



# MVELAPHANDA RESOURCES LIMITED

# REVIEWED RESULTS FOR THE YEAR ENDED 30 JUNE 2007

## FEATURES

- Afripalm Transaction boosts balance sheet and repositions the company
- Adjusted earnings rise from 46cps to 111cps
- Strong underlying performance from Northam and Trans Hex
- Headline loss of 1,199cps largely due to 32% decline in Gold Fields share price and IFRS treatment of Afripalm Transaction

## SHARE PRICE & RELATIVE TO RESOURCE INDEX (REBASED)



## GROUP BALANCE SHEET

R'000	Notes	Reviewed 30 June 2007	Audited 30 June 2006
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in associate companies		866,863	785,959
- Northam Platinum Limited		788,411	725,016
- Trans Hex Group Limited		78,452	60,943
GFI-SA loan	2	5,273,000	7,400,000
Trans Hex Group Limited forward purchased shares	3	208,342	140,614
Non-strategic listed investments	4	380	3,518
Goodwill		75,869	75,869
Deferred taxation	7	39,776	12,394
Property, plant and equipment		856	927
<b>Total non-current assets</b>		<b>6,465,086</b>	<b>8,419,281</b>
<b>Current assets</b>			
Inventories		255	255
Accounts receivable and prepayments		5,662	7,231
Cash and cash equivalents	5	1,503,326	174,628
<b>Total current assets</b>		<b>1,509,243</b>	<b>182,114</b>
<b>Non-current assets classified as held for sale</b>			
Boysendal Platinum project		315,892	315,892
<b>TOTAL ASSETS</b>		<b>8,290,221</b>	<b>8,917,287</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital and reserves		5,834,722	6,142,705
<b>Total share capital and reserves</b>		<b>5,834,722</b>	<b>6,142,705</b>
<b>Non-current liabilities</b>			
"A" ordinary shares		700	-
Senior bank loan (GFI-SA)		230,736	532,424
Mezzanine finance (GFI-SA)	6	1,593,551	1,414,343
Provision for employee long-term incentive costs	8	29,620	17,289
Deferred taxation	7	173,733	472,845
<b>Total non-current liabilities</b>		<b>2,028,340</b>	<b>2,436,901</b>
<b>Current liabilities</b>			
Accounts payable and accruals		17,283	13,187
Provision for employee long-term incentive costs	8	107,538	26,645
Short-term portion of senior bank loan		301,688	277,201
Taxation		650	648
<b>Total current liabilities</b>		<b>427,159</b>	<b>317,681</b>
<b>Liabilities directly associated with non-current assets classified as held for sale</b>			
Boysendal Platinum project accrual		-	20,000
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,290,221</b>	<b>8,917,287</b>

## GROUP INCOME STATEMENT

R'000	Notes	Reviewed 12 months to 30 June 2007	Audited 12 months to 30 June 2006
<b>INCOME</b>			
Earnings from associate companies		272,274	134,853
- Northam Platinum Limited		272,954	145,653
- Trans Hex Group Limited		(680)	(10,800)
Interest earned on GFI-SA loan		437,405	437,405
Interest earned on cash and cash equivalents		43,383	10,952
Other income		905	1,702
<b>Total income</b>		<b>753,967</b>	<b>584,912</b>
<b>OPERATING EXPENSES</b>			
Exploration and project development costs	9	(67,564)	(86,967)
Corporate expenses		(35,421)	(25,129)
Share-based incentive costs	9	(129,060)	(54,382)
Finance costs		(320,235)	(320,389)
- Senior bank loan (GFI-SA)		(77,605)	(104,809)
- Mezzanine finance (GFI-SA)		(242,363)	(215,580)
- Other		(267)	-
<b>Total operating expenses</b>		<b>(552,280)</b>	<b>486,867</b>
<b>PROFIT BEFORE OTHER (EXPENSES)/INCOME</b>		<b>201,687</b>	<b>98,045</b>
<b>OTHER (EXPENSES)/INCOME</b>			
Impairment write-back/(write down)		17,312	(114,564)
(Loss)/gain on revaluation of financial instruments		(2,059,272)	3,155,282
- GFI-SA loan		(2,127,000)	3,414,000
- Mezzanine finance		-	(188,000)
- Trans Hex Group Limited forward purchased shares		67,728	(70,718)
Costs associated with the Afripalm transaction	10	(543,700)	-
Other expenses		-	(1,628)
<b>Total other (expenses)/income</b>		<b>(2,585,660)</b>	<b>3,039,090</b>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(2,383,973)</b>	<b>3,137,135</b>
<b>TAXATION</b>			
- Normal		292,401	(484,585)
- Deferred	7	(34,093)	(34,207)
		326,494	(450,792)
<b>ATTRIBUTABLE (LOSS)/INCOME</b>		<b>(2,091,572)</b>	<b>2,652,550</b>
<b>(LOSS)/EARNINGS PER ORDINARY SHARE (cents)</b>			
- Basic		(1,189)	1,594
- Headline	11 (a)	(1,199)	1,663
- Diluted		(1,189)	1,586
- Adjusted	11 (b)	111	46

