

RANDGOLD RESOURCES LTD  
Form 20-F  
June 29, 2006

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE  
ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF  
1934

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

Date of event requiring this shell company report....

For the transition period from                      to

Commission file number: 000-49888

RANDGOLD RESOURCES LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

JERSEY, CHANNEL ISLANDS

(Jurisdiction of incorporation or organization)

La Motte Chambers, La Motte Street, St. Helier, Jersey JE1 1BJ, Channel Islands

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

None

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Ordinary Shares, U.S. Dollar five cent par value per share

(Title of Class)

American Depositary Shares

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

As of December 31, 2005, the Registrant had outstanding 68,130,189 ordinary shares, par value \$0.05 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If the report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow. Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by a checkmark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes No

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The following explanations are not intended as technical definitions, but rather are intended to assist the reader in understanding some of the terms as used in this Annual Report.

Birimian:	Geological time era, about 2.1 billion years ago.
Carbonate:	A mineral salt typically found in quartz veins and as a product of hydrothermal alteration of sedimentary rock.
Clastic:	Rocks built up of fragments of pre-existing rocks which have been produced by the processes of weathering and erosion.
Cut-off grade:	The grade at which the total profit from mining the orebodies, under a specified set of mining parameters, is maximized.
Development:	Activities required to prepare for mining activities and maintain a planned production level and those costs to enable the conversion of mineralized material to reserves.
Dilution:	Mixing of ore grade material with non-ore grade/waste material in the mining process.
Disseminated:	A term used to describe fine particles of ore or other minerals dispersed through the enclosing rock.
Dyke:	A sheet-like body of igneous rock which is discordant to bedding or foliation.
EEP:	Exclusive exploration permit.
EP:	Exploration permit.
Exploration:	Activities associated with ascertaining the existence, location, extent or quality of mineralized material, including economic and technical evaluations of mineralized material.
Fault:	A fracture or a zone of fractures within a body of rock.
Feldspar:	An alumino-silicate mineral.
Fold:	A flexure of planar structures within the rocks.
Foliation:	A term used to describe planar arrangements of minerals or mineral bands within rocks.
Footwall:	The underlying side of a fault, orebody or stope.
Fragmentation:	The breakage of rock during blasting in which explosive energy fractures the solid mass into pieces; the distribution of rock particle sizes after blasting.

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g/t:	Gram of gold per metric tonne.
Gold reserves:	The gold contained within proven and probable reserves on the basis of recoverable material (reported as mill delivered tonnes and head grade).
Grade:	The quantity of metal per unit mass of ore expressed as a percentage or, for gold, as grams of gold per tonne of ore.

Greenstone:	A field term used to describe any weakly metamorphosed rock.
Greywacke:	A dark gray, coarse grained, indurated sedimentary rock consisting essentially of quartz, feldspar, and fragments of other rock types
Head grade:	The grade of the ore as delivered to the metallurgical plant.
Hydrothermal:	Pertaining to the action of hot aqueous solutions on rocks.
Igneous:	A rock or mineral that solidified from molten or partially molten material.
In situ:	In place or within unbroken rock or still in the ground.
Kriging:	An interpolation method that minimizes the estimation error in the determination of reserves.
Landsat:	Spectral images of the Earth's surface.
Leaching:	Dissolution of gold from the crushed and milled material, including reclaimed slime, for absorption and concentration on to the activated carbon.
Lower proterozoic:	Era of geological time between 2.5 billion and 1.8 billion years before the present.
Measures:	Conversion factors from metric units to U.S. units are provided below:

Metric Unit		U.S. Equivalent
1 tonne	= 1 t	= 1.10231 tons
1 gram	= 1 g	= 0.03215 ounces
1 gram per tonne	= 1 g/t	= 0.02917 ounces per ton
1 kilogram per tonne	= 1 kg/t	= 29.16642 ounces per ton
1 kilometer	= 1km	= 0.621371 miles
1 meter	= 1m	= 3.28084 feet
1 centimeter	= 1cm	= 0.3937 inches
1 millimeter	= 1mm	= 0.03937 inches
1 square kilometer	= 1 sq km	= 0.3861 miles

Mill delivered tonnes: A quantity, expressed in tonnes, of ore delivered to the metallurgical plant.

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Milling/mill:	The comminution of the ore, although the term has come to cover the broad range of machinery inside the treatment plant where the gold is separated from the ore.
Mineable:	That portion of a mineralized deposit for which extraction is technically and economically feasible.
Mineralization:	The presence of a target mineral in a mass of host rock.
Mineralized material:	A mineralized body which has been delineated by appropriately spaced drilling and/or underground

	sampling to support a sufficient tonnage and average grade of metals to warrant further exploration. A deposit of mineralized material does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility.
Moz:	Million troy ounces.
Mt:	Million metric tonnes.
Open pit:	Mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody.
Orebody:	A continuous, well-defined mass of material containing sufficient minerals of economic value to make extraction economically feasible.
Orogenic:	Of or related to mountain building, such as when a belt of the Earth's crust is compressed by lateral forces to form a chain of mountains.
Ounce:	One troy ounce, which equals 31.1035 grams.
Oxide Ore:	Soft, weathered rock that is oxidized.
Payshoot:	A defined zone of economically viable mineralization.
Probable reserves:	Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.
Prospect:	An area of land with insufficient data available on the mineralization to determine if it is economically recoverable, but warranting further investigation.
Prospecting license or permits:	An area for which permission to explore has been granted.

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PL:	Prospecting License.
PLR:	Prospecting License (reconnaissance).
Proven reserves:	Reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
Pyrite:	A brassy-colored mineral of iron sulphide (compound of iron and sulfur).
Quartz:	A mineral compound of silicon and oxygen.

Quartzite:	Metamorphic rock with interlocking quartz grains displaying a mosaic texture.
Refining:	The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag.
Regolith:	Weathered products of fresh rock, such as soil, alluvium, colluvium, sands, and hardened oxidized materials.
Rehabilitation:	The process of restoring mined land to a condition approximating its original state.
Reserve:	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
Reverse circulation (RC) drilling:	A drilling method.
Rotary Air Blast (RAB) drilling:	A drilling method.
Sampling:	Taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content).
Sedimentary:	Pertaining to or containing sediment. Used in reference to rocks which are derived from weathering and are deposited by natural agents, such as air, water and ice.
Shear zone:	An elongated area of structural deformation.
Silica:	A naturally occurring dioxide of silicon.
Stockpile:	A store of unprocessed ore.
Stripping:	The process of removing overburden to expose ore.

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Stripping ratio:	Ratio of waste material to ore material in an open pit mine.
Sulphide:	A mineral characterized by the linkages of sulfur with a metal or semi-metal, such as pyrite or iron sulphide. Also a zone in which sulfide minerals occur.
Tailings:	Finely ground rock from which valuable minerals have been extracted by milling.
Tonalite:	A type of igneous rock.
Tonnage:	Quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.
Tonne:	One tonne is equal to 1,000 kilograms (also known as a “metric” ton).
Total cash costs:	Total cash costs, as defined in the Gold Institute standard, include mine production, transport and refinery costs, general and administrative costs, movement in production

	inventories and ore stockpiles, transfers to and from deferred stripping and royalties.
Trend:	The arrangement of a group of ore deposits or a geological feature or zone of similar grade occurring in a linear pattern.
Waste:	Rock mined with an insufficient gold content to justify processing.
Weathered:	Rock broken down by erosion.
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Statements in this Annual Report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are “forward-looking statements” as that term is defined under the United States federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under “Item 3. Key Information — D. Risk Factors” in this Annual Report as well as those discussed elsewhere in this Annual Report and in our other filings with the Securities and Exchange Commission.

We are incorporated under the laws of Jersey, Channel Islands with the majority of our operations located in West Africa. Our books of account are maintained in U.S. dollars and our annual and interim financial statements are prepared on a historical cost basis in accordance with International Financial Reporting Standards, or IFRS. IFRS differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. This Annual Report includes a discussion of the relevant differences between IFRS and U.S. GAAP, and Note 27 to our audited consolidated financial statements included in this Annual Report sets forth a reconciliation from IFRS to U.S. GAAP of net income and shareholders’ equity. We have also included in this Annual Report the audited financial information for the years ended December 31, 2005 and 2004 and 2003 of Société des Mines de Morila SA, or Morila SA. The financial information included in this Annual Report has been prepared in accordance with IFRS, and except where otherwise indicated, is presented in U.S. dollars. For a definition of cash costs, please see “Item 3. Key Information — A. Selected Financial Data.”

Unless the context otherwise requires, “us”, “we”, “our”, or words of similar import, refer to Randgold Resources Limited and its subsidiaries and affiliated companies.

## PART 1

### Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

### Item 2. Offer Statistics and Expected Timetable

Not applicable.

### Item 3. Key Information



## A. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data have been derived from, and should be read in conjunction with, the more detailed information and financial statements, including our audited consolidated financial statements for the years ended December 31, 2005, 2004, and 2003 and as at December 31, 2005 and 2004, which appear elsewhere in this Annual Report. The historical consolidated financial data as at and for the years ended December 31, 2002 and 2001 have been derived from our audited consolidated financial statements not included in this Annual Report.

The financial data have been prepared in accordance with IFRS, unless otherwise noted. In Note 27 to our audited consolidated financial statements, we present the principal differences between IFRS and U.S. GAAP and a reconciliation of our net income attributable to equity shareholders and shareholders' equity to U.S. GAAP.

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	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
<b>STATEMENT OF OPERATIONS DATA:</b>					
(In thousands, except per share and per ounce data)					
Amounts in accordance with IFRS					
Revenues – Gold sales	\$ 151,502	\$ 73,330	\$ 109,573	\$ 131,440	\$ 84,154
Profit from operations <sup>#</sup>	45,019	12,313	48,071	68,969	19,003
Net income attributable to equity shareholders	38,538	18,793	47,175	65,728	17,759
Basic earnings per share (\$)	0.62	0.32*	0.83*	1.31*	0.29*
Fully diluted earnings per share (\$)	0.60	0.31*	0.83*	1.30*	0.29*
Weighted average number of shares used in computation of basic earnings per share (3)	61,701,782	58,870,632*	57,441,360*	50,295,640*	61,035,295*
Weighted average number of shares used in computation of fully diluted earnings per share <sup>(3)</sup>	63,828,996	59,996,257*	57,603,364*	50,817,466*	61,523,810*
Amounts in accordance with U.S. GAAP (2)					
Revenues	30,688	—	—	—	16,723
Loss from operations before joint venture	(10,525)	(8,274)	(24,621)	(31,081)	(16,703)
Equity income of Morila joint venture	49,293	25,162	67,230	90,522	32,482
Net income	36,419	16,888	42,960	59,661	16,435
Basic earnings per share (\$)	0.59	0.29*	0.75*	1.19*	0.27*
Fully diluted earnings per share (\$)	0.57	0.28*	0.74*	1.17*	0.27*
Weighted average number of shares used in computation of basic earnings per share (3)	61,701,782	58,870,632*	57,441,360*	50,295,640*	61,035,295*
Weighted average number of shares used in computation of fully diluted	63,828,996	59,996,257*	57,603,364*	50,817,466*	61,523,810*

earnings per share (3)

Amounts in accordance with IFRS

Total cash costs (\$ per ounce) (1)	209	183	96	75	175
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#Profit from operations is calculated as profit before income tax under IFRS, excluding interest income, interest expense and profit on sale of Syama.

\*Reflects adjustments resulting from the sub-division of shares

	At December 31, 2005	At December 31, 2004	At December 31, 2003	At December 31, 2002	At December 31, 2001
<b>BALANCE SHEET AMOUNTS IN ACCORDANCE WITH IFRS</b>					
Total assets	\$471,472	\$268,461	\$224,534	\$173,858	\$ 119,554
Long-term loans	49,538	40,718	6,832	19,307	57,147
Share capital	3,404	2,961	2,926	2,766	2,246
Share premium	208,582	102,342	200,244	190,618	161,830
Accumulated profit/(loss)	138,751	100,213	(18,580)	(66,106)	(131,834)
Other reserves	(41,000)	(14,347)	(7,403)	(8,293)	(1,745)
Shareholders' equity	309,737	191,169	177,187	118,985	30,497
<b>AMOUNTS IN ACCORDANCE WITH U.S. GAAP (2)</b>					
Total assets	442,117	245,026	193,458	136,789	78,107
Long-term debt	45,081	35,042	891	3,999	30,727
Shareholders' equity	302,642	187,253	177,187	118,771	30,359

1. Total cash cost and total cash cost per ounce are non-GAAP measures. We have calculated total cash costs and total cash costs per ounce using guidance issued by the Gold Institute. The Gold Institute was a non profit industry association comprised of leading gold producers, refiners, bullion suppliers and manufacturers. This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and revised in November 1999. Total cash costs, as defined in the Gold Institute's guidance, include mine production, transport and refinery costs, general and administrative costs, movement in production inventories and ore stockpiles, transfers to and from deferred stripping, and royalties. The transfer to and from deferred stripping is calculated based on the actual historical waste stripping costs, as applied to a life of mine estimated stripping ratio. The

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costs of waste stripping in excess of the life of mine estimated stripping ratio, are deferred, and charged to production, when the actual stripping ratio is below the life of mine stripping ratio. The net effect is to include a proportional share of total estimated stripping costs for the life of the mine, based on the current period ore mined. Total cash costs per ounce are calculated by dividing total cash costs, as determined using the Gold Institute guidance, by gold ounces produced for the periods presented. We have calculated total cash costs and total cash costs per ounce on a consistent basis for all periods presented. Total cash costs and total cash costs per ounce should not be considered by investors as an alternative to operating profit or net profit attributable to shareholders, as an alternative to other IFRS or U.S. GAAP measures or an indicator of our performance. The data does not have a meaning prescribed by IFRS or U.S. GAAP and therefore amounts presented may not be comparable to data presented by gold producers who do not

follow the guidance provided by the Gold Institute. In particular depreciation and amortization would be included in a measure of total costs of producing gold under IFRS and U.S. GAAP, but is not included in total cash costs under the guidance provided by the Gold Institute. The total cost of producing gold calculated in accordance with IFRS and U.S. GAAP would provide investors with an indication of earnings before exploration and corporate expenditure, interest expense and taxes, when compared to the average realized price. We have therefore provided an IFRS measure of total cash cost and total cash per ounce as required by securities regulations that govern non-GAAP performance measures. Furthermore, while the Gold Institute has provided a definition for the calculation of total cash costs and total cash costs per ounce, the calculation of these numbers may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, we believe that total cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides an indication of a company's profitability and efficiency, the trends in cash costs as the company's operations mature, and a benchmark of performance to allow for comparison against other companies. Within this annual report our discussion and analysis is focused on the "total cash cost" measure as defined by the Gold Institute.

The following table lists the costs of producing gold, determined in accordance with IFRS, and reconciles this GAAP measure to total cash costs as defined by the Gold Institute's guidance, as a non-GAAP measure, for each of the periods set forth below:

	Year Ended December 31, 2005	Year Ended December 31, 2004	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001
Costs					
Mine production costs	66,612	37,468	26,195	22,706	37,349
Depreciation and amortization	11,910	8,738	10,269	8,765	7,097
General and administration expenses	7,438	6,809	6,108	4,128	11,262
Transport and refinery costs	360	233	408	588	547
Royalties	10,273	5,304	7,648	9,185	5,801
Movement in production inventory and ore stockpiles	(27,137)	(8,512)	(6,229)	(145)	(813)
Transfer from/(to) deferred stripping costs	11,197	(3,999)	(3,483)	(5,043)	(1,991)
Total cost of producing gold determined in accordance with IFRS	80,653	46,041	40,916	40,184	59,252
Less: Non-cash costs included in total cost of producing gold: depreciation and amortization	(11,910)	(8,738)	(10,269)	(8,765)	(7,097)
Total cash costs using the Gold Institute's guidance	68,743	37,303	30,647	31,419	52,155
Ounces produced (our share)	328,428	204,194	317,596	421,127	298,375
Total production cost per ounce under IFRS	246	225	129	95	199
Total cash cost per ounce using Gold Institute's guidance	209	183	96	75	175

2. Under IFRS, we account for our interest in Morila Limited using the proportionate consolidation method, whereby our proportionate share of Morila Limited's assets, liabilities, income, expenses and cash flows are incorporated in our consolidated financial statements under the

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appropriate headings. Under U.S. GAAP, we equity account for our interest in Morila Limited. This requires that we recognize our share of Morila Limited's net income as a separate line item in the income statement. In the balance sheet, we reflect as an investment our share of Morila Limited's net assets. While this results in significantly different financial statement presentation between IFRS and U.S. GAAP, it has no impact on our net income or our net asset value except for any difference between IFRS and U.S. GAAP which relates to Morila.

