



Burnstone Project Funding

11 June 2009

Funding the development of the Burnstone project in South Africa was always planned to consist of a combination of equity funding, cash flow from operations and project finance. It is not-uncommon for project finance structures of this nature to require a certain level of equity contribution by the owner in combination to debt funding. Management has been in negotiation with South African banks to provide the debt funding since the early part of 2008. Finalizing the funding structure was always dependent on the Company receiving the Mining right it had applied for during September 2007. Required equity contributions as well as the timing for these funds to be spent with potential lenders remained at indicative status as the lenders could not sought final approval from their credit committees until such time as the Mining right has been awarded and the ensuing development plan has been approved by the regulatory authorities. It was evident from the discussion with the potential lenders that they would require down-side protection through an agreed hedge structure to limit their exposure should commodity prices fall below their calculated break-even point for a facility of this nature.

As a Company we have a strategy not to hedge commodity prices to allow our shareholders the full exposure to movement in the commodity markets. Entering into a traditional put option structure would have meant an additional cash outflow to purchase the required put options. Following an investigation by Management we proposed a Zero-Cost-Collar ("ZCC") structure to the potential lenders. The benefit of a ZCC is that it would provide the lenders with the required down side protection and prevent an upfront outflow of cash as the income from selling a call option would offset the cost of the put option. Indicative pricing at the stage indicated a potential put option of US\$550oz and a call of US\$2,000oz. Earnings will only be impacted should the price of gold exceed the call option strike price.

The Company will enter into a ZCC for approximately 300,000 gold ounces (being approximately 20% of Burnstone's production during the loan term) with lenders to provide a cost effective hedging structure. The final pricing of the hedge structure will only be determined on execution of the hedge but indicative pricing currently places the put option at US\$680oz and the call option at US\$2,200oz. The effect of this is that the Company will receive spot prices for metal sold between \$680oz and US\$2,200oz. The spread on the structure still allow the Company to maintain its "no-hedging" policy and allow our shareholders to participate in the price movement of gold. The economics of the Burnstone project improve significant as the price of gold moves towards the strike price for the call option. Based on the current mine plan it would be possible to early settle the outstanding loan and hedge should gold reach the levels of \$2,000oz.

Project Funding Background

The Company was awarded the Mining right for Burnstone in October 2008 and immediately pursued the finalization of the project finance facility. The timing culminated with the global crash in the financial sector which had a significant impact on obtaining credit approval for new development projects. The terms for new financings also changed significantly from the indicative discussions earlier in the year due to the sentiment in the global financial sector. Liquidity and availability of funds all but dried up. This impacted on the ability of the financial institutions to honor the quantum of the facility they originally proposed to provide. Requirements to ensure a fully-funded project also increased the required equity contribution as well as standby-equity that will be required to fund potential cost overruns.

In January 2009 Management took the decision to make use of a syndicate of local banks to provide the required funding. A shortlist of financial institutions was requested to review the project and to obtain in-principle approval for funding the project. Snowden was appointed to provide a technical report on the project to the satisfaction of the potential syndicate members. Whilst the technical and financial due diligence continued Management launched an equity raising of CAD150 million with the proceeds to be used to fund the remaining equity contribution on the project as well as provide the required stand-by equity as required by the syndicate of lenders.

In-principle approvals have been obtained from all potential syndicate members by the end of May 2009 based on the preliminary technical report and project economics. Indicative term sheets were entered into with potential syndicate members detailing the structure and terms envisaged. Investec Bank Limited was mandated to finalize the syndicate and lending structure by June 30, 2009.

The facility will consist of a ZAR850 million (US\$106 million) senior debt facility and a ZAR180 million (US\$23 million) standby debt facility to cover potential cost overruns. The facility will have a maximum term of 7 years with capital and interest repayment commencing June 30, 2011. Interest rates are linked to the Johannesburg inter banking borrowing rate ("JIBAR") with a premium of 4.5% above JIBAR post completion and a 5% premium prior to completion.

The Company is required to contribute equity amounting to approximately 55% of the total Burnstone project cost. The estimated required equity contribution by the Company based on the current project plan amounts to ZAR1,075 million (US\$134 million) of which ZAR560 million (US\$70 million) has been spent up to March 31, 2009. The Company is required to deposit ZAR180 million (US\$23 million) into a standby equity account under the control of the lenders with the funds to be allocated towards cost overruns prior to draw down on the standby debt facility. The Company will also repay the existing ZAR200 million (US\$25 million) loan facility, as well as accrued interest of approximately ZAR20 million, (US\$2.5 million) advanced by Investec Bank Limited in July 2008, for purposes of the Burnstone project. The senior debt facility will be secured by the assets of the Burnstone project, with a completion guarantee to be put in place from the Company.