## GROUP STATEMENT OF CHANGES IN EQUITY

R'000	Total
Balance at 30 June 2005	3,402,357
Attributable profit for the year	2,652,550
Equity compensation reserve	73,910
Proceeds from shares issued	13,361
Equity accounted portion of share-based payments of associates	1,407
Equity accounted portion of foreign currency translation reserve	73
Equity accounted portion of fair value adjustment on available-for-sale financial assets	(379)
Unrealised gain on revaluation of listed investments	510
Other equity accounted movements	(1,084)
<b>Balance at 30 June 2006</b>	<b>6,142,705</b>
Attributable loss for the year	(2,091,572)
Equity compensation reserve	268,067
Net proceeds from shares issued	1,182,767
Share-based expense - Afripalm Transaction	328,000
Equity accounted portion of share-based payments of associates	2,503
Equity accounted portion of foreign currency translation reserve	1,183
Equity accounted portion of fair value adjustment on available-for-sale financial assets	34
Unrealised gain on revaluation of listed investments	359
Unclaimed dividends forfeited	1,376
"A" ordinary shares reclassified as non-current liabilities	(700)
<b>Balance at 30 June 2007</b>	<b>5,834,722</b>

## GROUP CASH FLOW STATEMENT

R'000	Reviewed 12 months to 30 June 2007	Audited 12 months to 30 June 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash utilised in operations	(67,868)	(47,661)
Interest received	480,788	448,357
Finance costs	(141,027)	(164,226)
Taxation paid (mainly Mvela Gold)	(34,091)	(65,423)
<b>NET CASH GENERATED BY OPERATING ACTIVITIES</b>	<b>237,802</b>	<b>171,047</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Dividends received from associated companies	212,404	84,440
- Northam Platinum Limited	212,127	82,781
- Trans Hex Group Limited	277	1,659
Acquisition of furniture, fittings and office equipment	(271)	(443)
Repayment of Booyendal liability	(20,000)	-
Cash received from the disposal of non-strategic investments	3,172	-
Other	25	7
<b>NET CASH GENERATED BY INVESTING ACTIVITIES</b>	<b>195,330</b>	<b>84,004</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital repayment in respect of senior bank loan	(277,201)	(254,807)
Issue of shares (net of share issue costs)	1,182,767	13,361
Issue of options to Afripalm	10,000	-
Cancellation of management agreement	(20,000)	-
<b>NET CASH GENERATED BY/(UTILISED IN) FINANCING ACTIVITIES</b>	<b>895,566</b>	<b>(241,446)</b>
Net increase in cash and cash equivalents	1,328,698	13,605
Cash and cash equivalents at beginning of the period	174,628	161,023
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>1,503,326</b>	<b>174,628</b>

## ABRIDGED GROUP SEGMENTAL RESULTS\*

R'000	Reviewed 12 months to 30 June 2007	Audited 12 months to 30 June 2006
Net (loss)/profit after taxation		
- Gold	(1,791,602)	2,763,668
- Platinum	272,855	141,376
- Diamonds	68,142	(192,786)
- Other	** (640,967)	(59,708)
<b>ATTRIBUTABLE (LOSS)/INCOME</b>	<b>(2,091,572)</b>	<b>2,652,550</b>

\* A detailed segmental income statement is available on the company's website: www.mvelares.co.za.  
\*\* Includes costs associated with the Afripalm Transaction.

