



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" or "the Company")

Fluxrab Investments No 159 (Proprietary) Limited

(Incorporated in the Republic of South Africa)
(Registration number 2005/043727/07)
("BidCo")

Firm intention by BidCo to make an offer to acquire all the issued shares and to be issued shares in Gold Reef Resorts Limited (other than treasury shares) and withdrawal of cautionary announcement

1. INTRODUCTION

Further to the cautionary announcements published by Gold Reef on 9 March 2007, 18 May 2007, 25 June 2007, 13 August 2007 and 23 August 2007, shareholders are advised that after conducting a comprehensive formal process of soliciting offers for the Company as a result of and subsequent to having received an initial approach from an interested party, the board of directors of Gold Reef ("the Board") has decided to recommend an offer ("the offer") submitted by BidCo, the shares of which are held indirectly by a consortium ("the Consortium") led by Ethos Private Equity ("Ethos"), comprising Ethos, investment subsidiaries of Goldman Sachs and real estate investment funds sponsored and managed by Goldman Sachs, certain broad-based Black Economic Empowerment groups which currently own an interest in Gold Reef (the "BEE Shareholders") and members of the Gold Reef management team ("Management"). In terms of the offer, BidCo will acquire the entire issued and to be issued ordinary share capital of Gold Reef (other than treasury shares) for a cash consideration of R34.00 per Gold Reef share ("the purchase consideration"). The purchase consideration equates to an enterprise value of approximately R11.4 billion. The offer is backed by a fully committed financing package provided by a group of banks, including Goldman Sachs and Nedbank Corporate, a division of Nedbank Limited.

The offer is to be implemented, subject to the conditions set out in paragraph 4 below, by way of a scheme of arrangement ("the scheme") in terms of section 311 of the Companies Act 61 of 1973, as amended ("the Act"), to be proposed by BidCo between Gold Reef and all of its shareholders, excluding Aldiss Investments (Proprietary) Limited ("Aldiss") (a wholly-owned subsidiary of the Company and the holder of treasury shares), ("scheme members").

The rationale for the scheme is to provide Gold Reef shareholders with the opportunity to realise significant value for their investment.

If the scheme does not become operative because the Court has not sanctioned the scheme (other than due to a failure to obtain necessary regulatory approvals or because the requisite majority of scheme members did not approve the scheme) then BidCo may extend the offer by way of an alternative mechanism to the scheme, namely a general offer to acquire the entire issued share capital of Gold Reef (other than treasury shares), ("the general offer"). The general offer will be conditional on BidCo receiving acceptances of the general offer in respect of at least 90% of Gold Reef's shares which are the subject of the general offer on or before 31 January 2008 or such later date as may be mutually agreed upon. If the general offer becomes unconditional, BidCo shall in terms of section 440K of the Act acquire the Gold Reef shares in respect of which the general offer was not accepted. Save as aforesaid, the general offer shall be for the same consideration as that to be paid to in terms of the scheme and shall be on the same terms and conditions as the scheme.

2. TERMS OF THE OFFER

If the scheme becomes operative, or if the general offer is extended, Gold Reef shareholders who are entitled to participate in the scheme or general offer, as the case may be, will be entitled to receive the purchase consideration, which represents a:

- 44.5% premium to the 30 day volume weighted average price ("VWAP") per Gold Reef share on the JSE Limited ("the JSE") for the 30 trading days up to and including 8 March 2007 of R23.53, being the day before the first cautionary announcement was published; and
- 48.5% premium to the closing price per Gold Reef share on the JSE on 8 March 2007 of R22.90.

The purchase consideration will be increased by one South African cent per Gold Reef share per business day from 1 January 2008 until the date upon which the scheme becomes operative, or the general offer becomes unconditional.

Following the implementation of the scheme, or the general offer, as the case may be, and save for the 14 427 602 treasury shares held by Aldiss, all of the issued and to be issued shares in Gold Reef will be held by BidCo and Gold Reef's listing on the JSE will be terminated.

