



GOLD REEF

R E S O R T S

GOLD REEF RESORTS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1989/002108/06)
(Share code: GDF ISIN: ZAE000028338)
("Gold Reef")

RESTRUCTURE OF GOLD REEF AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

Further to the cautionary announcements issued by Gold Reef on 27 December 2006 and 7 February 2007, whereby shareholders were advised that Gold Reef had entered into discussions that, if successfully concluded, may have an effect on the price of Gold Reef's securities, shareholders are now advised that Gold Reef has successfully concluded negotiations with its Black Economic Empowerment partners (excluding the BEE partners of Garden Route Casino (Proprietary) Limited, WidgeTrade 205 (Proprietary) Limited) ("BEE shareholders") to exchange the BEE interests in Gold Reef's individual casinos for Gold Reef shares. This will result in Gold Reef acquiring the remaining shareholding in its subsidiaries from the following BEE shareholders:

- BEE shareholders (as detailed in paragraph 1.1.1 below) of Akani Leisure Investments (Proprietary) Limited ("ALI") ("the ALI acquisition");
- BEE shareholders (as detailed in paragraph 1.2.1 below) of Akani Leisure (Silverstar Holdings) (Proprietary) Limited ("ALSH") ("the ALSH acquisition");
- BEE shareholders (as detailed in paragraph 1.3.1 below) of Akani Leisure Investment Casino Management (Proprietary) Limited ("ALICM") ("the ALICM acquisition");
- BEE shareholders (as detailed in paragraph 1.4.1 below) of Akani Leisure Msunduzi Investments (Proprietary) Limited ("ALMI") ("the ALMI acquisition");
- BEE shareholders (as detailed in paragraph 1.5.1 below) of Akani Leisure Goldfields Investments (Proprietary) Limited ("ALGI") ("the ALGI acquisition");
- Reygrande Investment Holdings (Proprietary) Limited ("Reygrande") ("the West Coast Leisure acquisition");
- Satara Trading (Proprietary) Limited ("Satara") ("the Satara acquisition")

These acquisitions will in aggregate be referred to as the Proposed Share Exchange and will be effective 1 January 2007.

In addition to the above, in order to achieve a minimum of 25.10% black empowerment direct economic shareholding, Gold Reef will issue a further 14 000 000 shares for cash to the Top-up BEE participants (listed below) at R20.50 per share ("the Top-up Transaction"). In terms of the JSE Limited ("JSE") Listings Requirements, this is a specific issue of shares for cash to related parties, as certain Top-up BEE participants are material BEE shareholders in Gold Reef's subsidiaries.

Top-up BEE participants	Number of shares to be issued
Saddle Path Prop 20 (Proprietary) Limited ("SPP")	6 572 917
Platoon Trade and Invest 15 (Proprietary) Limited ("Platoon Trade");	2 528 915
Y Investments Limited ("YIN");	55 000
Xau Investments CC ("XAU")	35 228
YWCA Dube Charitable Trust ("YWCA")	7 560
Mary Jantjies Family Trust ("MJFT")	65 084
Newshelf 698 (Proprietary) Limited ("Newshelf 698")	2 500 000
Black Management Forum Investment Company Limited ("BMF")	1 942 796
Izulu Gaming (Proprietary) Limited ("Izulu")	292 500
	14 000 000

1.1 The ALI acquisition

1.1.1 Nature of business of ALI

ALI holds a direct and economic interest of 50.00% in the ordinary share capital of Akani Egoli (Proprietary) Limited ("Akani Egoli") which operates Gold Reef City Casino and Theme Park in Gauteng.

Gold Reef holds a direct and economic interest of 50.00% in the ordinary share capital of Akani Egoli and a 49.97% direct and economic interest in ALI. The remaining 50.03% of ALI is held indirectly by the ALI BEE shareholders. This results in the ALI BEE shareholders holding an indirect and economic interest of 25.02% in Akani Egoli.

The ALI BEE shareholders comprise:

- SPP;
- Platoon Trade;
- YIN
- G7 Investments Holdings (Proprietary) Limited;
- MJFT;
- XAU;
- YWCA;
- Newshelf 698;
- BMF
- Prime Portfolio Investments "A" (Proprietary) Limited; and
- Newshelf 800 (Proprietary) Limited.