3. Effective June 11, 2004, we undertook a split of our ordinary shares, which increased our issued share capital from 29,273,685 to 58,547,370 ordinary shares. In connection with this share split our ordinary shareholders of record on June 11, 2004 received two (2) \$0.05 ordinary shares for every one (1) \$0.10 ordinary share they held. See "Item 4. Information on the Company — A. History and Development of the Company."

**B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

In addition to the other information included in this Annual Report, you should carefully consider the following factors, which individually or in combination could have a material adverse effect on our business, financial condition and results of operations.

The profitability of our operations, and the cash flows generated by our operations, are affected by changes in the market price for gold which in the past has fluctuated widely.

Substantially all of our revenues and cash flows have come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors over which we have no control, including:

- the demand for gold for industrial uses and for use in jewelry;
- international or regional political and economic trends;
- the strength of the U.S. dollar, the currency in which gold prices generally are quoted, and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers;
- hedging activities by gold producers; and
- the production and cost levels for gold in major gold-producing nations.

The volatility of gold prices is illustrated in the following table, which shows the quarterly high, low and average of the afternoon London Bullion Market fixing price of gold in U.S. dollars for the past two years and the first quarter of 2006.

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Year		Price per ounce (\$)		
		High	Low	Average
2006	First Quarter	584.00	524.75	554.07
2005				
	Fourth Quarter	536.50	456.50	484.20
	Third Quarter	473.25	418.35	439.72
	Second Quarter	440.55	414.45	427.25
	First Quarter	443.00	411.10	427.35
2004				
	Fourth Quarter	454.20	411.25	433.77
	Third Quarter	415.65	391.40	401.30
	Second Quarter	427.25	375.15	393.27
	First Quarter	425.50	390.50	408.44

In addition, the current demand for, and supply of, gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has tended to retain its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions, and individuals hold large amounts of gold as a store of value, and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

If gold prices should fall below and remain below our cost of production for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our mining operations. In addition, we would also have to assess the economic impact of low gold prices on our ability to recover any losses we may incur during that period and on our ability to maintain adequate reserves. Our total cash cost of production per ounce of gold sold was \$209 in the year ended December 31, 2005, \$183 in the year ended December 31, 2004, and \$96 in the year ended December 31, 2003. We expect that Morila's total cash costs will rise as the life of the mine advances, which will adversely affect our profitability in the absence of any mitigating factors. We do not envisage a major increase in Loulo's cash costs as the life of mine advances, as the higher grades expected from the underground mining should offset increase in costs.

We may incur losses or lose opportunities for gains as a result of our use of our derivative instruments to protect us against low gold prices.

We use derivative instruments to protect the selling price of some of our anticipated gold production at Loulo. The intended effect of our derivative transactions is to lock in a fixed sale price for some of our future gold production, reducing the impact on us of a future fall in gold prices. No such protection is in place for our production at Morila.

Derivative transactions can result in a reduction in possible revenue if the instrument price is less than the market price at the time of settlement. Moreover, our decision to enter into a given instrument is based upon market assumptions. If these assumptions are not met, significant losses or lost opportunities for significant gains may result. In all, the use of these instruments may result in significant losses or prevent us from realizing the positive impact of any subsequent increase in the price of gold on the portion of production covered by the instrument.

Our business may be harmed if the Government of Mali fails to repay fuel duties owing to Morila.

Up to November 2005, Morila was responsible for paying to diesel suppliers the customs duties which are then paid to the Government of Mali. Morila can claim reimbursement of these duties from the Government of Mali on presentation of a certificate from Société Générale de Surveillance. During the third quarter 2003, the Government of Mali began to reduce payments to all the mines in Mali due to irregularities involving certain small exploration companies. The Government of Mali has

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since given full exoneration from fuel duties to the mining industry so that fuel duties are no longer payable. However, significant amounts of previously paid duties remain outstanding. The amount owing to Morila was \$17.2 million on December 31, 2005 and \$18.4 million on March 31, 2006.

If Morila is unable to recover these amounts, its ability to pay dividends to its shareholders would be affected. Our business, cash flows and financial condition will be adversely affected if anticipated dividends were not paid.

Under our joint venture agreement with AngloGold Ashanti Limited, or AngloGold Ashanti, we jointly manage Morila Limited, and any disputes with AngloGold Ashanti over the management of Morila Limited could adversely affect our business.

We jointly control Morila Limited with AngloGold Ashanti under a joint venture agreement. Under the joint venture agreement, AngloGold Ashanti is responsible for the day-to-day operations of Morila, subject to the overall management control of the Morila Limited board. Substantially all major management decisions, including approval of a budget for Morila, must be approved by the Morila Limited board. We and AngloGold Ashanti retain equal control over the board, with neither party holding a deciding vote. If a dispute arises between us and AngloGold Ashanti with respect to the management of Morila Limited and we are unable to amicably resolve the dispute, we may have to participate in arbitration or other proceeding to resolve the dispute, which could materially and adversely affect our business.

Our mining project at Loulo, or Loulo Project, is subject to all of the risks of a start-up mining operation.

As a new mining operation, Loulo may experience unexpected problems and delays. While the processing plant is substantially complete and has successfully processed soft ore since October 2005, we may still experience problems and delays relating to the hard rock crushing circuit, which is still under construction and which could affect our results of operations and profitability.

We may not be able to recover certain funds from MDM Ferroman (Pty) Limited.

In August 2004, we entered into a fixed lump sum turnkey contract for \$63 million for the design, supply, construction and commissioning of the Loulo processing plant and infrastructure with MDM Ferroman (Pty) Ltd (“MDM”). At the end of 2005, after making advances and additional payments to MDM totaling \$26 million in excess of the contract, we determined that MDM was unable to perform its obligations under the MDM Contract, at which time we enforced a contractual remedy which allowed us to act as our own general contractor and to complete the remaining work on the Loulo project that was required under the MDM Contract.

As a result of MDM's failure to perform under the MDM Contract, we believe that we are entitled to recover from them all amounts paid in excess of the lump sum contract. Certain of these amounts have been capitalized as part of

the cost of the Loulo project. In addition, MDM has signed loan agreements with us and performance bonds in our favor, for amounts totaling approximately \$12.2 million which is included in accounts receivable. Approximately \$7 million of such accounts receivable are secured by performance bonds, and \$5.2 million are secured by various fixed assets, debtors, bank accounts and personal guarantees.

We believe that we have sufficient security to recover the full amount of \$12.2 million included in accounts receivable. However, there is a risk that the security may be found to be worth less than the amount of the accounts receivable. Although we believe that our claims against the performance bonds are meritorious, the issuer of the performance bonds is disrupting any liability under the performance bonds. The legal process to progress our claim has commenced, but we are unable to provide assurance that we will recover the full amount of \$7 million. In addition, we are unable to provide assurance as to the recoverability of the full amount of the \$5.2 million of security provided by MDM.

Our results of operations may be adversely affected if we are unable to recover the amounts advanced by us to MDM. Any part of the \$12.2 million included in accounts receivable which cannot in fact be recovered will need to be charged as an expense.

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In addition, we cannot provide any assurance that we will ultimately bring an action against MDM to recover any damages claimed against MDM, or that if any such claims are brought they will ultimately result in any recovery against MDM. The financial statements do not reflect any charge that may arise from MDM's inability to settle amounts that are determined to be payable to us by MDM.

We have brought an action seeking MDM's liquidation. MDM is currently opposing its final liquidation based upon counter claims which it allegedly has against us. We believe that these allegations are without merit and merely an attempt to avoid liquidation. To date, MDM has not instituted legal proceedings against us with regard to these counter claims. We do not believe that MDM has a valid basis for asserting claims against us, although we can provide no assurance that MDM will not attempt to bring any such claims in the future. If MDM is successful in bringing a claim against us in respect of the MDM Contract, our results of operations may be adversely affected.

Our mining operations may yield less gold under actual production conditions than indicated by our gold reserve figures, which are estimates based on a number of assumptions, including assumptions as to mining and recovery factors, production costs and the price of gold.

The ore reserve estimates contained in this Annual Report are estimates of the mill delivered quantity and grade of gold in our deposits and stockpiles. They represent the amount of gold that we believe can be mined, processed and sold at prices sufficient to recover our estimated total costs of production, remaining investment and anticipated additional capital expenditures. Our ore reserves are estimated based upon many factors, including:

- the results of exploratory drilling and an ongoing sampling of the orebodies;
- past experience with mining properties; and
- the experience of the person making the reserve estimates.

Because our ore reserve estimates are calculated based on current estimates of production costs and gold prices, they should not be interpreted as assurances of the economic life of our gold deposits or the profitability of our future

operations.

Reserve estimates may require revisions based on actual production experience. Further, a sustained decline in the market price of gold may render the recovery of ore reserves containing relatively lower grades of gold mineralization uneconomical and ultimately result in a restatement of reserves. The failure of the reserves to meet our recovery expectations may have a materially adverse effect on our business, financial condition and results of operations.

We may be required to seek funding from third parties or enter into joint development arrangements to finance the development of our properties and the timely exploration of our mineral rights, which funding or development arrangements may not be available on acceptable terms, or at all.

In some countries, if we do not conduct any mineral exploration on our mineral holdings or make the required payments in lieu of completing mineral exploration, these mineral holdings will lapse and we will lose all interest that we have in these mineral rights.

We conduct mining, development and exploration activities in countries with developing economies and are subject to the risks of political and economic instability associated with these countries.

We currently conduct mining, development and exploration activities in countries with developing economies, including Côte d'Ivoire, Mali, Senegal, Burkina Faso, Ghana and Tanzania. These countries and other emerging markets in which we may conduct operations have, from time to time, experienced economic or political instability, in the form of:

- war and civil disturbance;
- expropriation or nationalization;
- changing regulatory and fiscal regimes;
- fluctuations in currency exchange rates;

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- high rates of inflation;
- underdeveloped industrial and economic infrastructure; and
- unenforceability of contractual rights.

Any political or economic instability in the West African countries in which we currently operate could have a material and adverse effect on our business and results of operations.

The countries of Mali, Senegal, Burkina Faso and Côte d'Ivoire were French colonies and Tanzania and Ghana were British colonies until their independence in the early 1960's. Each country has, since its independence, experienced its own form of political upheavals with varying forms of changes of government taking place, including violent coup d'états. However, Côte d'Ivoire, the leading economic power in the region, and once considered one of the most stable countries in Sub-Saharan Africa, has experienced several years of political chaos, including an attempted coup d'état. In November 2002, a mutiny by disaffected soldiers developed into a national conflict between rebels who took control of the north of the country and Government supporters in the south. An agreement was reached in March 2005 whereby all sides agreed to disarm and new elections for the country as a whole are planned for late 2006.

The conflict in Côte d'Ivoire resulted in us suspending work in the country pending a peaceful solution. As a result, the progress of the Tongon feasibility study has been delayed. We have commenced a small drilling program in June



2006, but we anticipate that the state of ‘Force Majeure’ could be lifted after the successful conclusion of the election in the latter part of 2006, which will allow us to undertake further exploration drilling ahead of the preparation of the Tongon feasibility study.

Goods are supplied to Mali through Ghana, Burkina Faso and Senegal, which are all functioning satisfactorily. Other supply routes to Mali are, however, functioning. Our operations at Morila have been affected only to the extent of making the supply of diesel more expensive since it now has to be delivered via Togo, which adds additional transportation costs to allow for greater delivery distances.

Also, any present or future policy changes in the countries in which we operate may in some way have a significant effect on our operations and interests. The mining laws of Mali, Côte d’Ivoire, Senegal, Burkina Faso, Ghana and Tanzania stipulate that should an economic orebody be discovered on a property subject to an exploration permit, a permit that allows processing operations to be undertaken must be issued to the holder.

Except for Tanzania, legislation in these countries currently provides for the relevant government to acquire a free ownership interest, normally of at least 10%, in any mining project. For example, the Malian government holds a 20% interest in Morila SA and Somilo SA, and cannot be diluted below 10%, as a result of this type of legislation. The requirements of the various governments as to the foreign ownership and control of mining companies may change in a manner which adversely affects us.

If we are unable to attract and retain key personnel our business may be harmed.

Our ability to bring additional mineral properties into production and explore our extensive portfolio of mineral rights will depend, in large part, upon the skills and efforts of a small group of management and technical personnel, including D. Mark Bristow, our Chief Executive Officer. If we are not successful in retaining or attracting highly qualified individuals in key management positions our business may be harmed. The loss of any of our key personnel could adversely impact our ability to execute our business plan.

Our insurance coverage may prove inadequate to satisfy future claims against us.

We may become subject to liabilities, including liabilities for pollution or other hazards, against which we have not insured adequately or at all or cannot insure. Our insurance policies contain exclusions and limitations on coverage. Our current insurance policies provide worldwide indemnity of

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£50 million in relation to legal liability incurred as a result of death, injury, disease of persons and/or loss of or damage to property. Main exclusions under this insurance policy, which relates to our industry, include war, nuclear risks, silicosis, asbestosis or other fibrosis of the lungs or diseases of the respiratory system with regard to employees, and gradual pollution. In addition, our insurance policies may not continue to be available at economically acceptable premiums. As a result, in the future our insurance coverage may not cover the extent of claims against us.

It may be difficult for you to affect service of process and enforce legal judgments against us or our affiliates.

We are incorporated in Jersey, Channel Islands and a majority of our directors and senior executives are not residents of the United States. Virtually all of our assets and the assets of those persons are located outside the United States. As

a result, it may not be possible for you to effect service of process within the United States upon those persons or us. Furthermore, the United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, it may not be possible for you to enforce a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States Federal securities laws against those persons or us.

In order to enforce any judgment rendered by any Federal or state court in the United States in Jersey, proceedings must be initiated by way of common law action before a court of competent jurisdiction in Jersey. The entry of an enforcement order by a court in Jersey is conditional upon the following:

- the court which pronounced the judgment has jurisdiction to entertain the case according to the principles recognized by Jersey law with reference to the jurisdiction of the foreign courts;
- the judgment is final and conclusive — it cannot be altered by the courts which pronounced it;
- there is payable pursuant to a judgment a sum of money, not being a sum payable in respect of tax or other charges of a like nature or in respect of a fine or other penalty;
- the judgment has not been prescribed;
- the courts of the foreign country have jurisdiction in the circumstances of the case;
- the judgment was not obtained by fraud; and
- the recognition and enforcement of the judgment is not contrary to public policy in Jersey, including observance of the rules of natural justice which require that documents in the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal.

Furthermore, it is doubtful whether you could bring an original action based on United States Federal securities laws in a Jersey court.

If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

The United States Securities and Exchange Commission, or the SEC, as required by Section 404 of Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, adopted rules requiring every public company to include a management report on such company's internal controls over financial reporting in its annual report, which contains management's assessment of the effectiveness of the company's internal controls over financial reporting. In addition, an independent registered public accounting firm must attest to and report on management's assessment of the company's internal controls over financial reporting. These requirements will first apply to our annual report on Form 20-F for the fiscal year ending December 31, 2006. Our management may conclude that our internal controls over

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its financial reporting are not effective. Moreover, even if our management concludes that our internal controls over financial reporting are effective, our independent registered public accounting firm may still be unable to attest to management's assessment or may issue a report that concludes that our internal controls over financial reporting are not effective.

Furthermore, during the course of the evaluation, documentation and attestation, we may identify deficiencies that we are not able to remedy in time to meet the deadline imposed by the Sarbanes-Oxley Act for compliance with the requirements of Section 404. If we fail to achieve and maintain the adequacy of our internal controls, we may not be able to conclude that we have effective internal controls, on an ongoing basis, over financial reporting in accordance with the Sarbanes-Oxley Act. Moreover, effective internal controls are necessary for us to produce reliable financial reports and are important to help prevent fraud. As a result, our failure to achieve and maintain effective internal controls over financial reporting could result in the loss of investor confidence in the reliability of our financial statements, which in turn could harm our business and negatively impact the trading price of our ADS's and ordinary shares. Furthermore, we have incurred, and anticipate that we will continue to incur considerable costs and use significant management time and other resources in an effort to comply with Section 404 and other requirements of the Sarbanes-Oxley Act.

#### Risks Relating to Our Industry

The exploration of mineral properties is highly speculative in nature, involves substantial expenditures, and is frequently unproductive.