3. FUNDING AND CASH CONFIRMATION

The aggregate purchase consideration will be funded by a combination of equity funding provided by funds owned and/or managed by Ethos and by investment subsidiaries of Goldman Sachs and real estate investment funds sponsored and managed by Goldman Sachs and by the BEE Shareholders and Management and debt funding provided by a group of banks, including Goldman Sachs and Nedbank Corporate, a division of Nedbank Limited.

The BEE Shareholders and Management have undertaken to reinvest a portion of the purchase consideration which they will receive pursuant to the scheme or general offer.

In terms of Rule 2.3.2(b) and Rule 21.7 of the Securities Regulation Code on Takeovers and Mergers ("Code"), the Securities Regulation Panel ("SRP") has been provided with the necessary cash confirmation letters.

4. CONDITIONS PRECEDENT

The implementation of the scheme, or the general offer, as the case may be, is subject, *inter alia*, to the fulfilment of the following conditions precedent on or before 31 January 2008 or such later date as may be mutually agreed upon:

1. all approvals to the extent necessary in respect of the offer being received, including but not limited to approvals from the Competition Authorities, the JSE, the SRP and the South African Reserve Bank;
2. the approval of the relevant Gambling Boards to the implementation of the offer;
3. the approval of the scheme by 75% or more of the votes exercisable by the scheme members present and voting, in person or by proxy, at the scheme meeting or the acceptance of the general offer in respect of at least 90% of the Gold Reef shares which are the subject of the general offer on or before 31 January 2008 or such later date as may be mutually agreed upon; and
4. in the case of the sanctioning of the scheme by the Court a certified copy of the Order of Court sanctioning the scheme being registered by the Registrar in terms of the Companies Act.

5. OFFER IMPLEMENTATION AGREEMENT, NON-SOLICITATION AND BREAK FEE

Gold Reef and BidCo have entered into an offer implementation agreement ("OIA") which provides, *inter alia*, for implementation of the offer, a non-solicitation arrangement and payment of a break fee described below, and which contains certain assurances and confirmations between the parties.

Gold Reef has agreed that, until the earlier of the scheme becoming operative or the general offer becoming unconditional, as the case may be, or the OIA being terminated, it will not, nor will it permit any member of its group (nor any of their respective directors, officers, senior employees or professional advisers) to solicit a proposal from a third party to acquire all or a major portion of the shares in the Company or all or a major portion of the Company's undertaking, assets or business ("competing offer") or, save where required by the Code or the fiduciary duties of the Gold Reef directors, to enter into any talks with any third party in response to an unsolicited competing offer. Gold Reef will immediately inform BidCo if it receives an approach in respect of a competing offer, and will keep BidCo advised as to the progress of such approach.

If Gold Reef receives an unsolicited competing offer, Gold Reef will, within two days of receipt thereof, inform BidCo of the details of the competing offer and, unless the competing offer is sufficiently superior to BidCo's offer, Gold Reef will use all reasonable endeavours to procure that its directors do not withdraw or modify its recommendation of BidCo's offer. Where the unsolicited competing offer is a sufficiently higher offer, BidCo will be given two business days to confirm in writing that it intends to increase or revise its offer or submit another offer which in either case would, in the opinion of the Board, provide superior risk adjusted financial value to the Gold Reef shareholders than the unsolicited competing offer and is otherwise on terms which are, in the reasonable opinion of the Board, substantially equal to or not materially worse than those contained in the unsolicited competing offer. If BidCo fails to so advise within two business days and/or subsequently fails to announce its revised or increased offer within 10 business days, Gold Reef shall be entitled to terminate the OIA and to withdraw or modify its recommendation of BidCo's offer.