1.1.2 *Details of the ALI acquisition*

Gold Reef will acquire the remaining 50.03% interest in ALI from the ALI BEE shareholders for approximately R384.8 million. The effect of the ALI acquisition is that Gold Reef will:

- ⇒ have a direct and economic interest of 100.00% in ALI and consequently Akani Egoli;

The ALI acquisition will be settled by the issue of 16 881 426 shares in Gold Reef and R64.1 million in cash. The cash component will be used by the ALI BEE shareholders to settle various taxes arising from the ALI acquisition, to redeem cumulative redeemable preference shares issued to Gold Reef and to settle outstanding dividends on the cumulative redeemable preference shares ("Outstanding ALI BEE preference shares"). The redemption of the preference shares and the settlement of the outstanding dividends amounts to R64.2 million in aggregate.

The ALI acquisition is conditional upon the approvals of the Gauteng Gambling Board and the Competition Commission.

1.2 **The ALSH acquisition**

1.2.1 *Nature of business of ALSH*

Gold Reef holds a direct and economic interest of 50.00% in the ordinary share capital of Silver Star Development Limited ("Silverstar") which is the holder of the casino license in the West Rand region of Gauteng. This casino is currently under construction.

ALSH holds the remaining 50.00% in Silverstar. The ALI BEE shareholders, as described in the ALI acquisition, and Saffron Balm Trading 29 (Proprietary) Limited ("Saffron"), hold an indirect and economic interest of 100.00% in ALSH.

1.2.2 *Details of the ALSH acquisition*

Gold Reef will acquire 100.00% of the economic interest in ALSH from the ALI BEE shareholders and Saffron for approximately R519.2 million. The effect of the ALSH acquisition is that Gold Reef will:

- ⇒ have a direct and economic interest of 100.00% in ALSH and consequently Silverstar; and
- ⇒ assume external debt of R91.8 million, which will be immediately repaid by Gold Reef, following the successful implementation of the Proposed Share Exchange.

The ALSH acquisition will be settled by the issue of 27 323 575 shares in Gold Reef.

The ALSH acquisition is conditional upon the approvals of the Gauteng Gambling Board and the Competition Commission.

1.3 **The ALICM acquisition**

1.3.1 *Nature of business of ALICM*

ALICM holds a 25.00% economic interest in the Akani Egoli management contract ("Akani Egoli Contract"), whereby Akani Egoli pays management fees for the management of its casino operations.

Gold Reef Management (Proprietary) Limited ("GRM"), a wholly-owned subsidiary of Gold Reef, holds the remaining 75.00% economic interest in the Akani Egoli Contract.

1.3.2 *Details of the ALICM acquisition*

Gold Reef will acquire 100.00% of the direct and economic interest in ALICM from certain ALI BEE shareholders for approximately R30.7million. The effect of the ALICM acquisition is that Gold Reef will:

- ⇒ have a 100.00% economic interest in the Akani Egoli Contract

The ALICM acquisition will be settled by the issue of 1 570 361 shares in Gold Reef and R0.9 million in cash. The cash component will be used by the ALI BEE shareholders to settle various taxes arising from the ALICM acquisition.

The ALICM acquisition is conditional upon the approvals of the Gauteng Gambling Board and the Competition Commission.

1.4 **The ALMI acquisition**

1.4.1 *Nature of business of ALMI*

ALMI holds a direct interest of 50.00% and a 15.00% economic interest in Akani Msunduzi (Proprietary) Limited (“Akani Msunduzi”) which operates Golden Horse Casino in Pietermaritzburg.

Gold Reef holds a direct interest of 50.00% and an 85.00% economic interest in Akani Msunduzi through its direct interest plus participating preference shares in ALMI (“ALMI preference shares”) which entitles it to 70.00% of ALMI’s equity participation in Akani Msunduzi.