Exploration for gold is highly speculative in nature. Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the costs and results of our continued exploration and development programs. Many exploration programs, including some of ours, do not result in the discovery of mineralization and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Our mineral exploration rights may not contain commercially exploitable reserves of gold. Uncertainties as to the metallurgical recovery of any gold discovered may not warrant mining on the basis of available technology. Our operations are subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as:

- encountering unusual or unexpected formations;
- environmental pollution;
- personal injury and flooding; and
- decrease in reserves due to a lower gold price.

If we discover a viable deposit, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change.

Moreover, we will use the evaluation work of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. As a result of these uncertainties, we may not successfully acquire additional mineral rights, or identify new proven and probable reserves in sufficient quantities to justify commercial operations in any of our properties.

If management determines that capitalized costs associated with any of our gold interests are not likely to be recovered, we would recognize an impairment provision against the amounts capitalized for that interest. All of these factors may result in losses in relation to amounts spent which are not recoverable.

Title to our mineral properties may be challenged which may prevent or severely curtail our use of the affected properties.

Title to our properties may be challenged or impugned, and title insurance is generally not available. Each sovereign state is the sole authority able to grant mineral property rights, and our

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ability to ensure that we have obtained secure title to individual mineral properties or mining concessions may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

Our ability to obtain desirable mineral exploration projects in the future may be adversely affected by competition from other exploration companies.

In conducting our exploration activities, we compete with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce gold. Existing or future competition in the mining industry could materially and adversely affect our prospects for mineral exploration and success in the future.

Our operations are subject to extensive governmental and environmental regulations, which could cause us to incur costs that adversely affect our results of operations.

Our mining facilities and operations are subject to substantial government laws and regulations, concerning mine safety, land use and environmental protection. We must comply with requirements regarding exploration operations, public safety, employee health and safety, use of explosives, air quality, water pollution, noxious odor, noise and dust controls, reclamation, solid waste, hazardous waste and wildlife as well as laws protecting the rights of other property owners and the public.

Any failure on our part to be in compliance with these laws, regulations, and requirements with respect to our properties could result in us being subject to substantial penalties, fees and expenses, significant delays in our operations or even the complete shutdown of our operations. We provide for estimated environmental rehabilitation costs when the related environmental disturbance takes place. Estimates of rehabilitation costs are subject to revision as a result of future changes in regulations and cost estimates. The costs associated with compliance with government regulations may ultimately be material and adversely affect our business.

If our environmental and other governmental permits are not renewed or additional conditions are imposed on our permits, our financial condition and results of operations may be adversely affected.

Generally, compliance with environmental and other government regulations requires us to obtain permits issued by governmental agencies. Some permits require periodic renewal or review of their conditions. We cannot predict whether we will be able to renew these permits or whether material changes in permit conditions will be imposed. Non-renewal of a permit may cause us to discontinue the operations requiring the permit, and the imposition of additional conditions on a permit may cause us to incur additional compliance costs, either of which could have a material adverse effect on our financial condition and results of operations.

Labor disruptions could have an adverse effect on our operating results and financial condition.

All Malian national employees are members of the Union Nationale des Travailleurs du Mali, or UNTM. Due to the number of employees that belong to UNTM, we are at risk of having Morila and Loulo's mining and exploration operations stopped for indefinite periods due to strikes and other labor disputes. Should any labor disruptions occur,

our results of operations and financial condition could be materially and adversely affected.

AIDS poses risks to us in terms of productivity and costs.

The incidence of AIDS in Mali, which has been forecasted to increase over the next decade, poses risks to us in terms of potentially reduced productivity and increased medical and insurance costs. The exact extent to which our workforce is infected is not known at present. The prevalence of AIDS could become significant. Significant increases in the incidence of AIDS infection and AIDS-related diseases among members of our workforce in the future could adversely impact our

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operations and financial condition.

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Item 4. Information on the Company

#### A. HISTORY AND DEVELOPMENT OF THE COMPANY

Randgold Resources Limited was incorporated under the laws of Jersey, Channel Islands in August 1995, to engage in the exploration and development of gold deposits in Sub-Saharan Africa. Our principal executive offices are located at La Motte Chambers, La Motte Street, St. Helier, Jersey, JE1 1BJ, Channel Islands and our telephone number is (011 44) 1534 735-333. Our agent in the United States is CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

We discovered the Morila deposit during December 1996 and we subsequently financed, built and commissioned the Morila mine.

During July 2000, we concluded the sale of 50% of our interest in Morila Limited and a shareholder loan made by us to Morila Limited to AngloGold Ashanti for \$132 million in cash.

We have an 80% controlling interest in Société des Mines de Loulo S.A., or Somilo, through a series of transactions culminating in April 2001. The new Loulo mine commenced operations in October 2005 and mines the Loulo 0 and Yalea deposits. We discovered the Yalea deposit in 1997.

We conduct our mining operations through:

- a 50% interest in Morila Limited; and
- a controlling interest in Somilo, the Yalea and Loulo 0 deposits and further exploration within the greater lease area situated within the Loulo permit.

In July 2002, we completed a public offering of 5,000,000 of our ordinary shares, including American Depositary Shares, or ADSs, resulting in gross proceeds to us of \$32.5 million. These proceeds were used to repay a syndicated

term loan and revolving credit facility in November 2002 and for feasibility studies and development activities. In connection with this offering, we listed our ADSs on the Nasdaq National Market.

In September 2002, we completed an exchange offer in which we exchanged substantially all of our outstanding Global Depositary Shares for ADSs representing a like number of our ordinary shares.

On March 10, 2003, we changed our ADR ratio from two ordinary shares to one ADR, to one ordinary share to one ADR.

On April 16, 2003 we entered into a heads of agreement with Resolute Mining Limited, or Resolute. Under this agreement we gave Resolute a 12 month option to acquire our entire interest in our wholly-owned subsidiary, Randgold Resources (Somisy) Limited, or RRL Somisy, for \$6 million, plus a quarterly royalty payment based on the gold price. RRL Somisy owns 80% of Somisy which owns the Syama mine. In addition, Resolute would accept \$7.0 million of Syama's liabilities. During the option period, Resolute paid us option fees of \$75,000 per month.

As of June 13, 2003, Randgold & Exploration had a percentage ownership in us of 43%. Since that time, a number of transactions have taken place which have resulted in all of our shares which were held by Randgold & Exploration being sold. Currently Randgold & Exploration has no interest in us.

In February 2004, we announced that we would develop a new mine at Loulo in western Mali. Construction continued through 2005 and the new mine went into production from open-pit operations in October 2005. In addition, as a result of the positive outcome of the development study on the underground potential to extend the life of the proposed Loulo operation our board agreed to proceed with the development of the underground mine. The first phase of this development is scheduled to commence in the third quarter of 2006.

In April 2004, Resolute exercised their option to acquire the Syama mine. Resolute has subsequently paid us \$6 million in cash and has assumed liabilities of \$7 million, of which \$4 million owing to ourselves has been settled. The agreement entered into in June 2004 between the parties

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makes provision for the payment of a royalty by Resolute. At a gold price of more than \$350 per ounce, we would receive a royalty on Syama's production of \$10 per ounce on the first million of ounces attributable to Resolute and \$5 per ounce on the next three million of attributable ounces entered. This royalty payment is capped at \$25 million. In April 2006, Resolute announced that they would commence a recommissioning of the Syama mine. We did not receive any royalties during the year ended December 31, 2005.

The Companies (Jersey) Law, 1991, or the 1991 Law, places restrictions on our ability to pay dividends. Because of accumulated losses, we have not been able, under the 1991 Law, to make dividend payments. At our annual general meeting, held on April 26, 2004, our shareholders approved a resolution to reduce our share premium account by \$100 million. This enabled us to re-organize our balance sheet and has placed us in a position to have the option to pay dividends from our future trading profits. On April 27, 2004, the Royal Court in Jersey, Channel Islands, sanctioned the capital reduction which has now become effective. No capital was returned to shareholders in connection with this adjustment. As a result of the Court approval, accumulated losses of \$75 million have been cancelled from our profit and loss account and an amount of \$25 million has been transferred to a special reserve which shall be treated as our realized profit and will be available for distribution to our shareholders by way of dividend, return of capital or

otherwise and/or for transfer to our profit and loss account to the extent of any accrued losses thereon at any time.

Effective on June 11, 2004, we undertook a split of our ordinary shares, which increased our issued share capital from 29,263,385 to 58,526,770 ordinary shares. In connection with this share split our ordinary shareholders of record on June 11, 2004 received two (2) \$0.05 ordinary shares for every one (1) \$0.10 ordinary share they held. Following the share split, each shareholder held the same percentage interest in us, however, the trading price of each share was adjusted to reflect the share split. ADR holders were affected the same way as shareholders and the ADR ratio remains 1 ADR to 1 ordinary share.

#### Recent Developments

On November 1, 2005, we completed a public offering of 8,125,000 of our ordinary shares, including ADSs, resulting in gross proceeds to us of \$109.7 million. The new shares were allocated to institutional shareholders in the United Kingdom, the United States, Canada and the rest of the world. The proceeds from the offering will first be used for the development of the underground project at Loulo 0 and Yalea, then for the Tongon feasibility study, together with such other organic and corporate opportunities, including possible acquisitions, as might arise.

In August 2004, we entered into a fixed lump sum turnkey contract for \$63 million for the design, supply, construction and commissioning of the Loulo processing plant and infrastructure with MDM Ferroman (Pty) Ltd (“MDM”). At the end of 2005, after making advances and additional payments to MDM totaling \$26 million in excess of the contract, we determined that MDM was unable to perform its obligations under the MDM Contract, at which time we enforced a contractual remedy which allowed us to act as our own general contractor and to complete the remaining work on the Loulo project that was required under the MDM Contract.

As a result of MDM's failure to perform under the MDM Contract, we believe that we are entitled to recover from them all amounts paid in excess of the lump sum contract. Certain of these amounts have been capitalized as part of the cost of the Loulo project. In addition, MDM has signed loan agreements with us and performance bonds in our favor, for amounts totaling approximately \$12.2 million which is included in accounts receivable. Approximately \$7 million of such accounts receivable are secured by performance bonds, and \$5.2 million are secured by various fixed assets, debtors, bank accounts and personal guarantees.

We believe that we have sufficient security to recover the full amount of \$12.2 million included in accounts receivable. However, there is a risk that the security may be found to be worth less than the amount of the accounts receivable. Although we believe that our claims against the performance bonds are meritorious, the issuer of the performance bonds is disrupting any liability under the performance bonds. The legal process to progress our claim has commenced, but we are unable to

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provide assurance that we will recover the full amount of \$7 million. In addition, we are unable to provide assurance as to the recoverability of the full amount of the \$5.2 million of security provided by MDM.

In addition, we cannot provide any assurance that we will ultimately bring an action against MDM to recover any damages claimed against MDM, or that if any such claims are brought they will ultimately result in any recovery against MDM. The financial statements do not reflect any charge that may arise from MDM's inability to settle amounts that are determined to be payable to us by MDM.

We have brought an action seeking MDM's liquidation. MDM is currently opposing its final liquidation based upon counter claims which it allegedly has against us. We believe that these allegations are without merit and merely an attempt to avoid liquidation. To date, MDM has not instituted legal proceedings against us with regard to these counter claims. We do not believe that MDM has a valid basis for asserting claims against us, although we can provide no assurance that MDM will not attempt to bring any such claims in the future.

#### Principal Capital Expenditures

Capital expenditures incurred for the year ended December 31, 2005 totaled \$73.2 million (excluding the Loulo power plant acquired under a finance lease) compared to \$68.5 million for the year ended December 31, 2004 and \$6.7 million for the year ended December 31, 2003. As of December 31, 2005, our capital commitments amounted to \$27.3 million, principally for the Loulo Project. The capital expenditures will be financed out of internal funds. Total initial capital cost for Loulo underground is expected to amount to \$85 million from 2006 through 2009.

### B. BUSINESS OVERVIEW

#### Overview

We engage in gold mining, exploration and related activities. Our activities are focused on West and East Africa some of the most promising areas for gold discovery in the world. In Mali, we own 50% of Morila Limited, which in turn owns 80% of Morila SA, the owner of the Morila mine. In October 2005 the first gold was poured at our new Loulo mine, in which we have an 80% controlling interest. The Loulo open pit mine was formally opened by the Malian President on November 12, 2005. In addition, we have a feasibility stage project in the neighboring country of Côte d'Ivoire, as well as exploration permits covering additional areas in Mali, Côte d'Ivoire, Burkina Faso, Ghana and Senegal and exploration licenses in Tanzania. As of December 31, 2005, we had declared proven and probable reserves of approximately 5.42 million ounces attributable to our percentage ownership interest in our assets.

Our strategy is to achieve superior returns on equity through the discovery, management and exploitation of resource opportunities, focusing on gold. We seek to discover bulk tonnage gold deposits, either from our own phased exploration programs or the acquisition of early stage to mature exploration programs. We actively manage both our portfolio of exploration and development properties and our risk exposure to any particular geographical area.

The focus of Morila SA's exploration activities is on extending the existing orebody and discovering new deposits which can be processed using the Morila plant. A 40,000 meter regional drilling program has commenced which will explore the mine lease area with a focus on the south western extension of the high grade axis identified in the pit.

Outside of Morila SA, we hold exploration permits covering 3,000 square kilometers in the Morila region, where we are engaged in early stage exploration work.

In February 2004 we announced that we would develop a new mine at Loulo in western Mali. The new mine commenced production in October 2005. In addition, a development study has been completed on the underground potential to extend the life of the proposed new Loulo operation. The board approved the development of the underground mine in August 2005. It is anticipated that the underground development will commence in the third quarter of 2006.



The focus of exploration at Loulo is to continue to explore and discover additional mineralized material from the 372 square kilometer permit.

We also own an advanced-stage development project at Tongon, located in Côte d'Ivoire. We have not yet committed to constructing a mine at Tongon. However, our work to date, together with the current gold price environment, indicates that a profitable mine could, subject to the political climate in Côte d'Ivoire, potentially be developed.

#### Ownership of Mines and Subsidiaries

The Morila mine is owned by a Malian company, Morila SA. The mine is controlled by a 50/50 joint venture management committee with day-to-day operations being the responsibility of a Malian subsidiary of AngloGold Ashanti.

Under a joint venture agreement between us, we are each entitled to appoint four directors to the board of directors of Morila Limited, the sole shareholder of Morila SA. AngloGold Ashanti is entitled to appoint one of its four directors as chairman, which position does not possess an additional vote. A quorum of the board for any meeting may only be achieved if at least two directors appointed by each of us are present. We have further agreed that all major decisions involving Morila Limited must be decided upon at the board level on a consensus basis, though under an operating agreement we have agreed to delegate responsibility for and authority regarding the day-to-day operation of Morila to a subsidiary of AngloGold Ashanti. Under the joint venture agreement, if either party wishes to sell its interest in Morila Limited, the other has a right of first refusal regarding that interest.

At March 31, 2006, Morila had been in production for 66 months and in that time had produced approximately 3.8 million ounces at a total cash cost of less than \$125 per ounce.

The Loulo mine is owned by a Malian company, Somilo, which in turn is owned 80% by Randgold Resources (Somilo) Limited, our wholly-owned subsidiary, and 20% by the State of Mali. Randgold Resources is the operator of the Loulo mine. In 2005, Loulo's production was 67,984 ounces at a total cash cost of \$165 per ounce.

#### Geology

We target profitable gold deposits that have the potential to host mineable gold reserves of two million ounces or more.

West Africa is one of the more geologically prospective regions for gold deposits in the World. Lower Proterozoic rocks are known to contain significant gold occurrences and occur in West Africa in abundance. The Birrimian greenstone belts, part of the Lower Proterozoic, which are younger than the Archaean greenstones of Canada, Australia and South Africa, contain similar types of ore deposits along with Birrimian greenstone belts that are located in Ghana, Côte d'Ivoire, Burkina Faso, Guinea, Mali, Senegal and Niger. Although a significant amount of geological information has been collected by government and quasi-government agencies in West Africa, the region has largely been under-explored by mining and exploration companies using modern day technology. Most of our exploration properties are situated within the Birrimian Formation, a series of Lower Proterozoic volcanic and sedimentary rocks. The West African Birrimian sequences host a number of world class gold deposits and producing gold mines.

Our strategy was initiated before the current entry of our competitors into West Africa and we believe that this enabled us to secure promising exploration permits in the countries of Côte d'Ivoire, Mali, Burkina Faso, and Senegal at relatively low entry costs.

#### Reserves

Only those reserves which qualify as proved and probable reserves for purposes of the SEC's industry guide number 7 are presented in this Annual Report. The reserves are calculated at an average gold price of \$425 per ounce over the life of the mine or project.