The Board has agreed that if (a) a competing offer is announced while the offer is still open and such competing offer is thereafter recommended by the Board and successfully implemented; or (b) if the Board withdraws its recommendation in the absence of a competing offer or a negative final fair and reasonable opinion as referred to in 9 below; or (c) Gold Reef breaches any of its obligations under the OIA (and fails to remedy such breach within 10 business days of receipt of notice thereof, or such other period as may be reasonable having regard to the nature of the breach), then Gold Reef will pay BidCo a break fee of 1% of the purchase consideration (plus VAT).

6. SPECIAL ARRANGEMENTS

On implementation of the scheme or the general offer, as the case may be, the BEE Shareholders will, directly or indirectly, beneficially own and hold 30% of Fluxrab Investments No 160 (Proprietary) Limited ("Holdco") which in turn will hold 100% of the issued share capital of BidCo.

BidCo is fully supportive of the existing management team and has invited management to participate in the equity of Holdco. Certain directors of Gold Reef, namely SB Joffe, JS Friedman, C Neuberger, BJ Biyela and RT Moloko have reached an arrangement with BidCo in terms of which they have undertaken, directly or indirectly, to subscribe for and hold shares in the issued share capital of Holdco.

7. HOLDINGS OF SECURITIES IN GOLD REEF

The SRP requires that the BEE Shareholders may not exercise their votes at the scheme meeting in respect of 37 438 905 Gold Reef shares, being the number of shares in regard to which the BEE Shareholders will utilise the purchase consideration in order to acquire new shares in Holdco.

Messrs SB Joffe, JS Friedman, C Neuberger, BJ Biyela and RT Moloko and other members of Management forming part of the Consortium own or control, in aggregate, 9 257 233 Gold Reef shares (excluding share options). The SRP has ruled that Management may not exercise their votes at the scheme meeting in respect of 5 535 118 Gold Reef shares, being the number of shares in regard to which Management will utilise the purchase consideration in order to acquire new shares in Holdco.

8. SHAREHOLDER SUPPORT

Existing shareholders holding approximately 80.5% of Gold Reef's issued and to be issued shares (excluding treasury shares) have irrevocably undertaken to BidCo to accept the offer in respect of their entire shareholdings, subject to no competing offer being received which is at least 10% higher than R34.00 a share. As noted in paragraph 7 above, certain existing shareholders are not eligible to vote a portion of their respective shareholdings at the scheme. BEE Shareholders and Management have undertaken to reinvest a portion of the consideration payable to them. The SRP has ruled that BEE Shareholders and Management will be entitled to vote to the extent of those shares and associated proceeds that are not reinvested. As a result, shareholders holding approximately 65.0% of Gold Reef's issued and to be issued shares and approximately 76.9% of Gold Reef's issued and to be issued shares eligible to vote on the scheme can be regarded as having irrevocably undertaken to accept the offer.

The following sets out the details of those shareholders who have given such an undertaking:

Shareholder	Number of fully diluted shares held	Percentage of fully diluted issued share capital
Krok Family entities	71 910 971	25.90
BEE Shareholders*	69 206 412	24.93
Casinos Austria	60 226 988	21.69
International Holding GmbH		
Schutte Family Trusts	12 064 267	4.35
S B Joffe (director)*	6 283 333	2.26
J S Friedman (director)*	1 967 093	0.71
C Neuberger (director)*	1 370 000	0.49
B J Biyela (director)*	201 333	0.07
Eglin Investments No. 30 (Pty) Limited*	170 000	0.06
R T Moloko (director)*	33 334	0.01
A J Aaron (director)	10 000	0.004

*Members of the Consortium

9. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The Board of Gold Reef has run a comprehensive formal process of procuring an offer for Gold Reef that it believes allows shareholders to realise significant value for their investment. Furthermore it has obtained independent advice on the offer. Messrs SB Joffe, JS Friedman, C Neuberger, BJ Biyela, RT Moloko, P September and RJ Khoza recused themselves from all deliberations and decisions by the Board regarding the offer.