The ALMI BEE shareholders comprise:

- BMF;
- Siyimbumba Investment (Proprietary) Limited;
- Eglin Investments No 30 (Proprietary) Limited (“Eglin”);
- Akani Msunduzi Management (Proprietary) Limited (“AMM”)¹;
- Isimfonyo Investments (Proprietary) Limited;
- Pedestal Investments (Proprietary) Limited;
- Philisizwe Investments (Proprietary) Limited;
- Phinda Investments (Proprietary) Limited;
- Rock Investments (Proprietary) Limited;
- Siyanda Co-Operative Limited;
- Siyangena Investments (Proprietary) Limited;
- Umnotho Wamangwane (Proprietary) Limited;
- YIN;
- Grey Jade Trade and Invest 77 (Proprietary) Limited;
- Grey Jade Trade and Invest 86 (Proprietary) Limited;
- Firm Edge Investments (Proprietary) Limited); and
- Loophole Trading and Investment 38 (Proprietary) Limited.

1.4.2 *Details of the ALMI acquisition*

Gold Reef will acquire 100% of the ordinary share capital in ALMI from the ALMI BEE shareholders, for approximately R105.8 million. The effect of the ALMI acquisition is that Gold Reef will:

- ⇒ have a direct and economic interest of 100.00% in ALMI and consequently Akani Msunduzi.

The ALMI acquisition will be settled by the issue of 5 122 112 shares in Gold Reef and R8.4 million in cash. The cash component will be used by certain ALMI BEE shareholders to settle the Outstanding ALI BEE preference shares, referred to in 1.1.2 above. After the implementation of the ALMI acquisition the ALMI preference shares will be redeemed.

The ALMI acquisition is conditional upon the approvals of the Kwa-Zulu Natal Gambling Board and the Competition Commission.

¹ AMM is currently warehousing this shareholding pending resolution of a dispute over the shareholding.

1.5 The ALGI acquisition

1.5.1 Nature of business of ALGI

ALGI holds a direct interest of 40.00% and a 12.00% economic interest in Goldfields Casino and Entertainment Centre (Proprietary) Limited ("Goldfields Casino") which operates Goldfields Casino in the Free State.

Gold Reef holds a direct interest of 10.00%, an indirect interest of 50.00% through Tanglepark Trading (Proprietary) Limited, a wholly-owned subsidiary of Gold Reef, and an 88.00% economic interest in Goldfields Casino through its direct and indirect interests plus participating preference shares in ALGI ("ALGI preference shares") which entitles it to 70.00% of ALGI's equity participation in Goldfields Casino.

The ALGI BEE shareholders comprise:

- Selang-Mabele Investments Company (Proprietary) Limited;
- Izulu;
- YIN;
- Eglin;
- Trema Investments (Proprietary) Limited;
- Dual Intake Investments 48 (Proprietary) Limited;
- Heritage; and
- Lebohang Foreisitata Trust.

1.5.2 Details of the ALGI acquisition

Gold Reef will acquire 100% of the ordinary share capital in ALGI from the ALGI BEE shareholders, for approximately R29.1 million. The effect of the ALGI acquisition is that Gold Reef will:

- ⇒ have a direct and economic interest of 100.00% in ALGI and consequently Goldfields Casino.

The ALGI acquisition will be settled by the issue of 1 358 174 shares in Gold Reef and R3.3 million in cash. The cash component will be used by certain ALGI BEE shareholders to settle the Outstanding ALI BEE preference shares, referred to in 1.1.2 above. After the implementation of the ALGI acquisition the ALGI preference shares will be redeemed.

The ALGI acquisition is conditional upon the approvals of the Free State Gambling and Racing Board and the Competition Commission.

1.6 The West Coast Leisure acquisition

1.6.1 Nature of business of West Coast Leisure

Reygrande holds a direct and economic interest of 10.00% in West Coast Leisure (Proprietary) Limited ("West Coast Leisure") which operates Casino Mykonos in the Western Cape.

Gold Reef holds a direct and economic interest of 60.40% in West Coast Leisure.

Club Mykonos Langebaan Limited ("CML") holds the remaining direct and economic interest of 29.60% in West Coast Leisure.

1.6.2 Details of the West Coast Leisure acquisition

Gold Reef will acquire the 10.00% direct and economic interest in West Coast Leisure from Reygrande for approximately R42.8 million. The effect of the West Coast Leisure acquisition is that:

- ⇒ Gold Reef will have a direct and economic interest of 70.40%; and
- ⇒ CML will have a direct and economic interest of 29.60% in West Coast Leisure.