Morila reserves have been estimated by our joint venture partner, AngloGold Ashanti. The Loulo mine and Project reserves were estimated by us in conjunction with our independent mining engineers.

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Total reserves as of December 31, 2005, amounted to 60.71 million tonnes at an average grade of 4.08 g/t, giving 7.95 million ounces of gold of which 5.42 million ounces are attributable to us. In calculating proven and probable reserves, current industry standard estimation methods are used. The reserves were calculated using classical geostatistical techniques, following geological modeling of the borehole information. The sampling and assaying is done to internationally acceptable standards and routine quality control procedures are in place.

The preferred technique used for estimation was ordinary kriging, and the resources have been converted to reserves by the application of all the necessary economic, mining and metallurgical parameters into a pit optimization algorithm. All reserves are based on feasibility level studies.

Factors such as grade distribution of the orebody, planned production rates, forecast working costs and metallurgical factors as well as current forecast gold price are all used to determine a cut-off grade from which a life of mine plan is developed in order to optimize the profitability of the operation.

The following table summarizes our declared reserves as of December 31, 2005:

Operation/ Project	Proved Reserves			Probable Reserves				Total Reserves		
	Tonnes (Mt)	Grade (G/T)	Gold (Moz)	Tonnes (Mt)	Grade (G/T)	Gold (Moz)		Tonnes (Mt)	Grade (G/T)	Gold (Moz)
Morila mine	15.95	3.21	1.65	6.19	3.63	0.72	Our 40% share	8.86	3.33	0.95
Loulo Project *	13.75	3.48	1.54	24.82	5.07	4.05	Our 80% share	30.85	4.50	4.47

\*Includes Loulo underground.

1. A 10% mining dilution at zero grade and a gold loss of 5% have been incorporated into the estimates of reserves and are reported as mill delivered tonnes and head grades. Metallurgical recovery factors have not been applied to the reserve figures. The approximate metallurgical recovery factors would be 91.5% for the Morila mine and 89.6% for the Loulo mine.

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## Results of Operations

The following chart details the operating and production results from operations for the years ended December 31, 2005, 2004 and 2003:

	Morila Attributable 40%	Morila Total
2005		
Mined tonnes (million tonnes)	9.84	24.60
Ore tonnes mined (million tonnes)	2.80	7.00
Gold grade (g/t)	4.30	4.30
Ore tonnes milled (million tonnes)	1.52	3.80
Head grade (g/t)	5.90	5.90
Ounces production (oz)	260,440	651,110
2004		
Mined tonnes (million tonnes)	10.64	26.60
Ore tonnes mined (million tonnes)	2.12	5.30
Gold grade (g/t)	4.32	4.32
Ore tonnes milled (million tonnes)	1.40	3.50
Head grade (g/t)	5.20	5.20
Ounces production (oz)	204,194	510,485
2003		
Mined tonnes (million tonnes)	9.39	23.47
Ore tonnes mined (million tonnes)	1.62	4.05
Gold grade (g/t)	6.77	6.77
Ore tonnes milled (million tonnes)	1.31	3.27
Head grade (g/t)	8.33	8.33
Ounces production (oz)	317,597	793,992

## Mining Operations — Loulo

The Loulo Mine Project is situated in western Mali adjacent to the Falémé River – which forms the frontier with Senegal. It is located 350 kilometers west of Bamako and 220 kilometers south of Kayes. Loulo falls within the Birrimian sequence of the Kenieba inlier. This succession of volcano-sedimentary and clastic rocks contains several major regional shear structures hosting gold deposits such as Sadiola, Segala, Tabakoto, Loulo 0 and Yalea as well as numerous other satellite targets. Loulo is situated 96 kilometers from Sadiola and approximately 25 kilometers from Segala and Tabakoto.

Following the 2003 updated feasibility study on the Loulo open pit project (which comprises the Loulo 0 and Yalea deposits) and the rise in the gold price, our board and that of Somilo approved the development of the Loulo open pit project. Construction commenced in February 2004. The mine produced its first gold in September 2005 and made its first gold sale on November 8, 2005, which marked the commencement of the five year tax holiday and three year duty free period granted to the mine under the Loulo establishment convention.

The President of Mali, Amadou Toumani Touré, officially opened the Loulo open pit mine on November 12, 2005 at an event attended by, among others, Malian government ministers, ministers from other West African countries, several thousand local villagers and their leadership, and our board.

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A summary of the salient production and financial statistics follow:

	12 months ended December 31, 2005
Loulo Results	
Mining	
Tonnes Mined (000)	12,096
Ore tonnes mined (000)	1,213
Milling	
Tonnes processed (000)	551
Head grade milled (g/t)	4.5
Recovery (%)	94.3
Ounces produced	67,984
Average price received (\$/oz)	499
Total cash costs (\$/oz)*	165
Gold revenue (\$million)	30.7

We own 80% of Loulo with the Government of Mali owning 20%. Attributable production for the year is 54,387 ounces.

\*Refer to Item 3 for a definition of total cash cost and total cash cost per ounce.

### Mining

During 2005 a total of 1.2 million ore tonnes at 3.66g/t was mined at Yalea. A selective mining and stockpiling strategy was implemented in August 2005 which allowed for the stockpiling of ore according to hardness and grade. Various stockpiles differentiating grade and material hardness were created to allow preferential treatment of soft high grade ore together with soft high grade feed from the pit. This allowed for the feed grade to be kept at 4.5g/t for the year.

At the end of December 2005, total stockpiled material was 661,833 tonnes at 2.94g/t. Of this, 401,587 tonnes at 2.83g/t was soft material feedable through the mineral sizer. A mobile crusher and screening facility operated during the first quarter of 2006, which allows the medium and high grade transitional ore on the stockpiles (197,941 tonnes at 3.64g/t) to be fed through the soft ore mineral sizer.

### Ore processing

The Phase 1 plant operation has been satisfactory, despite the lack of completion of certain areas of the facility. Throughput, recovery and reagent utilization have all met forecast levels. The operational team continues to meet its objectives, while our capital projects team completes all the outstanding issues of Phase 1, being the processing plant, which has been in production since September 2005 and the commissioning of the hard rock crushing circuit. The Phase 2 hard ore crushing plant was not completed by MDM in accordance with the construction contract. In January 2006, we took the project over ourselves. The hard rock crushing circuit is nearing completion and is scheduled to be commissioned by the end of the second quarter 2006.

The operation of the softer ore Phase 1 circuit is being extended through:

- Utilization of current ore stockpiles.
- Use of mobile crushing facilities, already established on site, to break down the harder material fraction which increases as the mining horizon deepens in the Yalea pit. This allows transitional ore to be fed through to the soft ore crusher.
- Further infill drilling to facilitate grade control mapping at the P129 pit allows this softer ore material to be brought into the production mix in the first quarter of 2006.

Manpower build up is nearing its peak following Loulo's first commercial sale of gold. Although the construction workforce is decreasing on the Phase 1 plant, this resource is being re-deployed on the Phase 2 construction work. Further on-the-job training to local employees in the plant area is being provided to improve their skills levels.

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### Mineral material and reserves

Grade control versus plant check out reconciliations was at 3% for tonnes and 1% for grade, and was within the 5% target for the year. The geological emphasis in mining operations, together with a very visual orebody, has allowed dilution to be kept to a minimum.

Deep drilling continued through 2005 on both Yalea and Loulo 0, allowing total mineralized material for Loulo to be increased by 24% to just short of 10 million ounces. This increase occurred despite the depletion of 73,500 ounces from ore fed to the plant. More importantly, an additional 3.82 million ounces of this mineralized material was converted into reserves, thus achieving the objective of adding value through the reserve to mineralized material ratio from 23% to 56%. The successful completion of the underground feasibility study, along with further updates, has enabled the conversion of 3.82 million ounces into underground reserves and allowed the go-ahead of this exciting project.

Greenfields exploration continued with good results emerging from the Faraba and P64 targets in the south of the permit.

Ore Reserves	Mt	g/t	Mozs
Loulo 0 pit			
Proven	7.29	3.29	0.77
Probable	0.24	3.00	0.02

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Sub-total	7.53	3.28	0.79
Yalea pit			
Proven	5.80	3.79	0.71
Probable	0.72	5.56	0.13
Sub-total	6.52	3.98	0.84
P125 pit			
Proven	—	—	—
Probable	0.51	3.53	0.06
Sub-total	0.51	3.53	0.06
P129 pit			
Proven	—	—	—
Probable	0.24	2.67	0.02
Sub-total	0.24	2.67	0.02
Stockpiles			
Proven	0.66	2.94	0.06
Probable	—	—	—
Sub-total	0.66	2.94	0.06
Total surface sources			
Loulo 0 underground	15.45	3.56	1.77
Proven	—	—	—
Probable	5.14	4.00	0.66
Sub-total	5.14	4.00	0.66
Yalea underground			
Proven	—	—	—
Probable	17.98	5.46	3.15
Sub-total	17.98	5.46	3.15
Total underground			
Loulo total	23.12	5.13	3.82
Proven	13.75	3.48	1.54
Probable	24.82	5.07	4.05
Total	38.57	4.50	5.59

- Reserves are reported at a gold price of \$425 per ounce.
- Dilution of 10% and ore losses of 5% are incorporated into the calculation of reserves.
- Stockpiled ore included.

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Plant design, construction and commissioning

Despite major problems with the main contractor, MDM, sufficient progress was made on the first phase of the plant to allow the commissioning of the soft material circuit in August and September 2005, resulting in production of gold from the gravity circuit in September. The commissioning of the carbon circuit followed allowing gold production to stabilize and the first gold sale to be made on November 8, 2005.

Due to a failure on the part of MDM to meet its commitments on the Loulo project and after due notice in terms of the contract, we assumed responsibility for the final completion of any outstanding matters relating to Phase 1 and the

finalization and construction of the Phase 2 hard rock crushing circuit. Our project team is now handling the day-to-day management of the construction activities. Although we are still in the process of completing the ‘‘punch list’’ items of Phase 1, the operation has settled down, and is milling in excess of 8,000 tonnes per day of softer material.

Civil works on the Phase 2 development have progressed with the completion of the crushing circuit expected by the end of the second quarter of 2006. The primary crusher, secondary and tertiary crushers were delivered to the site in March 2006. Additional manpower and mobile cranes have been mobilized to ensure that sufficient resources are available to complete the construction of the crushing plant timeously.

#### Tailings storage facility

Design of a conventional tailings facility has now been finalized and construction of a one-year starter wall has been completed at a site some six kilometers east of the process plant. A contractor with considerable experience in the tailings disposal industry has been engaged to assist us with the management of this facility.

#### Water supply

Construction of the pumping station at the Falémé River within the basin of the Falémé weir has been completed as has the Garra dam. The weir downstream of the intake station is to retain water in the basin for use in the dry season when the flow stops. The weir, along with the Garra storage dam and the tailings storage facility, are key to Loulo’s water management strategy.

#### Power supply

Although the mine owns its power generation facility, Somilo has retained the services of Manutention Africaine, the Malian Caterpillar affiliate, to operate and maintain it. The generation facility houses 15 Caterpillar 3512 units with a total rated capacity of 18 megawatts. It has been designed to accommodate a further seven units to allow for expansion to supply the underground operations. Manutention Africaine is fully established on site and the power plant is running smoothly.

#### Loulo underground project

During 2005, our evaluation team and SRK Consulting completed a development study examining the feasibility of mining the down-dip extensions of the Loulo 0 and Yalea open pit orebodies from underground. The results, including estimated reserves as of June 30, 2005, showed that the project had the potential to add significant mine life. As a stand-alone underground project and based on the results of an initial drilling program, it was estimated that approximately 1.8 million ounces could be recovered within the first ten years of production, with the remaining defined ounces recoverable after that period. The study envisaged that sub-level open stoping with or without post-fill depending on the grade of the area would be the preferred mining method. Metallurgical test work has confirmed that the deeper ore is no different from the shallower ore and that the current plant along with the already approved additional leach tanks will be able to process the underground ore.

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The table below summarizes projected capital and operating expenditure estimates for the stand-alone Loulo 0 and Yalea underground project for the periods indicated.

Loulo Underground Project

SRK Feasibility Study	Loulo 0	Yalea
Average total cash cost per ounce	\$262 per ounce	\$203 per ounce
Capital expenditure 2006-2009	\$40 million	\$45 million
Average ongoing capital expenditure (development, fleet and infrastructure) per year	\$2.9 million	\$5.2 million

Our board approved the development of the underground project based on the SRK study. Subsequent to this, an experienced underground manager was appointed to advance the development of the underground project. An internal and external review of the SRK underground mining plan was also undertaken with the goal of developing a plan to exploit both the Yalea and Loulo 0 orebodies optimally as part of an integrated open pit and underground operation.

As a result of this review, the following changes were made to the SRK plan and design:

- Increase of the mineralized material and reserve base against the initial study at Yalea and Loulo 0 as a result of infill and extensional drilling.
- Five additional levels available for stoping at Yalea.
- The use of conveyor belts for transporting both waste and ore from the underground section to surface. This configuration offers numerous advantages, the most important being the ability to increase production rates beyond what is possible by underground fleet transport. There will also be ventilation and safety benefits.
- Decline design incorporating long straight sections at an inclination of 9 degrees.
- The size of the single decline has been changed to two (4.5 meter wide and 4.5 meter high) declines which provide a better sectional ventilation intake area and accommodates the proposed conveyor system.
- Indications at this stage are that while the Loulo 0 boxcut and the initial portion of the decline will be developed simultaneously with the Yalea boxcut and decline, the focus will be on the development of the Yalea mine, and the Loulo 0 development, based on ore feed requirements, will be scheduled later.
- Current mine scheduling indicates LOM production could extend beyond 2020 and should average more than 250,000 ounces per annum.
- A site visit by the prospective underground mining contractors has taken place and the award of the contract is expected towards the end of June 2006.

The capital program for 2006, estimated at some \$20 million, was approved and will allow for site establishment, purchase of mining equipment and establishment of the portal and declines. Portal construction will start in the third quarter of 2006 and the main decline development should access first development ore late 2007.

Human Resources

Manpower

Manpower levels at Loulo increased during 2005 as the project progressed and mining and processing started. Expatriates make up 7% of the total workforce.



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	December	December
	2005	2004
Loulo Manpower		
Mine	519	278
Construction	499	382
Mining contractors	184	0
TOTAL	1,202	600

Training

Three Loulo employees successfully completed their MBA degrees during 2005. A strategic planning program and three team effectiveness workshops were held at Loulo during 2005. Engineering maintenance and metallurgical action learning modules were implemented throughout the year.

All mine and contractor employees attended the mine's induction and safety training course. Cyanide awareness, first aid treatment for cyanide victims and cyanide handling courses were held during November and attended by all processing plant employees.

Industrial relations

Industrial relations remained positive throughout the year. Plans for the election of union officials and the setting up of a union structure early in 2006 were discussed and agreed with SECNAMI, the largest Malian mining union. Loulo will support SECNAMI in organizing the election.

Community development

Relations with the community remained good throughout the year and community liaison committee meetings were held monthly. The focus areas agreed by the community were employment of local villagers, water provision and basic health, primary education and food security.

During the year the following activities were undertaken:

Employment of local villagers

Learning ability and other psychometric testing was carried out to select young people from the villages surrounding the mine for apprenticeship and/or other skilled and semi-skilled learner programs.

In addition, Loulo and its contractors continued to apply a recruitment process that gives preference to local villagers over other job seekers. As of December 2005, 310 local villagers were employed on the Loulo project.

Education

The schools in the local villages were refurbished and buildings repaired during the year in partnership with members of the community. A new primary school was built as part of the capital program in Djidian-Kenieba adjacent to the mine. Teaching staff at the village schools was increased by the mine funding one teacher for each one funded by the community.

School furniture and learning resources and equipment were donated by the mine to village primary schools.

Food security

Five vegetable gardens were established and vegetable seeds were distributed to gardeners in the villages surrounding the mine. The mine's agricultural educational program encourages and assists with the introduction of improved maize varieties.

#### Water provision

During the year a person from each village was trained to maintain and repair the eight water pumps installed by the mine in 2004, which together with assistance to obtain spares for the pumps, aims to ensure a continuous and reliable supply of potable water.

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#### Basic health

The mine assisted the Malian government and the World Health Organisation in vaccinating the population in a 25 kilometer radius of Loulo against polio and meningitis.

#### Malaria control and HIV/AIDS awareness

Educational and awareness campaigns were undertaken throughout the year to inform people in the local villages about malaria and HIV/AIDS.