The Board appointed Ernst & Young Advisory Services Limited ("E&Y") to advise it whether the offer is fair and reasonable to Gold Reef shareholders. E&Y has completed a preliminary valuation of Gold Reef and has advised the Board that the offer is fair and reasonable to Gold Reef shareholders as at the date of their advice to the Board. E&Y's opinion will be finalised at the last practicable date prior to the publication of the circular to Gold Reef shareholders and will be based on financial, regulatory, securities market and other conditions prevailing at that time.

Based on E&Y's preliminary advice, but subject to receipt of a final fair and reasonable opinion from E&Y, the Board excluding Messrs SB Joffe, JS Friedman, C Neuberger, BJ Biyela, RT Moloko, P September and RJ Khoza evaluated the offer and the preliminary advice of E&Y and are of the unanimous opinion that the offer is fair and reasonable to Gold Reef shareholders. Accordingly, the Board recommends, subject to receipt of a final fair and reasonable opinion, that Gold Reef shareholders vote in favour of the scheme, or accept the general offer, as the case may be and the directors of Gold Reef, where applicable, undertake to vote their own Gold Reef shares in favour of the scheme, or to accept the general offer, as the case may be. E&Y's written opinion will be contained in the circular referred to in paragraph 11 below.

10. MARKET AND FINANCIAL INFORMATION

The table below sets out information regarding the price at which Gold Reef shares traded immediately prior to the release of Gold Reef's first cautionary announcement and this announcement of BidCo's firm intention to make an offer, as well as a comparison of the purchase consideration to the net asset value and tangible net asset value per Gold Reef share at 30 June 2007.

	Before the scheme (Rand)	The purchase consideration (Rand)	Premium (%)
Gold Reef shares			
Market price on 8 March 2007	22.90 ⁽¹⁾	34.00	48.5
30-day VWAP to 8 March 2007	23.53 ⁽²⁾	34.00	44.5
Market price on 31 August 2007	31.40 ⁽³⁾	34.00	8.28
30-day VWAP to 31 August 2007	30.02 ⁽⁴⁾	34.00	13.28
Net asset value per Gold Reef share	5.92 ⁽⁵⁾	34.00	474.3
Tangible net asset value per per Gold Reef share	3.61 ⁽⁵⁾	34.00	841.8

Notes:

1. Closing price of Gold Reef shares on the JSE on 8 March 2007, being the last trading day prior to release of the first cautionary announcement.
2. VWAP at which Gold Reef shares traded on the JSE for the 30 trading days up to and including 8 March 2007, being the last trading day prior to release of the first cautionary announcement.
3. Closing price of Gold Reef shares on the JSE on 31 August 2007, being the last trading day prior to this announcement of BidCo's firm intention to make an offer.
4. VWAP at which Gold Reef shares traded on the JSE for the 30 trading days up to and including 31 August 2007, being the last trading day prior to this announcement of BidCo's firm intention to make an offer.
5. Unaudited net asset value and tangible net asset value per Gold Reef share attributable to Gold Reef shareholders at 30 June 2007.

11. DOCUMENTATION

A circular providing further information on the offer and containing, *inter alia*, a notice of scheme meeting, an order of Court, a form of proxy and a form of acceptance, surrender and transfer will be posted to Gold Reef shareholders in due course.

12. IMPORTANT DATES AND TIMES

Gold Reef shareholders will be advised of important dates and times of the scheme in due course.

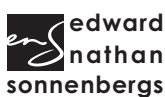
13. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENTS

Gold Reef shareholders are advised that the cautionary announcements concerning the offer, referred to in paragraph 1 above, are hereby withdrawn.

Financial advisor to Gold Reef



Legal advisors to Gold Reef



Transactional sponsor to Gold Reef



Sponsor to Gold Reef



Independent advisor to the Gold Reef Board



Reporting accountants to Gold Reef



Private equity sponsor and transaction arranger for BidCo



Financial advisor to BidCo



Legal advisors to BidCo



Sullivan & Cromwell LLP

Legal advisors to the BEE Shareholders



Lenders



Legal advisors to Bidco Lenders

