



GOLD REEF

R E S O R T S

Gold Reef Resorts Limited ("Gold Reef") (Registration number 1989/002108/06) Share Code: GDF ISIN Code: ZAE 000028338

Revenue up 17,9%
EBITDA up 22,9%
HEPS up 21,0%
BEE transactions finalised

COMMENTARY

INTRODUCTION

Buoyant market conditions continued to drive a pleasing performance at Gold Reef's casinos, all of which posted increases in revenue and profitability to maintain the group's growth. Capital expansion at group properties continues to be achieved within both project timelines and capital budgets.

As announced on 9 March 2007, Gold Reef concluded a number of BEE transactions which became unconditional on 25 June 2007. These transactions increased direct black shareholding in the group to in excess of 25,1%. Gold Reef increased its exposure to its high-performing operations and consolidated its gaming platform by exchanging the BEE interests in certain of the individual casinos, and by acquiring the remaining 25% and 30% interests respectively in the Gold Reef City Casino and Goldfields Casino management contracts, for Gold Reef shares ("the share exchange").

As a result of the share exchange Gold Reef increased its shareholding in Gold Reef City, Silverstar Casino, Golden Horse Casino and Goldfields Casino to 100%. In Mykonos Casino, Gold Reef increased its stake to 70,4%. A total of 55,2 million Gold Reef shares were issued for the share exchange, equating to 21,03% of Gold Reef's increased issued share capital. In order to achieve a minimum of 25,1% black-owned direct economic shareholding, Gold Reef issued 14 000 000 shares to certain of the BEE shareholders who participated in the share exchange at R20,50 a share, for R287 million ("the top-up transaction") ("the BEE transactions"). Shareholders are referred to the detailed circular dated 2 May 2007 for further details of the BEE transactions and the anticipated financial impact.

The share exchange and the top-up transaction substantially satisfy the final equity targets of the Codes of Good Practice on Black Economic Empowerment issued by the Department of Trade and Industry and comply with the gaming boards' recommendations on black empowerment.

As the BEE transactions will take effect from 1 July 2007, they are not reflected in the interim results for the period and will be incorporated into the annual results for the full year to December 2007.

FINANCIAL RESULTS

The group reported an increase in revenue of 17,9% to R839,2 million, reflecting net gaming win up 17,6%. Profit attributable to shareholders grew 25,4% to R138,2 million. EBITDA of R358,1 million increased 22,9% and represented a 42,7% margin on revenue. Headline earnings per share ("HEPS") increased by 21,0% to 68,6 cents from 56,7 cents.

SEGMENTAL ANALYSIS										
	Revenue			EBITDA			EBITDA %		CAPEX	
	June 2007 R'000	June 2006 R'000	% Change	June 2007 R'000	June 2006 R'000	% Change	June 2007 %	June 2006 %	June 2007 R'000	June 2006 R'000
Gold Reef City	535 470	467 918	14,4	196 799	162 920	20,8	36,8	34,8	87 117	48 062
Golden Horse Casino	111 508	96 682	15,3	50 123	42 506	17,9	45,0	44,0	1 442	3 250
Mykonos Casino	57 708	49 510	16,6	26 026	21 711	19,9	45,1	43,9	541	4 941
Garden Route Casino	81 233	66 960	21,3	40 638	32 589	24,7	50,0	48,7	1 744	1 570
Goldfields Casino	51 715	44 636	15,9	24 076	19 959	20,6	46,6	44,7	33 102	70
Silverstar Casino	—	—	—	(2 416)	—	—	—	—	115 073	—
Gold Reef Management	30 131	25 790	16,8	5 397	8 150	(33,8)	—	33,6	—	—
Gold Reef	—	—	—	24 735	525 570	—	—	—	—	—
Consolidation	(28 587)	(39 667)	—	(7 281)	(521 974)	—	—	—	—	—
	839 178	711 829	17,9	358 097	291 431	22,9	42,7	40,9	239 019	57 893

Cash of R287 million in respect of the top-up transaction was received before the end of the period and has been included in cash and cash equivalents and recognised as a liability at 30 June 2007. 69,2 million shares were issued on 2 July 2007 thus increasing the number of shares in issue from 220,6 million to 289,8 million. As announced on 24 April 2007 and 25 June 2007 a final dividend of 55,0 cents per share was declared for the year ended 31 December 2006. Until payment on 23 July 2007 the dividend totalling R150 million was recognised in trade and other payables. Following the fulfilment of all conditions precedent to the BEE transactions the newly issued shares participated in the dividend.

The accounting policies applied in the preparation of these interim results are consistent with those applied in the audited annual results for the year ended 31 December 2006. This required the restatement of goodwill and other reserves in the balance sheet at 30 June 2006.

OPERATIONS

Gold Reef City

Robust trade at Gold Reef City Casino saw a 13,7% increase in revenue to R505,2 million and EBITDA up 18,0% to R194,6 million. The casino achieved satisfactory growth notwithstanding ongoing renovations, which resulted in a small loss of market share.

The new smoking casino, boasting 570 slot machines and 15 tables, continued to experience positive trade. Phase 2 of the development was completed during the period and two refurbished restaurants as well as the upgraded fast food and children's entertainment areas were reopened. The final phase is underway and due for completion in October 2007. This will include additional restaurants and the 1 100-seater Lyric theatre. Further, the installation of the ceiling over the casino floor is nearing completion. In line with international developments cashless gaming has been introduced and will be fully implemented across the casino floor by October 2007.

