. This responsibility includes determining that the basis of preparation is an acceptable basis for preparing and presenting the Group Net Asset Value Statement and making accounting estimates, which, in the opinion of the Randgold & Exploration Company Limited directors, are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to conclude on whether the Group Net Asset Value Statement at 31 March 2008 has been prepared on the basis of preparation set out in the accompanying Notes, based on the procedures performed by us in a limited assurance engagement. There are no International Standards on Auditing (Engagement Standards) applicable to an engagement of this nature. In these circumstances, we applied our professional judgement in planning and performing our procedures to obtain limited assurance on the Group Net Asset Value Statement in accordance with the basis of preparation set out in the accompanying Notes. Our evidence gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Summary of work performed

Our work included making enquiries of management and performing procedures to obtain evidence in respect of the amounts and disclosures in the Group Net Asset Value Statement in accordance with the basis of preparation set out in the accompanying Notes. We have evaluated the appropriateness of the basis of preparation in the circumstances and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Group Net Asset Value Statement.

Conclusion

Based on the procedures performed by us, nothing has come to our attention that causes us to believe that the Group Net Asset Value Statement at 31 March 2008 has not been prepared, in all material respects, on the basis of preparation set out in the accompanying Notes.

Restriction on use of this report

The Group Net Asset Value Statement has been prepared, in all material respects, in accordance with the basis of preparation, set out in the accompanying Notes, for the purpose of providing the shareholders with financial information relevant to the resolution of the disputes with JCI Limited, as referred to in the Notes. The Group Net Asset Value Statement and our limited assurance report may not be suitable for any other purpose.

KPMG Inc.

Chartered Accountants (SA)

Registered Auditor

23 July 2008

Johannesburg, South Africa

RANDGOLD & EXPLORATION COMPANY LIMITED
GROUP NET ASSET VALUE STATEMENT AT 31 MARCH

		Unaudited at 31 March	
	Notes	2008	2007
		(R'000)	(R'000)
ASSETS			
Listed investments	3	330 163	355 071
Gold Fields		250 556	259 854
JCI		79 212	80 452
Other listed investments		395	14 765
Prospecting rights		78 700	296 385
Prospecting rights – GFO transaction	4	–	217 685
Other prospecting rights	5	78 700	78 700
Other assets		283 447	67 474
Loans receivable	6	73 968	46 374
Payment under settlement agreement	7	4 000	8 667
Cash and cash equivalents	8	205 479	12 433
TOTAL ASSETS		692 310	718 930
LIABILITIES			
Other liabilities		(89 100)	(129 883)
Provision for post-retirement medical benefit obligation	9	(32 984)	(34 317)
Income tax payable	10	(17 889)	(16 912)
Deferred taxation	11	(29 024)	(59 370)
Trade and other payables	12	(9 203)	(19 284)
TOTAL LIABILITIES		(89 100)	(129 883)
NET ASSETS		603 210	589 047
ISSUED SHARES			
	13	Number of shares	Number of shares
Number of shares in issue		74 813 128	74 813 128
Shares identified for possible cancellation		(2 943 087)	(2 943 087)
Net shares in issue		71 870 041	71 870 041
Net asset value per share (Rand)		8.3931	8.1960

NOTES TO THE GROUP NET ASSET VALUE STATEMENT

1. PURPOSE OF THE GROUP NET ASSET VALUE STATEMENT

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

In the accompanying commentary to these provisional results, the R&E directors indicated, *inter alia*, that due to the extent of the misappropriations, for which details were included in the commentary, there may be other material events and circumstances of which the R&E directors were not aware of and which may have a material effect on R&E. These may affect the completeness and accuracy of the information reflected in the provisional results and/or may have the effect that the provisional results do not reflect a true and complete account of the financial and other affairs of R&E. In these circumstances the R&E directors disclaimed any liability in respect of the accuracy, correctness and/or completeness of the information reflected in the provisional results. This is still the position.