#### Mining Operations — Morila

Our major producing asset since October 2000 has been the Morila mine. Morila was discovered and developed by us between 1996 and 2000 and is now owned by a Malian company, Morila SA, which in turn is owned 80% by Morila Limited and 20% by the state of Mali. Morila Limited is jointly owned by us and AngloGold Ashanti. The mine is controlled by a 50:50 joint venture management committee with day to day operations being the responsibility of AngloGold Ashanti Mali SA, or Anser, a Malian subsidiary of AngloGold Ashanti, under an operating agreement. During the year, Anser underwent a major restructuring and senior staff changes were implemented. An independent CEO was appointed who answers directly to the Morila SA board.

From the start of production in October 2000 through December 2005, Morila has produced approximately 3.8 million ounces of gold at a total cash cost of \$125 per ounce, and Morila SA has paid total dividends to its shareholders of \$428.8 million.

Morila produced 651,110 ounces of gold for the year, outstripping 2004's production by some 140,000 ounces. Slightly higher grade than budgeted as well as increased recoveries combined with an increased milling rate led to earlier forecasts being exceeded.

2005 started poorly with the plant failing to reach design capacity. Working together with its partner, we addressed the various issues with the goal of achieving consistent and sustainable production. While the plant was still not operating at full expanded capacity by year end, monthly throughput in the second half of the year increased by almost 10% over the first half, indicating that the remedial action was taking effect. Costs were reasonably well contained given prevailing increases in input costs. Cash operating costs, before adjusting for exceptional costs relating to provisions and indirect taxes, were \$189 per ounce, up from last year's costs of \$158 per ounce. Total cash costs were \$221 per

ounce for the year after year end accounting adjustments and indirect tax provisions.

Good mining performance in the last quarter allowed the mine to catch up the production lost in the third quarter as a result of an unprocedural strike by the mining contractor's employees.

Below is a summary of the salient production and financial statistics as well as a comparison with the previous year's results:

Morila Results	2005	2004
Total mined tonnes (million tonnes)	24.6	26.6
Ore tonnes mined (million tonnes)	7.0	5.3
Mined grade (g/t)	4.3	4.3
Ore tonnes milled (million tonnes)	3.8	3.5
Head grade (g/t)	5.9	5.2
Recovery (%)	91.7	87.9
Ounces produced (oz)	651,110	510,485
Average gold price received (\$/oz)	\$ 449	\$ 382
Total cash cost (\$/oz)*	\$ 221	\$ 184
Attributable (40% proportionately consolidated)		
Gold revenue (\$ million)	\$ 120.8	\$ 73.3
Ounces produced (oz)	260,444	204,194

\*Refer to item 3 for a definition of total cash cost and total cash cost per ounce.

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### Mining

Mining operations are carried out under contract by Somadex, which is a subsidiary of DTP Terrassement, the mining arm of the French construction company Bouygues. An alliance agreement which incorporates the principle of sharing the potential savings achieved by the contractor using agreed productivity assumptions and allowing for an agreed return has produced successes particularly in the improvement of productivity. During the year, the smaller mining fleet brought to site to assist with mining in 2004 was decommissioned as a result of the increased productivity.

The mine to mill project continued with the powder factor, blast patterns and blast initiation all being improved during the year. This has resulted in better fragmentation.

In the third quarter of 2005, Somadex staff embarked on an unprocedural strike which was subsequently declared illegal. Total tonnes mined for the third quarter of 2005 were negatively affected by the strike. However, by focusing on mining ore and blending from the higher grade stockpile ore, overall gold production was maintained. The strike was over by the fourth quarter of 2005 and the mining team was able to achieve the annual budgeted total tonnes mined.

### Ore processing

Mechanical failures and bottlenecks associated with the expanded plant continued to negatively affect plant throughput during the year. We worked with AngloGold Ashanti to understand and address the issues and the strategy of aiming for a gradual but sustainable increase in throughput appears to be working. This was evidenced by the increased throughput during the second half of 2005, which was 10% higher on average than in the first half.

#### Mineralized material

As a result of extension drilling in the south of the pit and in the pit wall, or “the Tonalite extension”, as well as in the north west of the pit, the mine has been successful in replacing all but a small portion of the mineralized material depleted by mining in 2005.

#### Morila Ore Reserves

Category	Tonnes (Mt) 2005	Tonnes (Mt) 2004	Grade (g/t) 2005	Grade (g/t) 2004	Gold (Mozs) 2005	Gold (Mozs) 2004	Attributable gold(40%) (Mozs)
Morila							
Proven	15.95	11.92	3.21	3.39	1.65	1.30	
Probable	6.19	13.87	3.63	2.87	0.72	1.28	
Sub-total							
Proven and probable	22.14	25.79	3.33	3.11	2.37	2.58	0.95

- Pit optimisation carried out at a price of \$425 per ounce.
- Dilution of 10% and ore loss of 5% are incorporated into the calculation of reserves.
- Cut-off grade of 1.4 g/t.
- Stockpiled ore included.

#### Ore reserves

Based on the current orebody model, the updated ore reserve is estimated for Morila depleted for mining to December 31, 2005.

The gold price at which pit optimization has been run has increased from \$375 per ounce to \$425 per ounce, but this increase has to some degree been offset by increases of input costs, such as diesel, transport and steel balls.

The success of the infill and extension drilling has led to an additional 508,449 ounces of reserves being identified, substantially replacing the 715,000 ounces delivered to the mill. The increased density

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of drilling has led to the proportion of reserves in the higher confidence proven category to increase from 50% to 70%. It is currently estimated that mining activities will cease during 2008 with processing of stockpiles continuing until 2013.

## Exploration

Morila focused its exploration activities on extending the existing orebody and discovering new deposits which can be processed using the Morila plant.

Significant additional mineralized material ounces were added during 2005 as a result of drilling extensions to the fringes of the orebody. Drilling has concentrated on the Tonalite extension to the south and the Morila shear zone west extension. Drilling to the south indicated that instead of the orebody being cut off by the Tonalite intrusion, the intrusion is of a more limited extent than previously thought and the mineralized horizon extends at depth to the south. As this extension to the south is aligned with the high grade axis, it is now the subject of an intensive exploration program.

Drilling at the Samacline target, 600 meters to the west of the pit, has also continued during 2005. Close spaced intersections have been effected through deflections from two boreholes in order to assess short scale variability. Assessment of a potentially mineable resource is underway.

We continued to believe in the potential of the mine lease to deliver another Morila type orebody and a new exploration program of the 200 square kilometer mine lease area was initiated by the end of 2005. This regional exploration comprises tactical and strategic targets and 40,000 meters of drilling is planned to cover the area. The program is being guided in certain areas by a recently completed structural analysis that has emphasized the unique and discordant architecture of the Morila structural domain. This work has enabled a more rigorous prospectivity analysis to be completed, which ranks the different prospective domains and highlights the areas most likely to host blind mineralization.

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The following map indicates the locations of Morila and Loulo within Mali:

Locality of the Loulo and Morila Mines in Mali

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Human resources

Manpower

The board of Morila appointed Richard le Sueur as independent chief executive on September 12, 2005. Manning levels related to permanent and temporary Morila and contractor employees on the mine at December 31, 2005, were as follows:

MORILA EMPLOYEES	Dec 2005	Dec 2004
National permanent	456	406
Temporary	0	44
Expatriate	33	50
Total	489	500
MORILA CONTRACTOR EMPLOYEES	Dec 2005	Dec 2004
National permanent	995	850
Expatriate	40	87
Total	1,035	937

#### Training and development

The mine's labor localization program has enabled expatriate staff numbers to be reduced by 17 during 2005. The mine currently has a complement of 18 engineering apprentices in training. Six Morila employees who attended the 2004 Management Development Programs graduated in February 2005 while an additional six attending the 2005 courses graduated in February 2006. One employee has enrolled for a Graduate Diploma in Engineering.

Five Malian engineering undergraduates studying on Malian Mining Industry Bursaries, sponsored by Morila, visited the mine for two months for practical vocational training.

Several safety related training courses were held at Morila during 2005, including first aid, cyanide handling and firefighting courses. Morila assisted Loulo by providing metallurgical operator basic training for 30 potential employees. Two capacity training courses for Morila union representatives were held in 2005.

#### Industrial relations

The industrial relations climate showed signs of improvement during the year and a Morila mine level agreement was signed in October with the Morila union.

The mining contractor, Somadex, experienced a three day strike in July which deteriorated into a protracted six week stay away.

The Morila union rejected a two day national strike call during October.

#### Community development

The three main micro economic development projects this year concerned the setting up of tree nursery projects, increasing the number of market gardens and enlarging rice growing projects in the villages surrounding the mine.

The main infrastructural development during the year was the construction and electrification of a library for the fundamental school in Sanso village.

The focus areas for the enhancement of basic health were the mosquito control and malaria education program and the HIV/AIDS awareness education campaign.

#### Development Project — Tongon

The three million ounce Tongon project is located in northern Côte d'Ivoire, 628 kilometers north of Abidjan within the 671 square kilometer Nielle permit.

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The project has been stalled at feasibility stage for the past couple of years while that country has been dealing with political instability and conflict. The current peace process has strong African and international support and we believe our patience and commitment will eventually be rewarded. We have recently visited the site and shared our plan to restart the project with the transitional government and regional authority, both of which indicated their support. The intention is to re-establish the camps and initiate a strategic drilling program prior to the elections planned for late 2006. Should the elections have the anticipated stabilizing effect, a feasibility drilling program will then be implemented.

The June 2002 prefeasibility study on Tongon has also been reviewed in June 2005 with new parameters:

- Potentially mineable material of 13.05 million tonnes at a grade of 3.54 grams per tonne for only the southern zone, assuming dilution of 15% and ore loss of 2%.
- Strip ratio of 4.38:1 and cost of \$1.51 per tonne mined over the life of mine.
- Recoveries of 97.4% for the oxides and 82.1% for the sulfides.
- Production rates of 240,000 tonnes per month in oxides and 200,000 tonnes per month in sulfides.
- Life of mine unit cost of approximately \$22 per tonne milled and \$260 per ounce cash cost.
- Total life of mine capital costs of \$111 million.
- Gold price of \$400 per ounce.
- Côte d'Ivoire royalty of 3% on gold sales.
- Five year tax holiday.

The assessment takes into account the increases in diesel, steel and transportation costs affecting mining projects worldwide. On the basis of this preliminary economic assessment, the project continues to meet our hurdle rates for further investment.

A 27,000 meter drilling program to close the interhole spacing to 50 meter by 50 meter grid has been designed. This will allow the completion of a final feasibility study and production decision within two years of the recommencement of exploration and feasibility activities.

## Exploration Projects

In 2005, exploration activities concentrated on the extension of known orebodies and identification of new orebodies both at existing and undeveloped sites. In addition we continued with our expansion of the African footprint strategy within the most prospective gold belts of both West and East Africa and now have operations in six countries with a portfolio of 159 targets on a ground holding of 21,319 square kilometers.

## Exploration key highlights:

- At Loulo, as well as conversion of mineralized material to reserves, exploration is focused on the next discovery.
- At Morila, a regional exploration program is underway in an attempt to discover a second orebody.
-

In Mali South, a three dimensional exploration model is being developed enabling the identification of targets for drilling during the second quarter of 2006.

- In Senegal, a portfolio of 31 targets is being evaluated.
- In Ghana and Burkina Faso, exploration has commenced on a new portfolio of permits.
- In Tanzania, an agreement has been concluded with the government consolidating our ground holding in the Musoma region. In the Mara district, conceptual targets are being drill tested.

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In summary, we have a quality portfolio of exploration projects in West and East Africa. This reflects our business strategy of organic growth through exploration and our primary objective of building sustainable mining projects with significant returns.

### Mali

#### Loulo

In addition to the work converting mineralized material and the deep drilling at both the Yalea and Loulo 0 orebodies, exploration has concentrated on the next discovery by evaluating a quality portfolio of targets within the 372 square kilometer permit area.

The Faraba target is associated with a four kilometer, north-south striking plus 100ppb soil anomaly. Follow-up trench and RAB drilling have so far delineated 2.5 kilometers of bedrock mineralization. This was followed up by a first phase reconnaissance RC drilling program covering an 800 meter strike. Results include: FARC04 – a broad intersection of 78 meters at 1.60g/t with 57 meters at 2.05g/t and higher grade inclusions of 7 meters at 6.43g/t and 5 meters at 4.87g/t; FARC06 – a broad intersection of 52 meters at 2.41g/t with 28 meters at 3.49g/t and higher grade inclusions of 6 meters at 11.3g/t; FARC21 – 27 meters at 4.14g/t; and FARC022 – 92 meters at 1.69g/t with higher grade inclusions of 11 meters at 5.55g/t and 6 meters at 3.22g/t. Geologically the target is similar to Yalea in that a north-south striking shear has developed at the contact between argillaceous quartzite and greywacke.

At P64, a 1.5 kilometer plus 100ppb north-northwest soil anomaly characterizes the target. A program of seven follow-up RC holes for 1,097 meters has so far tested a 300 meter strike. Results include: P64RC05 – a broad intersection of 81 meters at 1.75g/t including 4 meters at 12.60g/t and 5 meters at 6.86g/t; and P64RC06 – a broad intersection of 71 meters at 5.45g/t and 16 meters at 2.07g/t. Mineralization is associated with strongly disseminated pyrite, hosted in altered greywacke (chlorite-silica-carbonate-iron).

#### Sitakily

Exploration has started at Sitakily, 21 kilometers east of Loulo. Mineralization is associated with porphyry dykes which have intruded folded metasedimentary rock. Reconnaissance diamond drilling has started.

#### Selou

The Selou area consists of three permits directly south of the Loulo exploitation lease and work to date has identified two main targets: Sinsinko and Boulandissou.



Sinsinko is underlain by a 1.75 kilometer north-south trending plus 30ppb soil anomaly and has been followed up by three lines of RAB drilling. The results returned a 25 meter wide anomalous halo (plus 100ppb) within which 6 meters at 1.02g/t, 5 meters at 1.23g/t and 6 meters at 1.20g/t were returned. The mineralization is associated with tourmaline-sericite-carbonate-haematite-silica alteration of a grewacke host. RC drilling is planned as a follow-up.

At Boulandissou, three RC holes were drilled 100 meters apart, testing the extension of a north trending ironstone unit beneath a laterite plateau which locates within an overall eight kilometer shear corridor, anomalous in gold. All three holes intercepted mineralization, with best results returned of 18 meters at 1.21g/t, 6 meters at 2.17g/t and 3 meters at 3.18g/t. Gold anomalism and mineralization in the RC holes is hosted in altered quartzite and associated with weak disseminated pyrite and arsenopyrite. The alteration patterns are dominated by brecciation in association with silica, tourmaline and weak sericite. Additional drilling is planned to test strike extensions.

#### Morila exploitation lease

At Morila a two pronged exploration strategy has been developed with the objectives being (i) to pursue the extensions in the main high grade payshoot as defined by the existing orebody and (ii) to

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provide an assessment of the mineralized material potential within the greater Morila lease area. Various alternative exploration outcomes have been evaluated through a combined scenario planning decision tree approach to ensure that the stated exploration program aims are achieved without compromising value-adding opportunities that may arise at various stages in the program.

The flat lying nature of the Morila orebody, especially as a blind or buried exploration target, limits the use of conventional exploration geochemical or geophysical target generation techniques. In the search for a buried Morila the primary targeting tool will revolve around a regional diamond drilling program.

#### Morila regional and southern Mali

In the Morila region, outside the Morila mine lease, work to date has not identified an orebody at surface. However, additional conceptual drilling on three targets highlights the presence of gold mineralization, alteration, prospective lithologies and a structural framework similar to Morila.

Generative and conceptual targeting continues with a hyperspectral study being undertaken over Morila and surrounding area with the aim of identifying spectral and structural signatures associated with mineralization. This will be incorporated with the results from remodelling of geophysical data and lead to the development of a three dimensional exploration model and identification of targets for drilling in 2006.

We have adopted a more aggressive policy towards regional exploration, targeting and permit acquisition outside the immediate vicinity of Morila. Modifications to the focus and strategy of the generative team in southern Mali has led to the acquisition of four new exploration authorizations and identification of new areas for further applications. Preliminary reconnaissance exploration has commenced with remote sensing interpretations, field and regolith mapping together with regional soil sampling programs.