The West Coast Leisure acquisition will be settled by the issue of 2 250 764 shares in Gold Reef.

The West Coast Leisure acquisition is conditional upon the approvals of the Western Cape Gambling and Racing Board and the Competition Commission.

1.7 **The Satara acquisition**

1.7.1 *Nature of business of Satara*

Satara holds a 30.00% economic interest in the Goldfields Casino management contract ("Goldfields Contract"), whereby Goldfields Casino pays management fees for the management of its casino operations.

GRM, a wholly-owned subsidiary of Gold Reef, holds the remaining 70.00% economic interest in the Goldfields Contract.

1.7.2 *Details of the Satara acquisition*

GRM will acquire the remaining 30.00% economic interest in the Goldfields Contract from Satara for approximately R13.3 million. The effect of the Satara acquisition is that Gold Reef will:

- ⇒ through GRM, have a 100.00% economic interest in the Goldfields Contract.

The Satara acquisition will be settled by the issue of 700 000 shares in Gold Reef.

The Satara acquisition is conditional upon the approvals of the Free State Gambling and Racing Board and the Competition Commission.

1.8 **The Top-up Transaction**

Gold Reef will issue 14 000 000 Gold Reef ordinary shares for cash to the Top-up BEE participants at R20.50 per share. In terms of the JSE Listings Requirements, this is a specific issue of shares for cash to related parties as the Top-up BEE participants are material BEE shareholders in Gold Reef's subsidiaries.

A portion of the proceeds from the issue of shares for cash will be utilised for the cash component of the consideration paid in the Proposed Share Exchange and related expenses.

2. **RATIONALE**

The Proposed Share Exchange is in line with Gold Reef's objective of consolidating its gaming platform by increasing its exposure to its existing operations. Gold Reef is of the view that the Proposed Share Exchange will create long-term financial benefits for its shareholders.

Gold Reef's intention is to increase the BEE direct and economic interest in Gold Reef to a minimum of 25.10%, thus satisfying an important component of the Code of Good Practice issued by the Department of Trade and Industry on broad-based BEE and complying with the Gaming Board's recommendations on BEE. The Proposed Share Exchange will result in a BEE direct and economic interest in Gold Reef of 21.30%. The Top - up Transaction is required to attain the intended 25.10% target.

3. VOTING POOL AGREEMENT

In order to, *inter alia*, ensure that the aforesaid 25.10% target is maintained, a Voting Pool Agreement will be concluded between the BEE shareholders and Gold Reef (the "Voting Pool Agreement") whereby the BEE shareholders cannot dispose of their shareholding for three years and thereafter only to previously disadvantaged individuals and/or with the approval of the relevant Gambling Boards .

4. Directors

Gold Reef is committed to Black Economic Empowerment throughout the entire Group and not only at shareholder level. Therefore, following the successful implementation of the Proposed Share Exchange and the Top-up Transaction, the following appointments to the board will be made:

4.1 **Bongani Biyela (34) Executive Director of Strategy and Business Development**

Bongani obtained the Higher Diploma in Marketing Management (Natal Tech), Management Advance Program – MAP3 (Wits Business School) and is currently studying a Bachelor of Business Administration (Midrand University).

He has ten years experience in the gaming industry, including nearly four years as General Manager of Gold Reef City Casino, and holds non-executive directorships in a number of private companies.

4.2 **Richard Moloko (42) Non-executive**

Richard obtained a Bachelor of Procureas (University of the North), LL.M in International Law (Harvard University), LL.B (Wits University) and an HDip Tax (Wits University).

He has nine years experience in the gaming industry after joining Akani Egoli in 1998, holds non-executive directorships in a number of private companies and is Chairperson of the Umsobomvu Youth Fund.

4.3 **Patrick September (64) Non-executive**

Patrick holds a B.Sc (Hons) (University of London) and an M.Sc (University of London).

He has six years experience in the gaming industry after joining Akani Msunduzi in 2001. He holds non-executive directorships in a number of private companies and is Chairperson of Business against Crime in Kwa-Zulu Natal.