KPMG was appointed the independent auditor of R&E during October 2005. In view of the uncertainties relating to the provisional results and the disclaimer by the R&E directors, they were unable to, and did not, express an audit or review opinion on the provisional results. This is still the position.

On 14 July 2008, R&E announced, *inter alia*, that, the company is pursuing all options at its disposal to resolve the disputes with JCI. The options include the proposed merger of R&E and JCI, as announced on 23 April 2007, a settlement on commercial terms similar to that of the proposed merger or, finally, the less attractive option of arbitration. On 22 July 2008, the Company published a joint announcement with JCI which states that they have concluded an MOU, in terms of which, the companies will endeavour to conclude a binding settlement agreement within 21 days, which upon its implementation will result in a full and final settlement of all claims by R&E against JCI and vice versa.

Because the R&E directors are still unable to prepare a complete set of financial statements for the years ended 31 December 2004, 2005, 2006 and 2007, in accordance with IFRS, the R&E directors have prepared a Group Net Asset Value Statement, on the basis set out in note 2. The R&E directors consider the Group Net Asset Value Statement, including the accompanying Notes, suitable in the circumstances for the purpose of providing its shareholders with financial information relevant to the resolution of the disputes with JCI.

2. BASIS OF PREPARATION

The Group Net Asset Value Statement has been prepared from information available to the R&E directors and may not be complete for the reasons given in note 1 above. In particular, the Group Net Asset Value Statement excludes all claims and counter claims between the R&E Group and the JCI Group.

Except for these claims, the Group Net Asset Value Statement includes all known significant assets and liabilities of R&E, its subsidiaries and a proportionate share of the assets and liabilities of FSD (FSD is a 55.11% subsidiary of R&E) and its subsidiaries on a line by line basis.

The Group Net Asset Value Statement has been prepared in Rand. All financial information presented in Rand has been rounded to the nearest thousand.

The Group Net Asset Value Statement required the R&E directors to make judgements, estimates and assumptions that affect the basis of preparation and the reported amounts of assets and liabilities. Actual results may differ from these estimates.

The Group Net Asset Value Statement has been prepared on the basis discussed under each heading below:

2.1 Listed investments

The Group's listed investments, except for the investment in JCI, are based on the VWAP for March 2008 comprising 19 trading days (2007: VWAP for March 2007 comprising 21 trading days).

The 2007 value of the JCI investment is based on the Net Asset Value per share of JCI at 31 March 2007 which is based on the amount disclosed in the JCI Group Net Asset Value Statement published on 13 December 2007 and is adjusted to reflect the proposed merger ratio

of 95 to 1, as was announced on 23 April 2007. The 2008 value of the JCI investment is based on the Net Asset Value per JCI share at 31 March 2008, as presented by JCI's management to R&E. The JCI value is accordingly adjusted to reflect the estimated financial impact at 31 March 2008 of the contemplated settlement between R&E and JCI, as was announced on 22 July 2008, which will, if binding, result in a settlement on similar commercial terms to the abovementioned proposed merger. Other than for adjusting the JCI value, the Group Net Asset Value has not been adjusted to reflect the estimated financial impact of the contemplated settlement. In the event of arbitration, it is not possible for the R&E directors to estimate the value of the JCI shares due to the uncertainties surrounding arbitration.

R&E has accounted for all listed investments under its control and in its possession.

2.2 **Prospecting rights**

Where an agreement has been signed to sell prospecting rights as of the date of approval of the Group Net Asset Value Statement, the value is based on the consideration in the relative agreement.

Where no such agreements are in place, the R&E directors have determined a value which they believe is reasonable based on calculations from independent mineral project evaluation experts. For such calculations, independent mineral project evaluation experts were used to conduct and conclude on the mineralisation which was valued using comparable transactions.

2.3 **Other assets**

Other assets include loans receivable, a payment under settlement agreement and cash and cash equivalents.