## NOTES

**1. Basis of preparation**  
These condensed consolidated group financial statements have been prepared on the historical costs basis, except for financial instruments which are fair valued, in accordance with the group's accounting policies compliant with International Financial Reporting Standards ("IFRS"), IAS 34: "Interim Financial Reporting", the South African Companies Act, 1973, as amended, and the JSE Listings Requirements. The group's accounting policies are consistent with those adopted in the financial year ended 30 June 2006. The adoption of changes to IAS 21, IAS 39, IFRS 6, IFRIC 4, IFRIC 9 and IFRIC 10 did not have a material impact on the group's accounting policies. The guidance in IFRIC 8 has been applied in accounting for the Afripalm Transaction.

**2. GFI-SA loan**  
Loan advanced to GFI-SA by Mvela Gold (March 2004)  
4,139,000  
Unrealised fair value adjustment at end of the year  
1,134,000  
GFI-SA loan at fair value  
5,273,000

The value of this investment is sensitive to the following key drivers:  
- Rand/dollar exchange rate;  
- US dollar gold price; and  
- Gold Fields' share price.  
The fair valuation of this investment takes into account the change in the value of the Gold Fields shares attributable to the group, impacted by the above drivers, and the difference between the present value of the future interest payments from GFI-SA until 17 March 2009 and the present value of the estimated future dividends foregone over the same period.

The decrease in the value of the GFI-SA loan to R5.3 billion from R7.4 billion (as at 30 June 2006) is primarily attributable to the decrease in the Gold Fields share price from R162.00 (as at 30 June 2006) to R109.40 (as at 30 June 2007). As at 30 June 2007, the number of Gold Fields shares attributable to the group was calculated at 47.4 million despite the increase in the rand/gold price (30 June 2006: 48 million).

**3. Trans Hex Group Limited forward purchased shares**  
This represents the fair value of 16 million Trans Hex Group Limited forward purchased shares for delivery on 5 March 2007. The fair value is based on the market price of Trans Hex Group Limited shares as at 30 June 2007 and the contingent liability at that date, of R18 million (30 June 2006: R36 million) relating to the debenture coupon that was guaranteed by Mvela Resources.

**4. Non-strategic listed investments**  
A non-strategic investment, comprising 12,067 B shares in Royal Dutch Shell, was sold in August 2006 for a consideration of R3 million.

**5. Cash and cash equivalents**  
The significant increase in cash and cash equivalents is directly attributable to a cash injection of R1.2 billion arising from the issue of 40 million ordinary shares to Afripalm Resources pursuant to the Afripalm Transaction.

**6. Mezzanine finance**  
Loan advanced to Mvela Gold (March 2004)  
1,086,000  
Net interest capitalised at beginning of the year  
328,343  
Net interest capitalised during the year  
179,208  
Mezzanine finance at fair value  
1,593,551

The mezzanine finance was advanced to Mvela Gold in March 2004 by a special purpose vehicle company (SPV), on a back-to-back arrangement (the same arrangements which are applicable to the SPV are applicable to Mvela Gold). The Mezzanine finance is repayable in March 2009.

**7. Deferred tax**  
The deferred tax provision mainly relates to the fair value adjustment on the GFI-SA loan. The deferred tax asset relates to the provision for employee long-term incentive costs.

**8. Provision for employee long-term incentive costs**  
The provision for employee incentive costs relates to share appreciation rights that could potentially be exercised any time in the next 10 years. The accounting for these cash-settled share appreciation rights is described in note 9 below.

**9. Share-based payment costs**  
The Group recognises the cost of the Gold Fields warrants, non executive directors' share options and share appreciation rights (collectively referred to as share-based payments) in terms of IFRS2: Share-based payments. Equity-settled share options are valued at grant date, and the cost is spread equally over the vesting period of the options. The resulting credit is accounted for in shareholders' equity. Cash-settled share appreciation rights are valued at the fair value of the rights at each balance sheet date, with any changes in fair value recognised in profit and loss over the vesting period of the rights. Included in exploration and project development costs is the cost of the Gold Fields' warrants, amounting to R56 million (30 June 2006: R73 million).

**10. Costs associated with the Afripalm Transaction**  
Transaction discount  
328,000  
Share options (10 million)  
195,700  
Cancellation of management agreement with Mvela Holdings  
20,000

In terms of the Afripalm Transaction that was approved by shareholders in February 2007, Newshel 848 (Pty) Ltd, a wholly-owned subsidiary of Afripalm Resources, acquired 40 million ordinary shares in Mvela Resources at a price of R29.20 per share, which represented a 15% discount to the 30 day volume weighted average price (VWAP) on 5 December 2006. The transaction discount has been expensed in the income statement, with a corresponding credit to equity and therefore results in no change to the net asset value of the group. The transaction also included the issue of 10 million share options to Afripalm Resources 2, for which an upfront consideration of R10 million was paid. The 10 million share options were granted to Afripalm Resources 2 at a strike price of R34.35 per share, escalating at 75% of Absa's Prime overdraft rate ruling from time-to-time, compounded monthly in arrears, to date of exercise. The options are exercisable from 1 May 2010 until 30 April 2014 and the cost thereof has been determined using option pricing methodologies.