Subsequent to the above appointments, 25.00% of Gold Reef's board members will be previously disadvantaged individuals.

5. RELATED PARTY TRANSACTION

In terms of section 10 of the JSE Listings Requirements the various transactions forming part of the Proposed Share Exchange are regarded as related party transactions as the BEE shareholders are material shareholders in Gold Reef's subsidiaries. The ALI, ALSH and ALICM transactions have been aggregated for categorisation purposes, due to common shareholders and this is, as a result, a category 2 transaction. The JSE has ruled that Gold Reef must obtain one overall fair and reasonable opinion for the Proposed Share Exchange and three individual fair and reasonable opinions for the acquisitions that make up the category 2 transaction. The financial effects of the Proposed Share Exchange are shown collectively, and not on an individual transaction basis.

The Top-up Transaction is a specific issue of shares for cash to related parties as certain Top-up BEE participants are currently material shareholders in Gold Reef's subsidiaries which are the subject of the proposed share exchange. As a result the issue is subject to a fair and reasonable opinion and shareholder approval being obtained.

6. **OPINIONS AND RECOMMENDATIONS**

The board of directors of Gold Reef, in accordance with the JSE Listings Requirements, has appointed Grant Thornton and Merchant Sponsors (Proprietary) Limited ("GT") as an independent expert to the Gold Reef board to furnish opinions in relation to the terms and conditions of the Proposed Share Exchange, the terms and conditions of the ALI, ALSH and ALICM acquisitions and the specific issue of shares for cash to the Top-up BEE participants.

GT will consider the terms and conditions of the Proposed Share Exchange, the ALI acquisition, the ALSH acquisition, the ALICM acquisition and the specific issue of shares for cash to the Top-up BEE participants and will opine on whether these transactions are fair and reasonable to shareholders. Their opinions will be contained in a circular to Gold Reef shareholders.

7. **CONDITIONS PRECEDENT TO THE PROPOSED SHARE EXCHANGE AND TOP-UP TRANSACTION**

The Proposed Share Exchange is subject to, *inter alia*, the following conditions precedent:

- 7.1 the Voting Pool Agreement becoming unconditional (Gold Reef being entitled to waive such requirement);
- 7.2 the receipt of all regulatory approvals (to the extent they are required), potentially being the approval of the Competition Commission, the approval of the relevant Gambling Boards, the approval of the JSE and the approval of the Securities Regulation Panel on Takeovers and Mergers;
- 7.3 Gold Reef obtaining shareholder approval for the Proposed Share Exchange.

The Top-up Transaction is subject to, *inter alia*, the following conditions precedent:

- 7.4 Gold Reef obtaining shareholder approval for the Top-up Transaction; and
- 7.5 the fulfilment of the conditions precedent in the Proposed Share Exchange.

The agreements giving effect to the Proposed Share Exchange and the Top-up Transaction, contain warranties which are considered normal for transactions of this kind.

8. **PRO FORMA FINANCIAL EFFECTS**

The unaudited *pro forma* financial effects of the Proposed Share Exchange and Top-up Transaction on Gold Reef's earnings per share ("EPS"), headline earnings per share ("HEPS"), normalised earnings per share, ("NEPS"), net asset value per share ("NAV") and tangible net asset value per share ("TNAV") are set out below. This unaudited *pro forma* financial information has been prepared for illustrative purposes only and because of its nature may not give a fair reflection of Gold Reef's financial position and results of operations, nor the effect and impact of the Proposed Share Exchange and Top-up Transaction going forward, and is the responsibility of Gold Reef's directors.

	Before (1)	After the Proposed Share Exchange (2)(4)	% Change (3)	After the Top-up Transaction (4)	% Change	Net % Change
EPS (cents)	54.0	35.6	(34.07%)	36.5	2.47%	(32.45%)
HEPS (cents)	56.7	37.7	(33.47%)	38.5	2.04%	(32.11%)
NEPS (cents) ⁽⁵⁾	56.7	54.7	(3.53%)	55.6	1.69%	(1.90%)
NAV (cents)	595.7	645.0	8.27%	717.0	11.16%	20.36%
TNAV (cents)	408.5	200.1	(51.02%)	294.9	47.39%	(27.81%)
Number of shares in issue for purposes of calculating EPS, HEPS, NEPS, NAV, TNAV ('000s)	203 961	259 167	27.07%	273 167	5.40%	33.93%