2.3.1 **Loans receivable**

The values of the loans receivable are based on current recoverability supported by signed loan certificates.

2.3.2 **Payment under settlement agreement**

The value of the outstanding settlement is based on the amount recovered subsequent to 31 March 2008 (2007: Subsequent to 31 March 2007 and up to 13 December 2007).

2.3.3 **Cash and cash equivalents**

Cash and cash equivalents comprises cash and cash deposits with banking institutions. The carrying amount of cash and cash deposits with banking institutions approximates fair value.

2.4 **Provision for post-retirement medical benefit obligation**

The provision for the post-retirement medical benefit obligation represents the present value of the estimated future cash outflows resulting from employees' services provided.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligation. An independent actuarial valuation was conducted.

2.5 **Taxation**

2.5.1 **Income tax payable**

Income tax payable comprises taxation payable, calculated on the basis of the expected taxable income, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of income tax payable for previous years.

Income tax payable has been calculated based on the best information currently available to management regarding taxable income (including prior year assessments and management's interpretation of current tax law) given the circumstances detailed in note 1 above.

2.5.2 **Deferred taxation**

Deferred taxation is provided based on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities reported in the Group Net Asset Value Statement and their tax base.

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

A deferred taxation asset is recognised only to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses, unredeemed capital expenditure and deductible temporary differences can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.6 **Trade and other payables**

Trade and other payables include accruals and other amounts payable based on management's best estimate at the reporting date.

2.7 **Contingent assets**

Contingent assets are disclosed when it is probable that they will be realised and are best estimates expected to be recovered. No contingent assets have been included in the Group Net Asset Value Statement as the recoverability cannot be reasonably assured.

	Notes	Number of shares	Value per share (R')	Unaudited at 31 March 2008 (R'000)
3. LISTED INVESTMENTS				
31 March 2008				
Gold Fields		2 028 684	123.5069	250 556
JCI	3.1	265 935 854	0.2979	79 212
Other listed investments				395
Kelgran		2 324 830	0.1700	395
Total				330 163

The value of the investment in Gold Fields is based on the VWAP for March 2008 comprising 19 trading days. The investment in Kelgran is shown at the suspended value of 17 cents (the company was suspended on the JSE on 3 September 2007).

3. Listed investments (continued)

- 3.1 The value of the JCI investment is based on the Net Asset Value per JCI share at 31 March 2008, as presented by JCI's management to R&E. The JCI value is accordingly adjusted to reflect the estimated financial impact at 31 March 2008 of the contemplated settlement between R&E and JCI, as was announced on 22 July 2008, which will, if binding, result in a settlement on similar commercial terms to the proposed merger, as was announced on 23 April 2007.

	JCI At 31 March 2008 (R')
Net Asset Value per share – as presented by JCI's management	1.0051
Net Asset Value per share – adjusted to reflect the contemplated settlement	0.2979

	Notes	Number of shares	Value per share (R')	Unaudited at 31 March 2007 (R'000)
31 March 2007				
Gold Fields		2 028 684	128.0900	259 854
JCI	3.2	265 935 854	0.3025	80 452
Other listed investments				14 765
Kelgran		2 324 830	0.1408	327
Pan Palladium	3.3	18 100 000	0.7977	14 438
Total				355 071

The value of listed investments, except for the investment in JCI (currently suspended on the JSE), is based on the VWAP for March 2007 comprising 21 trading days.

- 3.2 The value of the JCI investment is based on the Net Asset Value per JCI share at 31 March 2007 which is disclosed in the JCI Group Net Asset Value Statement at 31 March 2007, published on 13 December 2007. The JCI value is adjusted to reflect the estimated financial impact of the proposed merger ratio of 95 to 1, as was announced on 23 April 2007.