The transaction has been accounted for in terms of IFRS 2 and the guidance in IFRIC 8, which require that the difference between the fair value of the equity instruments granted and cash consideration received, be expensed. Accordingly, the transaction discount has been calculated as the difference between the fair value of the shares issued to Afripalm Resources at grant date and the consideration received.

Management believes that the accounting treatment of the transaction discount is not consistent with the value accretive nature of the transaction, which had a significant and immediate positive impact on the company's share price and eliminated the significant net asset value discount to which the company's shares have historically traded.

**11. (Loss)/Earnings per ordinary share are calculated as follows:**

	Reviewed 30 June 2007	Audited 30 June 2006
<b>(a) Headline (loss)/earnings per share (cents)</b>	<b>(1,199)</b>	<b>1,663</b>
<b>R'000</b>		
Attributable (loss)/earnings	(2,091,572)	2,652,550
Impairment (write-back)/write-down	(17,312)	114,564
<b>Headline (loss)/earnings</b>	<b>(2,108,884)</b>	<b>2,767,114</b>
Weighted average number of ordinary shares in issue	175,866,989	166,407,584

**(b) Adjusted headline earnings per ordinary share (cents)**

	Reviewed 30 June 2007	Audited 30 June 2006
<b>R'000</b>		
Attributable (loss)/earnings	(2,091,572)	2,652,550
"Other expenses/(income)" per income statement	2,585,660	(3,039,090)
Taxation relating to "other expenses/(income)"	(298,594)	462,616
<b>Adjusted headline earnings</b>	<b>195,494</b>	<b>76,076</b>
Weighted average number of ordinary shares in issue	175,866,989	166,407,584

## NOTES CONTINUED

**12. Post balance sheet events**  
Northam Platinum Limited declared a final dividend of 280 cents per share which was paid on 27 August 2007. This has translated into a cash inflow of R145 million for the Mvela Resources group, bringing the group's cash reserves post year-end to R1.65 billion.

**13. Cautionary**  
On 11 June 2007 the company issued a cautionary statement, which was renewed on 23 July 2007, advising its shareholders that negotiations were in progress which, if successful, may have an effect on the price at which Mvela Resources' shares trade. Shareholders are advised to exercise caution in dealing in the company's shares until an announcement is made.

**14. Audit Review opinion**  
These financial results have been reviewed by the group's auditors, PricewaterhouseCoopers Inc., and their unqualified review opinion is available for inspection at the company's registered office.

**15. Directorate**  
The following changes occurred during the period under review:  
- Mr Tokyo Sexwale stepped down as Chairman of the board with effect from 30 April 2007, but remains as non-executive director.  
- Mr Lazarus Zim was appointed as non-executive director and Chairman of the board with effect from 30 April 2007.  
- Mr Clyde Johnson resigned as executive director with effect from 7 January 2007.  
- Mr Oyama Mabandla and Mr Paseka Ncholo resigned as non-executive directors with effect from 30 April 2007.  
- Ms Phyllis Buthelezi and Mr Ragi Moonsamy were appointed as non-executive directors with effect from 30 April 2007.  
- Mr Siphon Mofokeng was appointed as executive director with effect from 30 April 2007.  
- Mr Zolani Mtshothisa was appointed as alternate director to Mr Tokyo Sexwale on 18 June 2007.  
Subsequent to year-end, Mr Kelelo Chabedi was appointed as independent non-executive director with effect from 19 July 2007.

## COMMENTARY

**CORPORATE ACTIVITY**  
An important turning point in the evolution of Mvelaphanda Resources was the conclusion of the Afripalm Transaction in March 2007, in terms of which Mvela Resources issued 40 million new ordinary shares, 35 million "A" ordinary shares and 10 million options to Afripalm Resources, a broad-based BEE company led by Lazarus Zim, thereby increasing Mvela Resources' BEE shareholding to over 50%. The total consideration raised from the transaction, amounting to approximately R1.2 billion, combined with existing cash reserves, has significantly strengthened the company's balance sheet and given impetus for the pursuit of value accretive growth opportunities in the mining sector. The positive reception to the Afripalm Transaction by the market is reflected in the subsequent increase in Mvela Resources' share price from R35.00 the day before the deal was announced on 7 December 2006, to R61.00 on 30 June 2007, a 74% increase. This was accompanied by a narrowing of the net asset value discount that Mvela Resources share price has historically attracted, reflecting market expectations of a more positive outlook for the company.