Excluding the ALSH acquisition the unaudited *pro forma* financial effects would be as follows:

	Before (1)	After the Proposed Share Exchange (2)(4)	% Change (3)	After the Top-up Transaction (4)	% Change	Net % Change
EPS (cents)	54.0	40.0	(25.91%)	40.8	1.81%	(24.57%)
HEPS (cents)	56.7	42.4	(25.25%)	43.0	1.39%	(24.21%)
NEPS (cents) ⁽⁵⁾	56.7	61.4	8.21%	62.0	1.06%	9.35%
NAV (cents)	595.7	477.0	(19.92%)	566.6	18.78%	(4.88%)
TNAV (cents)	408.5	269.5	(34.01%)	370.9	37.62%	(9.19%)
Number of shares in issue for purposes of calculating EPS, HEPS, NEPS, NAV, TNAV ('000s)	203 961	231 844	13.67%	245 844	6.04%	20.53%

Notes:

1. Based on the published unaudited interim results of Gold Reef for the six months ended 30 June 2006.
2. Based on the assumption that the transaction was effected on 1 January 2006 for income statement purposes and 30 June 2006 for balance sheet purposes.
3. The dilutive effect on EPS and HEPS of the Proposed Share Exchange is due to the ALSH acquisition. Silverstar Casino is under construction and will not contribute to earnings until its expected opening date in December 2007. However, the Gold Reef shares will be issued to the ALSH BEE shareholders on implementation of the Proposed Share Exchange. The Proposed Share Exchange is expected to be earnings enhancing in the medium term, once the Silverstar Casino commences trading. The dilutive effect of the transactions is also exaggerated by the non-recurring write-off of the acquisition value of the Goldfields contract, Akani Egoli contract and the IFRS 2 expense arising from the Top-up Transaction. This has been adjusted for in NEPS.
4. The above financial effects were calculated using an estimated R20.70 as the value of the shares issued to the BEE shareholders on implementation date for the Proposed Share Exchange and Top-up Transaction for fair value accounting and IFRS 2 purposes.
5. NEPS excludes the non-recurring write-off of the acquisition value of the Goldfields contract, Akani Egoli contract and the IFRS 2 expense arising from the Top-up Transaction.

9. **GENERAL MEETING**

A general meeting of Gold Reef shareholders is scheduled to be held at Gold Reef City, Gate 4, Northern Parkway, Ormonde, Johannesburg, on Wednesday 25 April 2007 at 10:00, for the purposes of considering, and if deemed fit, approving the Proposed Share Exchange and the Top-up Transaction.

10. **SALIENT DATES AND TIMES**

The expected dates and times in relation to the Proposed Share Exchange and Top-up Transaction are set out below:

Proxy forms to be received by 10:00 on	23 April 2007
General meeting to be held at 10:00 on	25 April 2007
Results of the general meeting published on SENS on	25 April 2007
Results of the general meeting published in the press on	26 April 2007

Notes:

1. Any changes to the above dates and times will be released on SENS and published in the South African press.
2. All times given are local times in South Africa.

11. **DOCUMENTATION**

A circular containing the details of the Proposed Share Exchange and the Top-up Transaction will be posted to shareholders on 29 March 2007.

12. **WITHDRAWAL OF CURRENT CAUTIONARY ANNOUNCEMENT AND ISSUE OF NEW CAUTIONARY ANNOUNCEMENT**

The cautionary announcements issued by Gold Reef on 27 December 2006 and 7 February 2007 relating to the above transactions are hereby withdrawn.

Further and unrelated to the above, shareholders are advised that Gold Reef is currently in discussions which are at an early stage. This may or may not result in a transaction that may have a material impact on the price of its securities and accordingly shareholders are advised to continue exercising caution when dealing in their Gold Reef securities until a further announcement is made.

Johannesburg
9 March 2007

Financial advisor and transaction sponsor



Sponsor



Legal advisors



Corporate law and tax advisors



Legal advisors To BEE Shareholders



Independent experts