	JCI At 31 March 2007 (R'm)
Net Asset Value per share – JCI Group Net Asset Value Statement	1.0324
Net Asset Value per share – adjusted to reflect the proposed merger ratio	0.3025

- 3.3 The Pan Palladium shares were sold on 16 October 2007 for AU\$0.165 per share realising net proceeds of AU\$2 976 047 (equating to R18 162 816).

	Unaudited at 31 March 2008 (R'000)	2007 (R'000)

4. PROSPECTING RIGHTS – GFO TRANSACTION

R&E's share of prospecting rights held by FSD	–	217 685
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R&E and JCI, and certain of their subsidiaries reached agreement with GFO during October 2007, in terms of which the R&E Group and the JCI Group relinquished their rights in favour of GFO for a collective purchase consideration of R395 million (excluding VAT). On 31 October 2007, R&E shareholders voted unanimously in favour of the transaction. The transaction was concluded in October 2007 and the R&E Group through its 55.11% shareholding in FSD became entitled to R218 million in cash.

	Unaudited at 31 March	
	2008	2007
	(R'000)	(R'000)
5. OTHER PROSPECTING RIGHTS		
R&E's share of new order prospecting rights held by FSD	78 700	78 700
For further details, refer to note 14.1.		
6. LOANS RECEIVABLE		
R&E's share of FSD's loans receivable	73 968	46 374
For further details, refer to note 14.2.		
7. PAYMENT UNDER SETTLEMENT AGREEMENT		
R A R Kebble	4 000	8 667
<p>On 1 October 2006, R&E concluded a settlement agreement with R A R Kebble. The settlement amount of R30 million payable by R A R Kebble to R&E, was to be repaid in monthly instalments with effect from November 2006 to January 2008. As at 31 March 2007, an amount of R19.2 million was owing to R&E in terms of the settlement agreement. A payment of R8.7 million was received under the settlement agreement between April and July 2007.</p> <p>With effect from August 2007, further payments under the settlement agreement ceased. As a consequence, R&E cancelled the settlement agreement on 6 November 2007.</p> <p>On 28 February 2008, R&E, JCI and R A R Kebble, concluded an agreement, the effect of which was to re-commence the settlement agreement concluded between the parties on 1 October 2006, subject to certain modifications. In terms thereof, R A R Kebble was obliged to pay a further R4 million to R&E which was due at 31 March 2008 and was subsequently collected in May 2008.</p>		
	Unaudited at 31 March	
	2008	2007
	(R'000)	(R'000)
8. CASH AND CASH EQUIVALENTS		
Cash and cash deposits	9 225	12 433
R&E's share of FSD's cash and cash equivalents	196 254	–
	205 479	12 433
For further details, refer to note 14.		
9. PROVISION FOR POST-RETIREMENT MEDICAL BENEFIT OBLIGATION		
Obligation at 31 March	(32 984)	(34 317)
A valuation of this obligation was performed by independent actuaries at 31 March 2008 and 2007, respectively.		
10. INCOME TAX PAYABLE		
South African normal tax	(17 889)	(16 912)
<i>Attributable to:</i>		
R&E and its subsidiaries (excluding FSD group)	(2 702)	(11 968)
FSD group	(15 187)	(4 944)
	(17 889)	(16 912)

This amount includes income tax payable calculated by management for the R&E Group and includes any related penalties, except as noted in the next paragraph, and interest that may be due.

Income tax payable does not include any additional penalties that may become leviable upon assessment of outstanding returns by SARS as management believes, that the R&E Group did not act fraudulently or in any other way to warrant incurring such additional penalties. Based on the ongoing negotiations with SARS, management believes that the penalties and interest calculated is sufficient and that no further penalties will be levied by SARS.

R&E's calculations reflect that R&E had no taxable income from 2002 to the reporting date as R&E was operating at a loss. SARS has, however, queried R&E's tax calculations from 1998 to 2001 and have subsequently recalculated that an amount of R44 million (2007: R39 million) (including penalties and interest up to December 2007) in taxes is payable. R&E has and will continue to contest these queries. Given that such queries are under dispute, management believes that the amount is not payable and therefore no liability for this amount has been raised.