Trading at the Theme Park remained strong. The revitalisation programme launched last year is ongoing and the positive effects are clearly reflected in the Theme Park's pleasing financial performance.

The Apartheid Museum continued to increase its profile, benefiting from a number of corporate sponsorships and charity partnerships.

Golden Horse Casino

On the back of robust trading revenue was up 15,3% to R111,5 million. EBITDA of R50,1 million rose 17,9% from R42,5 million, with an improved EBITDA: Revenue ratio of 45,0%.

Renovations at a total cost of R8,9 million, which began in 2006, are complete. The developments include additional restaurants and entertainment facilities.

Mykonos Casino

The casino traded well off a high base posting a 16,6% increase in revenue to R57,7 million from June 2006. Higher EBITDA of R26,0 million represented an increased 45,1% margin on revenue.

In anticipation of capacity constraints, management is considering expansion alternatives.

Garden Route Casino

The additional 52 new slot machines and three tables contributed to positive trading at Garden Route Casino with a 21,3% growth in revenue to R81,2 million from R67,0 million. A 24,7% increase in EBITDA to R40,6 million reflected a healthy EBITDA:Revenue ratio of 50,0%.

With the opening of the adjacent acclaimed golf course the casino has begun to attract higher-spend patrons.

Goldfields Casino

Trading at the casino remained solid despite the disruption due to the upgrade from a temporary to a permanent casino. Revenue increased 15,9% to R51,7 million with EBITDA of R24,1 million representing a 46,6% margin on revenue.

The upgrade to a permanent casino is now complete. The new Salon Privé, sports bar, conference facility and additional restaurants as well as refurbishment of existing facilities are expected to positively impact footfall. The casino now offers 250 slots and nine tables.

Silverstar Casino

Construction on the Silverstar complex is progressing well. The casino is set to open in December 2007 with the complex expected to be complete by April 2008. Silverstar Casino will feature 752 slots and 26 tables. The capital expenditure to June 2007 amounted to R281 million out of the total anticipated cost of R1,2 billion.

FUTURE DEVELOPMENTS

Queenstown

Gold Reef is a 25% shareholder in the consortium awarded the casino license for Queenstown in the Eastern Cape. A challenge has been launched by a losing bidder. However, construction of the casino is progressing well.

Vaal River Casino

Gold Reef has acquired a controlling stake in Vaal River Casino Company (Pty) Limited, the only applicant for a licence in the Sasolburg area of the Free State. The licence process is being opposed by a competitor.

DIRECTORATE

Following the fulfilment of all conditions precedent to the BEE transactions Bongani Biyela, the former General Manager of Gold Reef City Casino, was appointed Gold Reef's executive director of strategy and business development. Richard Moloko and Patrick September were appointed as non-executive directors. The appointments became effective on 25 June 2007.

PROSPECTS

The completed refurbishment at two of the casinos and ongoing developments at existing casinos are expected to be key drivers of organic growth. On completion of the Queenstown and Silverstar casinos, four casinos representing the majority of Gold Reef's portfolio will effectively comprise new properties. In addition, the Theme Park's revitalisation programme is anticipated to generate increased footfall.

The group has financed the developments during the period from a combination of free cash flow and external debt, and will continue to do so until completion of the respective projects. This will enhance growth in future periods as de-gearing takes effect.

Further, the increased BEE shareholding has positioned Gold Reef at the forefront of transformation in the South African gaming industry. This has created long-term financial benefits for Gold Reef and its shareholders.

The group has experienced a negligible impact from the increases in interest rates and anticipates that a growing economy will continue to boost long-term growth prospects.

CAUTIONARY ANNOUNCEMENT

As previously announced on 13 August 2007 shareholders are advised that Gold Reef has entered into exclusive discussions with a consortium of investors which may result in an offer to purchase the entire issued and to be issued share capital of Gold Reef for R34,00 a share, implying an enterprise value for Gold Reef of approximately R11,6 billion. The consortium led by Ethos Private Equity Fund V includes, inter alia, management of Gold Reef and the existing Black Economic Empowerment shareholders. In the event that a firm intention to make an offer is received by Gold Reef's board, it is envisaged that the offer will be implemented by way of a Scheme of Arrangement ("the Scheme") in terms of section 311 of the Companies Act at which time the listing of the company on the JSE Limited will be terminated. Approximately 80,5% of the existing shareholders of the company have irrevocably undertaken to the consortium 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. Certain members of the consortium may not be eligible to vote all of their respective shareholdings on the Scheme. In this event, shareholders holding approximately 52,0% of Gold Reef's total fully diluted shares and approximately 72,7% of Gold Reef's fully diluted shares which would then be eligible to vote on the Scheme, can be regarded as having irrevocably undertaken to accept the offer. Shareholders are advised to continue exercising caution when dealing in their Gold Reef securities until a further announcement is made.

DIVIDEND

In line with policy no dividend has been declared for the interim period.

Steven Joffe
Chief Executive Officer

Jarrold Friedman
Financial Director

On behalf of the board

23 August 2007