**Income Statement**  
Group earnings were once again volatile, shifting from headline earnings per share of 1,663 cents for the year ended 30 June 2006 to a headline loss of 1,199 cents for the year ended 30 June 2007. The most significant driver of earnings was again, movement in the fair value of the group's investment in GFI-SA. In line with IFRS, the GFI-SA investment has been fair valued at year-end, resulting in a negative adjustment from a fair value of R7.4 billion on 30 June 2006 to a fair value of R5.3 billion on 30 June 2007 - an unrealised, non-cash, fair value loss of R2.1 billion (refer to note 2: GFI-SA loan). This fair value loss is largely the result of the 32% decline in the share price of Gold Fields from R162.00 on 30 June 2006 to R109.40 on 30 June 2007.

A more accurate reflection of prevailing robust global commodity prices, is evident in the earnings contribution from Northam, which rose 87% due to an increase in Northam's after tax earnings from R705 million in the 2006 financial year-end to R1.3 billion in the current financial year. Trans Hex also had an improved performance, reporting a profit of R42 million for the year ended 31 March 2007 compared to a loss of R119 million in the prior year. Consequently, total earnings from associates increased by 102% from R135 million in 2006 to R273 million for the year-ended 30 June 2007. Due to Trans Hex's operational improvement and a positive outlook on diamond prices, management has considered it appropriate that the impairment loss of R45 million, raised against the investment in the 2006 financial year, be partly written back by R17 million to more appropriately reflect the value of the investment. This strong operational performance by Northam and Trans Hex is better reflected in Mvela Resources' normalised or adjusted earnings per share, which exclude "other expenses/income" such as impairments, the effects of revaluation of financial instruments and costs associated with specific transactions such as the Afripalm Transaction. Accordingly, adjusted earnings more than doubled, from 46 cents in the year-ended 30 June 2006 to 111 cents in the year ended 30 June 2007.

The Afripalm Transaction has been accounted for in terms of IFRS 2 and guidance in IFRIC 8, which require that the difference between the fair value of the equity instruments granted and the cash consideration received, be expensed. Under IFRS, the fair value of the 40 million shares issued is determined on the grant date, which for the purposes of this Transaction was the date that agreement on suspensive conditions was reached between the parties to the Transaction. The difference between the fair value on that day (at a share price of R44.00 per share adjusted for the lock-in discount) and the cash consideration received from Afripalm Resources (at the issue price of R29.20 per share), applied to the 40 million shares issued, results in a calculated "transaction discount" of R328 million.

Mvela Resources' management believes that the accounting treatment of the Afripalm Transaction does not correctly reflect or capture the value that shareholders have gained from the Afripalm Transaction. The Afripalm Transaction has brought about a strategic repositioning for Mvela Resources and market acceptance of this, in management's opinion, is reflected in the 74% share price increase from R35.00 per share the day before the transaction was announced on 7 December 2006 (which is when the terms were announced and the market reacted to those terms), to R61.00 per share on 30 June 2007, as well as the 46% outperformance relative to the FTSE/JSE Resources Index over that time. Mvela Resources' share price has also historically traded at a discount to its net asset value (NAV), but this had totally disappeared by 30 June 2007. Management of Mvela Resources finds it incongruous that a transaction which is largely responsible for an increase in the company market capitalisation from R5.8 billion to R12.7 billion, and hence a similar gain in value for shareholders, should reflect as a R544 million cost to the company, merely because of how and when, the grant date is defined under IFRS.

The 10 million share options that were granted to Afripalm 2 pursuant to the Afripalm Transaction have also been valued at grant date using option pricing methodologies, and a once off cost of R195.7 million (net of the R10 million consideration paid by Afripalm Resources) has been recorded in terms of IFRS 2: "Share-based payments".

Share-based incentive costs comprise of share appreciation rights of management and staff and are valued at each balance sheet date in line with IFRS 2: "Share-based payments". These costs increased substantially, primarily due to the significant increase in the company's share price by 69% from