	Unaudited at 31 March	
	2008	2007
	(R'000)	(R'000)
11. DEFERRED TAXATION		
Unrealised	(29 024)	(28 620)
Deferred taxation arising on listed investments at 14% (2007: 14.5%)	(6 995)	(5 805)
Deferred taxation arising on other prospecting rights at 28% (2007: 29%)	(22 029)	(22 815)
Realised	-	(30 750)
Deferred taxation arising on the GFO transaction at 14% (2007: 14.5%)	-	(29 978)
Deferred taxation arising on the GFO transaction at 28% (2007: 29%)	-	(772)
Total	(29 024)	(59 370)

The deferred taxation balance comprises temporary differences on listed investments and prospecting rights.

No deferred taxation assets were raised on the post retirement medical benefit obligation and assessed losses of the R&E Group as it is not probable that future taxable profits will be available to utilise the assessed losses or when the related deductible temporary differences are expected to reverse.

	Unaudited at 31 March	
	2008	2007
	(R'000)	(R'000)
12. TRADE AND OTHER PAYABLES		
Trade and other payables	(6 066)	(2 848)
PAYE payable	-	(13 528)
VAT payable	(3 137)	(2 908)
	(9 203)	(19 284)

PAYE payable

R&E engaged independent tax advisors during 2006 who completed a PAYE audit and determined the amount payable, including penalties and interest thereon to be R13.5 million at 31 March 2007. Their report was submitted to SARS during 2007 and R&E settled the PAYE payable with SARS before 31 March 2008.

VAT payable

R&E engaged independent tax advisors who completed a VAT audit and determined the VAT payable, excluding penalties and interest thereon. Management added penalties and interest to the VAT payable. The penalties calculated by management, however, excluded the 200% section 60 VAT penalty

as defined in the VAT Act, as R&E believes they did not act fraudulently. The report of the independent tax advisors has been submitted to SARS. R&E has had various meetings with SARS but still awaits their final decision regarding settlement.

13. ISSUED SHARES

For the purpose of calculating the net shares in issue, the total number of shares in issue of R&E (issued share capital) has been notionally reduced by approximately 3 million R&E shares.

R&E has identified 2 943 087 R&E shares for possible cancellation in its issued share capital (which shares constitute a portion of the consideration shares purportedly issued and allotted on account of the Phikoloso transaction in respect of which R&E has asserted a claim against JCI), on the basis that such shares are alleged to have been issued for no value received.

The said shares have been identified to be in the possession of Letseng Diamonds. R&E have been informed by JCI that the shares in question were pledged by JCI to Letseng Diamonds, as security for a loan made by Letseng Diamonds to JCI.

R&E has been further informed by JCI that upon the repayment of the loan by JCI to Letseng Diamonds, the shares will be returned to JCI, whereupon JCI has undertaken to return such shares to R&E for cancellation. R&E has noted JCI's undertaking in respect of the 2 943 087 R&E shares without prejudice and/or waiver of any of its rights and entitlements which it may enjoy in consequence of the void issue and allotment of any of its shares.

	Notes	Unaudited at 31 March 2008 (R'000)	2007 (R'000)
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14. FSD'S NET ASSET VALUE

		R&E's 55.11% proportionate share	
ASSETS			
Prospecting rights – GFO transaction		–	217 685
Other prospecting rights	14.1	78 700	78 700
Loans receivable	14.2	73 968	46 374
Cash and cash equivalents		196 254	–
Total assets		348 922	342 759
LIABILITIES			
Income tax payable		(15 187)	(4 944)
Deferred taxation		(22 029)	(53 565)
Total liabilities		(37 216)	(58 509)
Net assets		311 706	284 250

R&E's proportionate share (equating to 55.11%) of FSD's Net Asset Value was included in the applicable line items of the Group Net Asset Value Statement. FSD's net asset value includes the net asset value of FSD and its subsidiaries and has been prepared on a basis consistent with that of R&E.