We signed a second joint venture with OMRD on the Diamou and Seriba-Sobara permits to the northwest of Morila. Exploration to date has concentrated on the integration of previous results and a generative exercise which has resulted in the identification of 24 targets. Field work, which ranges from mapping and lithosampling to soil geochemistry and pitting, has been implemented over 11 of these targets providing information to assist with the planning of a RAB drilling program.

#### Senegal

The Senegal portfolio consists of 4 permits covering 1,326 square kilometers, within the Sabodala volcano-sedimentary belt in the east of the country. We have been systematically evaluating a portfolio of 31 targets and during the course of 2005 three of these were subjected to reconnaissance drilling, 5 were advanced, 8 newly identified and 7 rejected.

At Bambaraya, further work has identified a wide zone of iron carbonate alteration associated with mineralization and new trenches 100 meters north and 150 meters southwest of the main zone have intersected significant mineralization (BBTR04: 6 meters at 1.76g/t, 4 meters at 5.48g/t and 12 meters at 4.06 g/t; BBTR06: 12 meters at 2.34g/t).

Infill drilling at Sofia has increased knowledge of the target. There is a variation in the mineralization from broad, low grade envelopes to narrow, high grade intercepts along the 3,400 meter anomalous corridor. At present, the interhole spacing is 400 meters and between the best holes drilled in terms of results (44 meters at 2g/t and 6 at 9.5g/t), there is a combined strike of 1,600 meters untested. At Tombo, a small low grade amount of mineralized material has been identified.

#### Burkina Faso

In 2004 we recommenced exploration in Burkina Faso with two permits, Danfora and Kiaka. During 2005, a new countrywide generative study was completed. The results of this study revealed a major north-northeast structure on the eastern side of the country called the Markoye Shear, which continues into Ghana and is highly prospective. This major structure has associated northeast splays and 6 gold deposits/advanced projects with an accumulated gold mineralized material of eight million

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ounces. Eight new permits covering 2,025 square kilometers consolidate our land position over the southern part of this fault system where there is good infrastructure and water supplies. Early stage reconnaissance work has started on these eight permits with remote sensing interpretations, geological and regolith traverses together with regional soil and stream sediment sampling.

At Kiaka, the first permit awarded, a three hole reconnaissance diamond drilling program has been completed along a two kilometer segment of an overall 4.5 kilometer northeast trending mineralized structure within the permit. Results from the southern part indicate a thin mineralized zone albeit with moderate to high grades. To the north, where the zone is open along strike, a broad zone with generally a lower tenor of mineralization has been outlined. Further reconnaissance drilling is planned to explore the three kilometers still untested.

#### Ghana

In Ghana, work continued on generating new regional targets. As a result, three new permits have been granted totaling 6,956 square kilometers and an agreement has been concluded with a Ghanaian company, on a 92 square kilometer permit located within the Yamfo Sefwi volcano-sedimentary belt, along strike from Newmont's Ahafo project.

## Tanzania

Our big exploration success story in 2005 was Tanzania, where we have achieved the consolidation of our holdings across the Musoma Greenstone Belt and concluded the Tangold agreement, a joint venture with the government of Tanzania to develop new mineral deposits covering a 2,692 square kilometer area of interest on the Kiabakari Maji-Moto region. Included in the agreement are the Buhemba South and Kiabakari prospecting licenses. The latter incorporates the old Kiabakari mine and adds an advanced project to our portfolio.

The Kiabakari deposit was first discovered in 1893 and until the 1950s mining was limited to a few small open pits. During the 1950s underground mining was performed from a shaft developed to the 15th level (1,500 foot) and mined to the 10th level. Mining continued until August 1966 by which time approximately 300,000 ounces had been extracted at 6g/t and this ranked Kiabakari as the third largest gold producer in Tanzania. On closure of the mine the mill and headgear were dismantled leaving only the buildings, later turned into a military base which remains to this day.

A reconnaissance diamond drill program was completed on the Nyabigena South and Mobra East licenses in the Mara region, to test the extensions of mineralized structures hosting the North Mara mines. No broad zones of deformation, alteration or mineralization were intersected during this drilling resulting in these targets not meeting our criteria.

Two targets remain to be tested on the Nyabigena South permit:

Barata mine, four kilometers along strike from Mughusi along the same major 100 trending regional shear. There is a 75 vertical meter shaft where two levels were developed along a 200 meter strike. 10,000 ounces of gold at 18g/t were produced prior to the mine being abandoned due to flooding.

Nyakuba locates in the south of the permit on the Mara shear which hosts the Nyabirama mine and the new Komarera (plus 100,000 ounces) deposit of Placer, plus two old colonial mines (Mara and Pontana). Two trenches had previously been excavated returning 6 meters at 2.3g/t and 6 meters at 1.2g/t associated with deformed and altered granodiorite. However, no further work was completed by us as the structure is covered by thick Mbuga clays along strike from the trenches. Two lines of RAB are planned to test the strike extent.

In the Musoma region previous workers have focused on former colonial mines and known gold showings which outcrop at surface; these were also our initial focus and in the majority of cases they were confirmed to be narrow and tight systems, aside from the old Kiabakari mine. However, surface regolith cover is complex over large areas of the licenses with transported laterites, stripped profiles, recent lake sediments and volcanic ash which all impact on exploration. A detailed target generation study was executed incorporating interpretations of airborne geophysical surveys and Landsat 7 scenes

together with the integration of soil geochemistry, geology and regolith mapping data. This study resulted in the identification of prospective structural corridors below complex transported regolith profiles on the Kiabakari East, Nyasirori, Nyati, Buhemba South, Mrangi and Seka licenses which have been tested with a 289 hole 9,541 meter aircore drilling program. The results of which are driving follow-up work.

#### Mineral Rights

The following maps show the position of our current permits in West Africa and Tanzania:

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Locality of the Randgold Resources projects and exploration permits in West Africa

Locality of the Randgold Resources exploration licences in Tanzania

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The following table outlines the status of our permits as of April 30, 2006:

Country	Type	Area km <sup>2</sup>	Area sq miles	Equity %
Mali				
Loulo	EP	372	144	80.0
Morila	EEP	289	112	80.0
Morila	EP	200	77	40.0
Selou	EEP	25	10	52.0
Koba	EEP	58	22	5.0
Tiorola	EEP	257	99	70.0
Diokelebougou	EEP	393	152	70.0
Dionkola	EEP	122	47	70.0
Dieba	AE	233	90	80.0
Diossyan	AE	378	146	80.0
Sitakily	AE	45	17	JV*
Kemogola	AE	295	114	80.0
Moleguedougou	AE	102	39	80.0
Seriba-Sobara	EEP	500	193	JV*
Bena	EEP	13	5	80.0

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Diamou	EEP	500	193	JV*
Côte D'Ivoire				
Nielle	EEP	671	259	75.0
Boundiali	EEP	1,314	507	75.0
Dabakala	EEP	191	74	75.0
Mankono	RP	704	272	75.0
Sikolo	RP	500	193	75.0
Apouasso	EEP	1,000	386	100.0
Dignago	EEP	1,000	386	100.0
Senegal				
Kanoumering	EEP	405	156	90.0
Kounemba	EEP	408	158	90.0
Makana	EEP	110	42	63.0
Tomborokoto	EEP	403	156	90.0
Tanzania				
Nyabigena South	PL	36	14	100.0
Utimbaro	PL	16	6	100.0
Kajimbura	PL	46	18	100.0
Simba Sirori South	PL	51	20	100.0
Igusule	PL	44	17	100.0
Nyamakubi	PL	43	17	100.0
Kiabakari East	PL	62	24	100.0
Mammoth	PL	40	15	100.0
Blue Ridge	PL	58	22	100.0
Songora	PL	95	37	100.0
Busegwe	PLR	88	34	100.0
Kigumu	PL	131	51	100.0
Nyati	PL	82	32	70.0
Nyanza	PL	41	16	70.0
Mobrama East	PL	34	13	50.0
Mobrama East Ext.	PL	17	7	50.0

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Country	Type	Area km <sup>2</sup>	Area sq miles	Equity %
Kiserya Hills	PL	48	19	50.0
Nyasirori	PL	76	29	50.0
Nyasirori Ext.	PL	78	30	50.0
Mrangi	PL	29	11	50.0
Mrangi Ext.	PL	23	9	50.0
Suguti	PL	31	12	50.0
Suguti Ext.	PL	31	12	50.0
Mrito	PLR	272	105	100.0
Kiabakari East	PL	27	10	100.0
Geita East	PL	8	3	100.0
Kianyari	PL	77	30	50.0

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Buhemba South	PL	131	51	100.0
Burkina Faso				
Danfora	EEP	45	17	90.0
Kiaka	EEP	245	95	90.0
Basgana	EEP	250	97	90.0
Bourou	EEP	122	47	90.0
Tanema	EEP	247	95	90.0
Kaibo	EEP	250	97	90.0
Kampala	EEP	233	90	90.0
Yibogo	EEP	247	95	90.0
Nakomgo	EEP	235	91	90.0
Tiakane	EEP	196	76	90.0
Ghana				
Bui Belt	RL	5,969	2,305	90.0
Bole NE	RL	866	334	90.0
Nangodi West	RL	119	46	90.0
Central Goldfields	RL	92	36	JV*
TOTAL AREA		21,319	8,232	

Key to table above:

EP – exploitation permit

EEP– exclusive exploration permit

PL– prospecting license

AE– reconnaissance license

RL– Reconnaissance license

RP– Reconnaissance permit

\* Joint venture in which the company is currently earning an interest

#### New Business

We have continued to assess new business and merger and acquisition opportunities worldwide, while retaining a specific focus on organic growth within the African continent.

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During the course of 2005:

- A joint venture agreement was concluded with the government of Tanzania within a defined area of interest. We are responsible for carrying out exploration in this area of interest.
- After the completion of a joint venture with a Ghanaian junior company, we carried out a substantial generative program to select the most prospective ground available for permitting. We have subsequently been granted three exploration permits (total of 6,954 km<sup>2</sup>) in addition to the joint venture.
- In Burkina Faso, we have developed a geological model to guide land acquisitions and have consolidated a substantial land position of some 2,000 km<sup>2</sup> in a very prospective area.
-

We have also been looking at several African countries, previously low on our ranking scale, where political and fiscal conditions appear to be changing for the better.

In addition to the organic growth route, we have also tested growth options through possible merger and acquisition opportunities. As part of this strategy we carried out numerous due diligence audits during the past year, both within and outside Africa. Examination of these projects confirmed none would fit our stated criterion that any acquisition should create value for our shareholders.

#### Human resources report

#### Social Responsibility and Community Development

The sustainable development and social responsibility strategy forms an integral part of our overall business strategy and is implemented throughout all offices, projects and operations.

Efforts have been maintained during the year to enhance community relations and to promote and manage the social impact our activities on the communities surrounding our operations. The operations carried out community development activities in close cooperation with representative local community liaison and development committees. These committees included traditional leaders, non-governmental organizations, aid agencies and local and national government officials.

During 2005, in excess of \$1 million was spent on sustainable community development projects at Loulo, Morila and other areas in the countries in which we operate, with a focus on basic community health, primary education, potable water supply and food security.

In terms of building and maintaining effective relationships with the governments of the countries in which we operate, regular meetings were held with officials from Mali, Tanzania, Senegal, Ghana, Burkina Faso and Côte d'Ivoire.

Our financial contribution to the economies of the countries in which we operate, and particularly in Mali, is significant. During 2005, a total of \$75 million was paid by way of staff salaries and wages, payroll taxes, duties, royalties and dividends. An amount of approximately \$231 million was paid to businesses for goods and services supplied to Morila and Loulo, of which a sizable percentage went to Malian companies. Amounts invested, that are directly attributable to us, i.e., excluding 60% of Morila spend, are as follows:

Capital expenditure in Mali	\$ 79 million
Duties, taxes and royalties	\$ 60 million
Payments to suppliers	\$ 122 million
Exploration in West and East Africa	\$ 22 million
Total	\$ 283 million

#### Industrial Relations

Good industrial relations across the group continue to reflect the success of our pact with labor. Our employees are unique among mining companies operating in Mali, in that they have never yet responded to calls for national strikes.

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### Manpower

#### Human Capital

As we develop and expand, every effort is made to employ excellent people. Through leadership, a sense of ownership and interpersonal influence, these people are motivated to contribute to our success.

“What needs to be done” is established by consultative strategic planning, which is refreshed at regular intervals and is rolled down through our operations. This strategy provides the foundation for our long term plan (including manpower plans), the fundamental principles of our business, the frame work for effective decision making and the actions required of our employees, the initiating of change and improvements and, most importantly, a rallying point. It enables our business to organize its resources and optimize the application of our human capital.

2005 has been a year of consolidation in our leadership structure. Only one additional position was created, that of manager: underground project, responsible for managing the underground development project at Loulo.

The operational management at Loulo has, during a very busy and stressful year, successfully selected and trained its respective teams to a point where first gold was poured in the third quarter of 2005. This was achieved while construction of the mine was continuing and in an environment where a not inconsiderable portion of management’s time was taken up in supporting and ultimately replacing the contractor.

Voluntary turnover of our staff continues to be below 1% per annum, despite the large increase in the number employed at Loulo, which at December 2005 was 1,202.

#### Group training and development

This year the focus has been on induction, safety, cyanide handling, the introduction of short interval scheduling and skills and management training.

All five of our MBA students and our three post-graduate financial students qualified during 2005. 22 employees attended technical training and six attended general management courses.

We continued our support of the Malian Mining Industry University Scholarship scheme and the Randgold Resources’ Scholarship Award scheme for earth sciences students at the University of Senegal.

#### Regulatory and Environmental Matters

Our business is subject to extensive government and environment-related controls and regulations, including the regulation of the discharge of pollutants into the environment, disturbance of and threats to endangered species and other environmental matters. Generally, compliance with these regulations requires us to obtain permits issued by government agencies. Some permits require periodic renewal or review of their conditions. We cannot predict whether we will be able to renew those permits or whether material changes in permit conditions will be imposed. To the extent that the countries in which we have exploration and mining permits have no established environmental laws, we are currently working to ensure that our operations are in compliance with environmental standards set by the World Bank in relation to air emissions and water discharges. In accordance with our stated policy, we provide for estimated environmental rehabilitation costs based on the net present value of future rehabilitation cost estimates.

#### Mineral Rights



Although we believe that our exploration permits will be renewed when they expire, based on the current applicable laws in the respective countries in which we have obtained permits, we cannot assure you that those permits will be renewed on the same or similar terms, or at all. In addition,

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although the mining laws of Mali, Côte d'Ivoire, Senegal, Burkina Faso, Ghana and Tanzania provide a right to mine should an economic orebody be discovered on a property held under an exploration permit, we cannot assure you that the relevant government will issue a permit that would allow us to mine. All mineral rights within the countries in which we are currently prospecting are state-owned. Our interests effectively grant us the right to develop and participate in any mine development on the permit areas.

### Environmental Matters

The major liabilities for environmental rehabilitation relate to the Morila and Loulo mines in Mali. Although limited environmental rehabilitation regulations exist in Mali, management has adopted a responsible rehabilitation program following the standards set by the World Bank.

### Marketing

We derive the majority of our income from the sale of gold produced by Morila and Loulo in the form of dore, which we sell under agreements with the Rand Refinery (Pty) Ltd. Under these agreements, we receive the ruling gold price on the day after dispatch, less refining and freight costs, for the gold content of the dore gold. We have only one customer with whom we have an agreement to purchase all of our gold production. The "customer" is chosen annually on a tender basis from a selected pool of accredited refineries and international banks to ensure competitive refining and freight costs. Unlike other precious metal producers, gold mines do not compete to sell their product given that the price is not controlled by the producers.

### Property

Our operational mining area is comprised of Morila operations of 200 square kilometers and the Loulo mining permit of 372 square kilometers. Our exploration permits are detailed above.

We also lease offices in London, Dakar, Abidjan, Bamako, Ouagadougou, Mwanza, Accra, Johannesburg and Jersey.

The service agreement between us and Randgold & Exploration was terminated by mutual agreement effective from the first of April 2004.

In order to continue to source certain services from South Africa, Seven Bridges Trading 14 (Proprietary) Limited, or Seven Bridges, a wholly owned subsidiary of ours was created.

Randgold Resources Limited have entered into a service agreement with Seven Bridges whereby Seven Bridges will provide certain administrative services to us, such as administrative and secretarial services, accounting, geological consultancy, purchase and logistics administration, legal and other general administrative services. Seven Bridges charges a monthly fee based on the total employment cost plus 50 percent.

## Legal Proceedings

In August 2004, we entered into a fixed lump sum turnkey contract for \$63 million for the design, supply, construction and commissioning of the Loulo processing plant and infrastructure with MDM Ferroman (Pty) Ltd (“MDM”). At the end of 2005, after making advances and additional payments to MDM totaling \$26 million in excess of the contract, we determined that MDM was unable to perform its obligations under the MDM Contract, at which time we enforced a contractual remedy which allowed us to act as our own general contractor and to complete the remaining work on the Loulo project that was required under the MDM Contract.

As a result of MDM's failure to perform under the MDM Contract, we believe that we are entitled to recover from them all amounts paid in excess of the lump sum contract. Certain of these amounts have been capitalized as part of the cost of the Loulo project. In addition, MDM has signed loan agreements with us and performance bonds in our favor, for amounts totaling approximately

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\$12.2 million which is included in accounts receivable. Approximately \$7 million of such accounts receivable are secured by performance bonds, and \$5.2 million are secured by various fixed assets, debtors, bank accounts and personal guarantees.

We believe that we have sufficient security to recover the full amount of \$12.2 million included in accounts receivable. However, there is a risk that the security may be found to be worth less than the amount of the accounts receivable. Although we believe that our claims against the performance bonds are meritorious, the issuer of the performance bonds is disrupting any liability under the performance bonds. The legal process to progress our claim has commenced, but we are unable to provide assurance that we will recover the full amount of \$7 million. In addition, we are unable to provide assurance as to the recoverability of the full amount of the \$5.2 million of security provided by MDM.

In addition, we cannot provide any assurance that we will ultimately bring an action against MDM to recover any damages claimed against MDM, or that if any such claims are brought they will ultimately result in any recovery against MDM. The financial statements do not reflect any charge that may arise from MDM's inability to settle amounts that are determined to be payable to us by MDM.

We have brought an action seeking MDM's liquidation. MDM is currently opposing its final liquidation based upon counter claims which it allegedly has against us. We believe that these allegations are without merit and merely an attempt to avoid liquidation. To date, MDM has not instituted legal proceedings against us with regard to these counter claims. We do not believe that MDM has a valid basis for asserting claims against us, although we can provide no assurance that MDM will not attempt to bring any such claims in the future.

Other than as disclosed above we are not a party to any material legal or arbitration proceedings, nor is any of our property the subject of pending material legal proceedings.

## Health and Safety Regulations

Morila has a Hygiene and Security Committee made up of elected labor and specialist management representatives, as outlined in the respective labor code. A similar structure is being implemented for Loulo. This committee designates,

from its members, a consultative technical sub-committee charged with the elaboration and application of a concerted policy of improvement of health and security conditions at work. Its composition, attributions and operational modalities are determined by legal provisions and regulations.

The chairman of this committee coordinates monthly committee meetings, sets the agendas with his secretariat, monitors resolutions and signs off on committee determinations.

The committee's secretariat ensures under the supervision of the chairman that:

- follow-up activities such as action resulting from the regular surveys and inspections are carried out; and
- health and safety manuals and updates are distributed, posters are posted on notice boards and safety committee minutes and reports are distributed.

Morila's medical officer sits on the Hygiene and Security Committee and advises on the following:

- working conditions improvements;
- general hygiene on the operation;
- ergonomics;
- protection of workers safety in the workplace; and
- medical checks and eye and ear testing.

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The Hygiene and Security Committee forms, from within its membership, two consultative commissions, the Commission of Inquiry and the Educational Commission. The Commission of Inquiry:

- investigates accidents and makes recommendations to avoid repetitions;
- ensures plant, machinery and equipment have adequate protection to avoid injury; and
- updates and revises safety and health manuals.

The Educational Commission:

- provides information and training on safe practices and potential risks;
- provides first aid training;
- administers and promotes the safety suggestion scheme; and
- explains, where necessary, the contents of the safety and health manual.

All employees are covered by the state's social security scheme and our medical reimbursement scheme, that reimburses a large portion of expenses related to medical treatment and medicines. Dental and optical expenses are also covered to 50%.

With the commencement of operations at Loulo, similar health and safety structure to Morila's is being set up.

No post-employment medical aid liability exists for the company.

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C. ORGANIZATIONAL STRUCTURE

The following chart identifies our subsidiaries and our percentage ownership in each subsidiary:

D. PROPERTY, PLANTS AND EQUIPMENT

For a discussion of our principal properties, including mining rights and permits, see “Item 4. Information about the Company—A. History and Development of the Company” and “Item 4. Information about the Company—B. Business Overview.” We have all material legal rights necessary to entitle us to exploit such deposits in respect of the Morila mine in Mali to April 2022, and Loulo in Mali to 2029.

The exploration permits in Côte d’Ivoire, Mali, Senegal, Burkina Faso, Ghana and Tanzania give us the exclusive right for a fixed time period, which is open to renewal, to prospect on the permit area.

Once a discovery is made, we, as the permit holder, then commence negotiations with the respective governments as to the terms of the exploration or mining concession. Depending on the country, some of the terms are more open to negotiation than other, but the critical areas which can be agreed to are the government’s interest in the mine, taxation rates, repatriation of profits and the employment of expatriates and local labor.

Item 4A. Unresolved Staff Comments

None.

Item 5. Operating and Financial Review and Prospects

Statements in this Annual Report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters,

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are “forward-looking statements” as that term is defined under the United States Federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under “Item 3. Key Information—D. Risk Factors” in this Annual Report as well as those discussed elsewhere in this Annual Report and in our other filings with the Securities and Exchange Commission.

General

We earn substantially all of our revenues in U.S. dollars and a large proportion of our costs are denominated or based in U.S. dollars, excluding the Morila mining contract which is partially denominated in Euros. We also have South African Rand and Communauté Financière Africaine franc denominated costs, which are primarily wages and material purchases.

## Impact of Malian Economic and Political Environment

We are a Jersey incorporated company and are not subject to income taxes in Jersey. Our current significant operations are located in Mali and are therefore subject to various economic, fiscal, monetary and political policies and factors that affect companies operating in Mali, as discussed under “Item 3. Key Information—D. Risk Factors—Risks Relating to Our Business.”

## Impact of Favorable Tax Treaties

Morila SA benefited from a five year tax holiday until November 14, 2005. Loulo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on November 8, 2005. The benefit of the tax holiday to the group was to decrease the tax expense and therefore increase its net income by \$11.5 million, \$6.6 million and \$22.5 million for the years ended December 31, 2005, 2004 and 2003 respectively.

Under Malian tax law, income tax is based on the greater of 35 per cent of taxable income or 0.75 per cent of gross revenue.

The Morila and Loulo operations have no assessable capital expenditure carry forwards or assessable tax losses, as at December 31, 2005 and 2004 respectively, for deduction against future mining income.

## Revenues

Substantially all of our revenues are derived from the sale of gold. As a result, our operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which we have no control. See “Item 3. Key Information — Risk factors — The profitability of our operations, and the cash flows generated by our operations, are affected by changes in the market price for gold which in the past has fluctuated widely.”

We follow a hedging strategy the aim of which is to secure a floor price which is sufficient to protect us in periods of significant capital expenditure and debt finance, while at the same time allowing significant exposure to the spot gold price. Accordingly, we have made use of hedging arrangements. Under the terms of the Morila project loan, we were required to hedge fifty percent of approximately thirty six percent of Morila’s first five years of production. The remaining hedges were closed out during 2004.

Our financing arrangements for the development of Loulo include provisions for gold price protection. At March 31, 2006, 365,000 ounces had been sold forward at an average price of \$435 per ounce. This represents approximately 37% of planned open pit production at Loulo for the period that the project finance is in place.

Significant changes in the price of gold over a sustained period of time may lead us to increase or decrease our production, which could have a material impact on our revenues.

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Our Realized Gold Price

## Edgar Filing: RANDGOLD RESOURCES LTD - Form 20-F

The following table sets out the average, the high and the low afternoon London Bullion Market fixing price of gold and our average U.S. dollar realized gold price during the years ended December 31, 2005, 2004, and 2003.

	Year Ended December 31,		
	2005	2004	2003
Average	444	409	363
High	537	454	416
Low	411	375	320
Average realized gold price	449 <sup>(1)</sup>	382 <sup>(1)</sup>	345 <sup>(1)</sup>

(1) Our average realized gold price differs from the average gold price as a result of the timing of our gold deliveries different realized prices achieved on the hedge book.

### Costs

Our operations currently comprise two open pit operations mined by contractors. Milling operations are undertaken by the group's own employees. Total cash costs in the year ended December 31, 2005 as defined by guidance issued by the Gold Institute made up approximately 62% of total costs and expenses and comprised mainly mining and milling costs, including, labor and consumable stores costs. Consumable stores costs include diesel and reagent costs. Contractor costs represented 51% of total cash costs, with diesel and reagent costs making up 24% of total cash costs. Direct labor costs accounted for approximately 9% of total cash costs. For a definition of total cash costs, please refer to "Item 3 — Key Information".

The price of diesel acquired for the Morila and Loulo operations increased during the year ended December 31, 2005 which impacted negatively on total cash costs. Should these prices increase further, this could impact significantly on total cash costs mainly as a result of the high volume of diesel consumed to generate power and to run the mining fleet. Mining contractor costs, which are Euro denominated, also increased during 2005.

The remainder of our total costs and expenses consists primarily of amortization and depreciation, exploration costs, exchange losses, interest expense and general administration or corporate charges.

The three-year duty exemption period for Morila, ended on November 14, 2003 and duties became payable in accordance with the Malian duty regime on all imported goods. On average, it is anticipated that this has the effect of increasing the costs of imported goods by 7%, which equates to an overall increase of 1% on total costs. Furthermore, costs will increase as the depth of mining increases.

### Looking Forward

Life of mine scheduling at Morila anticipates gold production to be in excess of 500,000 ounces for 2006. Plans are in place to complete the hard rock crushing circuit at Loulo in the second quarter of 2006 and the forecast gold production for 2006 of 250,000 ounces is considered achievable. We are targeting a 25% increase over 2005's attributable gold production at an estimated total cash cost of approximately \$270 per ounce, depending on successful crusher commissioning and gold price assumptions which impact on royalties. Work is underway on the Loulo underground project and \$20 million capital has been budgeted for development and equipment in 2006.

### Critical Accounting Policies

Our significant accounting policies are more fully described in note 2 to our consolidated financial statements. Some of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of

uncertainty and are based on our

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historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance.

### Joint Venture Accounting

We account for our investment in joint ventures by incorporating our proportionate share of the joint ventures' assets, liabilities, income, expenses and cash flows in the consolidated financial statements under appropriate headings. Should this method of accounting not be permitted in the future, the results of each joint venture would need to be equity accounted. This would require the recognition in the income statement, on a separate line, of our share of the joint ventures' profit or loss for the year. Our interest in the joint venture would be carried on the balance sheet at an amount which would reflect our share of the net assets of the joint venture.

This would result in a presentation of our balance sheet and income statement that differs significantly from the current presentation, but would have no impact on our net income or our net asset value.

### Amortization of Mining Assets

Amortization charges are calculated using the units of production method and are based on tonnes processed through the plant as a percentage of total expected tonnes to be processed over the lives of our mines. A unit is considered to be produced at the time it is physically removed from the mine. The lives of the mines are based on proven and probable reserves as determined in accordance with SEC's industry guide number 7. The estimate of the total expected future lives of our mines and therefore the amortization charge to operations, could be materially different from the actual amount of gold mined in the future and the actual lives of the mines due to changes in the factors used in determining our mineral reserves. These factors could include: (i) an expansion of proven and probable reserves through exploration activities; (ii) differences between estimated and actual cash costs of mining, due to differences in grade, metal recovery rates and foreign currency exchange rates; and (iii) differences between actual gold prices and gold price assumptions used in the estimation of reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine, which in turn is limited to the life of the proven and probable reserves.

### Valuation of Long-Lived Assets

Management annually reviews the carrying value of our long-lived assets to determine whether their carrying values, as recorded in our consolidated financial statements, are recoverable. In determining if the asset can be recovered, we compare the recoverable amount to the carrying amount. If the carrying amount exceeds the recoverable amount, we will record an impairment charge in the income statement to write down the asset to the recoverable amount. To determine the value in use amount, management makes its best estimate of the future cash inflows that will be obtained each year over the life of the mine and discounts the cash flow by a rate that is based on the time value of

money adjusted for the risk associated with the applicable project. In estimating future cash flows, assets are grouped at the lowest level for which there are identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of mine-related exploration potential, all assets at a particular operation are considered together for purposes of estimating future cash flows.

These reviews are based on projections of anticipated future cash flows to be generated by utilizing the long-lived assets. While management believes that these estimates of future cash flows are reasonable, different assumptions regarding projected gold prices and production costs as discussed above under amortization of mining assets could materially affect the anticipated cash flows to be

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generated by the long-lived assets. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

### Hedging and Financial Derivatives

We account for our hedging and financial derivatives in accordance with International Accounting Standard No. 39 Financial Instruments: Recognition and Measurement, or IAS 39. The determination of the fair value of hedging instruments and financial derivatives, when marked-to-market, takes into account estimates such as projected interest rates under prevailing market conditions, depending on the nature of the hedging and financial derivatives.

These estimates may differ materially from actual gold prices, interest rates and foreign currency exchange rates prevailing at the maturity dates of the hedging and financial derivatives and, therefore, may materially influence the values assigned to the hedging and financial derivatives, which may result in a charge to or an increase in our earnings at the maturity date of the hedging and financial derivatives. Certain hedging and financial derivatives are accounted for as cash flow hedges, whereby the effective portion of changes in fair market value of these instruments are deferred in other reserves and will be recognized in the consolidated income statement when the underlying production designated as the hedged item is sold. All derivative contracts qualifying for hedge accounting are designated against the applicable portion of future production from proven and probable reserves, where management believes the forecasted transaction is probable of occurring. To the extent that management determines that such future production is no longer probable of occurring due to changes in the factors impacting the determination of reserves, as discussed above under amortization of mining assets, gains and losses deferred in other reserves would be reclassified to the consolidated income statement immediately.

### Environmental Rehabilitation Costs

We provide for environmental rehabilitation costs and related liabilities based on our interpretations of current environmental and regulatory standards with reference to World Bank guidelines. Final environmental rehabilitation obligations are estimated based on these interpretations and in line with responsible programs undertaken by similar operations elsewhere in the world. While management believes that the environmental rehabilitation provisions made are adequate and that the interpretations applied are appropriate, the amounts estimated may differ materially from the costs that will actually be incurred to rehabilitate our mine sites in the future.



## Deferred Stripping

In general, mining costs are allocated to production costs, inventories and ore stockpiles, and are charged to Mine production costs when gold is sold. However, at our open pit mines, which have diverse grades and waste-to-ore ratios over the life of the mine, we defer the costs of waste stripping in excess of the expected pit life average stripping ratio. The deferred stripping method is generally accepted in the mining industry where mining operations have diverse grades and waste-to-ore ratios; however industry practice does vary. Stripping costs (including any adjustment through the deferred stripping asset) are treated as a production cost and are included in our valuation of inventory.

The expected pit life stripping ratios are recalculated annually in light of additional knowledge and changes in estimates. These ratios are calculated as the ratio of the total of waste tonnes deferred at the calculation date and future anticipated waste to be mined, to anticipated future ore to be mined. Changes in the mine plan, which will include changes in future ore and waste tonne to be mined, will therefore result in a change of the expected pit life average stripping ratio, which will impact prospectively on amounts deferred or written back.

If the expected pit life average stripping ratio is revised upwards, a relatively lower amount of stripping costs will, in the future, be deferred in each period, or a relatively higher amount of deferred

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stripping costs will be written back, thus impacting negatively upon earnings. The opposite is true when the expected pit life average stripping ratio is revised downwards, resulting in more costs being deferred and a positive impact on earnings during the period of cost deferral. Any costs deferred will be expensed in future periods over the life of the relevant mine, resulting in lower earnings in future periods. If we were to expense stripping costs as incurred, there might be greater volatility in our results of operations.