14.1 Other prospecting rights

R&E is the beneficial owner of various prospecting rights held through its 55.11% shareholding in the issued share capital of FSD. Various prospecting rights, mainly flowing from the historical old order mineral rights portfolio of FSD and its subsidiaries, have either been applied for or awarded by the DME. The Du Preez Leger Project, which has been granted and executed, has not yet been registered in the name of FSD.

The prospecting rights adjacent to St Helena, namely Du Preez Leger 324/Jonkersrus 72, have a gold resource of 22 million tonnes at 6.7 g/t at a pay limited of 5.6 g/t. The prospecting right adjacent to the Harmony mine, namely on Vermeulenskraal 223 has a gold resource on the Basal reef of 6.3 million tonnes at 10.07 g/t at a pay limited of 5.6 g/t. This information is quoted from

historic evaluations concluded in the 1980's and the definitions of resources and reserves would not be exactly the same as those currently accepted by SAMREC, JORC and the NI 43-101 codes.

Considering various transactions that have been quoted publicly, and noting differences between the nature of the Du Preez Leger project and Vermeulenskraal's gold deposits and the transactions quoted, a value of US\$4 per ounce was applied for the purposes of valuing the project. This value was derived after applying a 35% discount factor on the average US\$ per ounce rate of similar transactions. The discount factor was applied due to the fact that a detailed assessment of the Du Preez Leger project and Vermeulenskraal has not been conducted, other than the historic valuations concluded in the 1980's, as well as the fact that the projects may not be viable as stand-alone projects at this point in time.

On this basis, the projects have been valued as follows:

	Tonnes (m's)	g/t	moz	US\$/oz	US\$	R'000	After BEE dilution⁽¹⁾ R'000
Du Preez Leger 324/ Jonkersrus 72	22	6.7	4.5785	4	18 314	134 792	99 747
Vermeulenskraal 223	6.3	10	1.9765	4	7 906	58 188	43 059
Total – Du Preez Leger Project			6.555		26 220	192 980	142 806
R&E's 55.11% proportionate share							78 700

⁽¹⁾ The value of other prospecting rights has been calculated on the basis that 26% thereof will be attributable in terms of BEE.

	Unaudited at 31 March 2008 (R'000)	2007 (R'000)
14.2 Loans receivable		
FSD loan to the JCI Group	51 176	46 374
Goldridge loan to the JCI Group	22 793	–
	73 969	46 374

FSD has a loan receivable from the JCI Group to the value indicated above. The R&E board believes that this amount is fully recoverable from the JCI Group. This loan is accounted for as a loan payable by the JCI Group at 31 March 2008. The loan is secured over a pledge of 79 million JCI Limited shares, bears interest at the bank prime lending rate and no formal terms of repayment have been established.

Goldridge, a 100% subsidiary of FSD, has a loan receivable from the JCI Group to the value indicated above. The R&E board believes that this amount is fully recoverable from the JCI Group. This loan is accounted for as a loan payable by the JCI Group at 31 March 2008. The loan is secured over a pledge of 1.666 million Gold Fields shares which came into effect on 20 May 2008, bears interest at the bank prime lending rate and no formal terms of repayment have been established.

15. CONTINGENT ASSETS – CLAIMS AGAINST THIRD PARTIES (EXCLUDING THE JCI GROUP)

R&E has identified various claims against third parties which have been finalised or are in the process of being formulated and are expected in due course to be finalised. Such claims could be substantial, although there is no guarantee that such claims will result in awards being granted in favour of R&E or for that matter that R&E will be able to make successful recoveries in respect thereof.

16. ENCUMBRANCES

No significant assets have been encumbered or pledged.