During 2004, a committee of the Emerging Issues Task Force, or the ‘‘EITF’’, began discussing the accounting treatment for stripping costs incurred during the production phase of a mine under U.S. GAAP. In March 2005, the EITF reached a consensus (ratified by the Financial Accounting Standards Board) that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of inventory produced during the period that the stripping costs are incurred. The EITF consensus is effective for the first reporting period in fiscal years beginning after December 15, 2005, with early adoption permitted. We adopted the provisions of EITF 04-6 on January 1, 2006 under both IFRS and U.S. GAAP. The impact of the change on January 1, 2006 was to decrease opening retained earnings by \$7.9 million, decrease the deferred stripping costs by \$3.7 million, decrease the ore stockpiles balance by \$8.3 million, decrease the gold in process balance by \$0.05 million, decrease the deferred taxation liability by \$1.2 million and increase the deferred taxation asset by \$2.9 million. The following table sets out the impact on results of operations if we had not deferred stripping costs, but followed the consensus in EITF 04-06 ‘‘Accounting for Stripping Costs Incurred during Production in the Mining Industry’’:

	2005	2004	2003
Net income as reported	40,887	18,793	47,526
Adjustment to income as a result of not deferring stripping costs	6,969	(4,834)	(4,598)
Net income	47,856	13,959	42,928

See “Item 5 — Operating and Financial Review and Prospects — Recent Accounting Pronouncements”.

We also adopted this accounting policy change under IFRS effective January 1, 2006.

## Recent Accounting Pronouncements

### Share-Based Compensation

In December 2004, the FASB issued SFAS No. 123R, “Share-Based Payment,” which revised SFAS No. 123, “Accounting for Stock-Based Compensation.” SFAS No. 123R will supersede APB Opinion 25, “Accounting for Stock Issued to Employees” and related interpretations. SFAS No. 123R requires measurement and recording to the financial statements of the costs of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award, recognized over the period during which an employee is required to provide services in exchange for such award. We adopted the provisions of SFAS No. 123R on January 1, 2006, using the modified retrospective application. Accordingly, compensation expense will be recognized for all newly granted awards and awards modified, repurchased, or cancelled after January 1, 2006. Compensation expense for the unvested portion of awards that are outstanding as of January 1, 2006, based on the fair value at date of grant as calculated for our pro forma disclosure under SFAS No. 123, will be recognized ratably over the remaining vesting period. Compensation expense in the periods following adoption of SFAS No. 123R may differ from our pro forma disclosure under SFAS No. 123, based on changes in the fair value of our ordinary shares, changes in the number of options granted or the terms of such options, changes in interest rates or other factors.

In March 2005, the SEC staff issued Staff Accounting Bulletin, or “SAB”, No. 107, “Share-Based Payment,” which provides guidance on the interaction between SFAS No. 123R and certain SEC rules and regulations, as well as on the valuation of share-based payments. SAB No. 107 provides interpretive guidance related to valuation methods (including assumptions such as expected volatility

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and expected term), the classification of share-based payments expense and disclosures subsequent to adoption of SFAS No. 123R. We are currently evaluating the impact of SAB No. 107 on our consolidated financial statements.

### Deferred Stripping Costs

We adopted the provisions of EITF 04-6 on January 1, 2006. In addition, this revised accounting treatment has also been applied under IFRS from January 1, 2006. The impact of the change on January 1, 2006 will be to decrease opening retained earnings by \$7.9 million, decrease the deferred stripping costs by \$3.7 million, decrease the ore stockpiles balance by \$8.3 million, decrease the gold in process balance by \$0.05 million, decrease the deferred taxation liability by \$1.2 million and increase the deferred taxation asset by \$2.9 million.

### Asset Retirement Obligations

In March 2005, the FASB issued Interpretation 47, or “FIN 47”, “Accounting for Conditional Asset Retirement Obligations” an interpretation of FASB No. 143. FIN 47 clarifies that the term “conditional asset retirement obligation” as used in SFAS No. 143 refers to a legal obligation to perform an asset retirement activity in which the timing and/or

method of settlement are conditional on a future event that may or may not be within the control of the entity. The obligation to perform the asset retirement activity is unconditional even though uncertainty exists about the timing and/or method of settlement. FIN 47 requires a liability to be recognized for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. FIN 47 was effective for fiscal years ending after December 15, 2005. The adoption of FIN 47 did not have a material impact on our consolidated financial position, results of operations or cash flows.

#### Accounting Changes and Error Corrections

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections." SFAS No. 154 established new standards on accounting for changes in accounting principles. SFAS No. 154 requires all such changes to be accounted for by retrospective application to the financial statements of prior periods unless it is impracticable to do so. SFAS No. 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005. We followed the provisions of SFAS No. 154 in recording the accounting change associated with deferred stripping costs discussed above on January 1, 2006 by restating prior periods presented to conform to the provisions of EITF 04-06.

#### A. OPERATING RESULTS

Our operating and financial review and prospects should be read in conjunction with our consolidated financial statements, accompanying notes thereto, and other financial information appearing elsewhere in this Annual Report.

Years Ended December 31, 2005 and 2004

#### Product Sales

From the year ended December 31, 2004 to the year ended December 31, 2005, gold sales revenues increased by \$78.2 million, or 106.7%, from \$73.3 million to \$151.5 million. This was mainly due to 110,637 more attributable ounces available for sale as a result of Loulo commencing commercial operations as well as an increase in head grade from 5.20g/t to 5.90 g/t at Morila, compounded by an increase of 3.8% in recoveries, an increase in throughput of 7.1% and an improved average gold price per ounce of \$449 for 2005 compared to \$382 for 2004.

#### Interest Income

Interest income amounts consist primarily of interest received on cash held at banks. Interest income of \$2.1 million for the year ended December 31, 2005, doubled from interest income of

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\$1 million for the year ended December 31, 2004. The increase is due to increased funds invested, as a result of the funds raised from the public offering completed in November 2005, as well as improved cash flows from operations.

#### Exchange Gains

The decrease in exchange gains from \$0.8 million for the year ended December 31, 2004 to \$0.4 million for the year ended December 31, 2005 is the result of the continued weakening of the U.S. dollar against other currencies, in which goods and services are denominated.

Other Income

Other income of \$1.3 million for the year ended December 31, 2005 compares with \$1.5 million (excluding the profit on sale of Syama) for the year ended December 31, 2004 and consists mainly of cost recoveries of \$0.6 million, which are fees recovered from exploration joint ventures and various other income received at Morila and on a corporate level. No royalty pertaining to the Syama mine has been received during the year ended December 31, 2005.

Costs and Expenses

## Total Cash Costs

\*Refer to “Item 3. Key information — A. Selected Financial Data” for a definition of total cash cost per ounce.

The following table sets out our total ounces produced and total cash cost per ounce for the years ended December 31, 2005 and 2004 (for a definition of cash costs, please see “Item 3. Key Information — A. Selected Financial Data”):

	Year Ended December 31,			
	2005		2004	
	Ounces	\$ Per Ounce	Ounces	\$ Per Ounce
Morila (40% share)	260,444	221	204,194	183
Loulo (100% share)	67,984	165	—	—
Group total cash cost	328,428	209	204,194	183
Total production cost per ounce under IFRS*	328,428	246	204,196	225

\*Total production cost includes depreciation and amortization cost which is discussed below.

From the year ended December 31, 2004 to the year ended December 31, 2005, our group total cash cost per ounce increased \$25 per ounce, or 14%, from \$184 per ounce to \$209 per ounce, as a result of increases in diesel and mining contractor costs at Morila and one-off charges in respect of provisions against slow moving stock and receivables and the settlement of a dispute of indirect taxes. This was partially offset by the start of production at Loulo at reasonable costs.

The change in the transfer to deferred stripping costs of \$4.0 million for the year ended December 31, 2004 to a transfer from deferred stripping costs of \$11.2 million for the year ended December 31, 2005, was due to the actual stripping ratio decreasing below the expected pit life ratio at Morila during the year ended December 31, 2005. This was in line with Morila’s life of mine plan.

Royalties increased by \$5 million, or 94%, from \$5.3 million for the year ended December 31, 2004 to \$10.3 million for the year ended December 31, 2005. The increased royalties reflect increased gold sales and a higher gold price.

General and administrative costs comprise various expenses associated with providing on mine administration support services to the Morila and Loulo mine. These charges increased to \$7.4 million for the year ended December 31, 2005 from \$6.8 million for the year ended December 31, 2004 reflecting the commencement of production at Loulo from November 2005.

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### Depreciation and Amortization

Depreciation and amortization charges increased from \$8.7 million for the year ended December 31, 2004 to \$11.9 million for the year ended December 31, 2005. This is mainly the result of Loulo commencing production in November 2005. This led to depreciation of \$4.7 million being charged at Loulo since November 2005.

### Interest Expense

Interest expense for the year ended December 31, 2005 was \$1.9 million and comprised mainly of the interest on the Somilo project loan, which funds were sourced for the construction of the Loulo mine. The interest expense for the year ended December 31, 2004 was \$1.6 million and consisted mainly of interest on our share of the Morila project financing facility. The Morila facility was fully repaid in June 2004.

### Gain on Financial Instruments

The gain on financial instruments of \$0.05 million for the year ended December 31, 2005 relates to the fair value movement of financial instruments previously deferred in equity. The gain on financial instruments of \$2.2 million for the year ended December 31, 2004 (2005: 0) represents the change in the fair value, for those derivative financial instruments that we use to hedge our exposure to gold but which do not meet the criteria for formal hedge accounting under IFRS.

The mark-to-market valuation of the Loulo hedge book is treated as a cash flow hedge and the hedge effective component of changes in fair value are accounted for through equity until the hedged items are sold.

### Exploration and Corporate Expenditure

Exploration and corporate expenditure was \$24 million for the year ended December 31, 2005, and \$16.9 million for the year ended December 31, 2004. The increase of \$7.1 million from the previous year is a reflection of increased exploration activity, in particular drilling.

### Exchange Losses

The exchange losses for the year ended December 31, 2005 of \$2.5 million and \$1.4 million for the year ended December 31, 2004 relate primarily to Morila and Loulo and result from the weakening of the U.S. dollar against other currencies in which goods and services are denominated.

### Other Expenses

Other expenses of \$0.8 million for the year ended December 31, 2005 relates to current asset write-offs. Other expenses of \$1.1 million for the year ended December 31, 2004 consist mainly of costs associated with the care and maintenance of Syama for the period ending March 2004 and insurance costs.

### Income tax expense

The income tax expense amounted to \$4.3 million for the year ending December 31, 2005. The tax expense is the result of the tax holiday at Morila SA coming to an end on November 14, 2005. Morila SA benefited from a five year tax holiday until then. Loulo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on

November 8, 2005. Under Malian tax law, income tax is based on the greater of 35% taxable income or 0.75% of gross revenue.

#### Minority Interests

The minority interest for the year ended December 31, 2005 represents the 20% minority share of the profits at Loulo since production commenced in November 2005. No minority interest was recognized in 2004, as all costs directly related to the construction of the Loulo mine were capitalized and the Syama mine was sold in April 2004.

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Years Ended December 31, 2004 and 2003

#### Product Sales

From the year ended December 31, 2003 to the year ended December 31, 2004, gold sales revenues decreased by \$36.2 million, or 33.1%, from \$109.6 million to \$73.3 million. This was mainly due to 114,897 less ounces available for sale as a result of a drop in head grade from 8.33g/t to 5.20 g/t compounded by a decrease of 3.1% in recoveries, partially offset by an increase in throughput of 7.5% and an improved average gold price per ounce of \$382 for 2004 compared to \$345 for 2003.

#### Interest Income

Interest income amounts consist primarily of interest received on cash held at banks. Interest income of \$1 million for the year ended December 31, 2004, is consistent with the interest income of \$1 million for the year ended December 31, 2003.

#### Exchange Gains

The exchange gain for the year ended December 31, 2004 of \$1.0 million is lower than the exchange gain of \$3.8 million, for the year ended December 31, 2003 as the prior year figure includes realized and unrealized exchange gains of \$1.6 million for the Morila operation, compared to a realized exchange gain of \$0.1 million in 2004. Trading exchange gains were also lower in 2004, compared to 2003.

#### Other Income

Other income of \$1.5 million for the year ended December 31, 2004 consists mainly of cost recoveries of \$0.7 million, compared to \$0.9 million for the year ended December 31, 2003 and various other income received at Morila and on a corporate level.

#### Profit on Sale of Syama

In April 2003, we entered into an option agreement with Resolute Mining over our interest in the Syama Mine in Mali. In terms of the agreement, Resolute Mining was given a 12 month period in which to conduct a full due diligence over Syama.

On April 5, 2004, Resolute Mining exercised its option to buy our 80% interest in the Syama Mine. Resolute Mining paid us \$9.9 million, resulting in a profit on sale of \$7.1 million (after transaction fees of \$1.2 million). Furthermore, at a gold price of more than \$350 per ounce, we are entitled to a royalty of \$10 per ounce on the first million ounces of production from Syama and \$5 per ounce on the next three million ounces based on the attributable ounces acquired by Resolute Mining. No royalty has been received during the year ended December 31, 2004, since the Syama mine is still on care and maintenance.

### Costs and Expenses

#### Total Cash Costs

\*Refer to “Item 3. Key information — A. Selected Financial Data” for a definition of total cash cost per ounce.

The following table sets out our total ounces produced and total cash cost per ounce for the years ended December 31, 2004 and 2003 (for a definition of cash costs, please see “Item 3. Key Information – A. Selected Financial Data”):

	Year Ended December 31,			
	2004	2003		
	Ounces	\$ Per Ounce	Ounces	\$ Per Ounce
Morila (40% share)	204,194	183	317,597	96
Total production cost per ounce under IFRS*	204,194	225	317,597	129

\*Total production cost includes depreciation and amortization cost which is discussed below.

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From the year ended December 31, 2003 to the year ended December 31, 2004, our total cash cost per ounce increased \$84 per ounce, or 84%, from \$100 per ounce to \$184 per ounce, due to decreased production ounces and the plant expansion project and lower grade.

The increase in the transfer to deferred stripping costs of \$0.5 million or approximately 15% from \$3.5 million for the year ended December 31, 2003 to \$4.0 million for the year ended December 31, 2004, was due to the relative waste stripped being more in the year ended December 31, 2004 than in the year ended December 31, 2003 and still in excess of the life of the mine estimated stripping ratio. This was in line with the life of mine plan.

Royalties decreased by \$2.3 million, or 31%, from \$7.6 million for the year ended December 31, 2003 to \$5.3 million for the year ended December 31, 2004. The decreased royalties reflect decreased gold sales.

General and administrative costs comprise various expenses associated with providing administration support services to the Morila mine. These charges increased to \$6.8 million for the year ended December 31, 2004 from \$6.1 million for the year ended December 31, 2003 reflecting the payment of custom duties since November 2003, and an increase in site administration and environmental expenditure.

#### Depreciation and Amortization

Depreciation and amortization charges decreased by \$1.6 million, or 16%, from \$10.3 million for the year ended December 31, 2003 to \$8.7 million for the year ended December 31, 2004. The decrease was mainly due to the reclassification of assets which took place in 2003.

#### Interest Expense

Interest expense for the year ended December 31, 2004 was \$1.6 million and \$1.9 million for the year ended December 31, 2003 and comprised mainly interest on our attributable share of the Morila project financing facility. The decrease is due to the loan being fully repaid in June 2004.

#### (Gain)/loss on Financial Instruments

The gain on financial instruments of \$2.2 million for the year ended December 31, 2004 and the loss on financial instruments of \$1.7 million for the year ended December 31, 2003, represents the change in the fair value of those derivative financial instruments that did not qualify for hedge accounting.

The Loulo hedge book was previously deemed speculative for accounting purposes and any marked-to-market movements had to be accounted for through the income statement. With the completion of the final mining schedules and feasibility study, as well as credit approval of the project financing, the hedged ounces were rolled out and matched to future production. This means that the marked-to-market valuation is now accounted for in equity. The Morila hedge book was closed out in 2004.

#### Exploration and Corporate Expenditure

Exploration and corporate expenditures were \$16.9 million for the year ended December 31, 2004 and \$17 million for the year ended December 31, 2003. The expenditure for both years reflects largely activities which are focused on the defining of additional mineralized materials and converting them to reserve ounces, in particular for the Loulo Project, and additional drilling programs in Senegal, the Morila region and more recently Tanzania, Burkina Faso and Ghana. The decrease in expenditure of \$1.5 million from the prior year is the result of savings in exploration related staff expenditure, partially offset by the IFRS 2 share-based payment expense of \$1.3 million. There was no share-based payment expense recognized in 2003.

#### Exchange Losses

The exchange losses for the year ended December 31, 2004 of \$1.4 million and \$1.9 million for the year ended December 31, 2003 relate primarily to Morila and result from the weakening of the U.S. dollar against other currencies in which goods and services are denominated.

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#### Other Expenses

Other expenses of \$1.1 million for the year ended December 31, 2004 consist mainly of costs associated with the care and maintenance of Syama for the period ending March 2004 and insurance costs. Other expenses of \$4.9 million for the year ended December 31, 2003 comprise operational and other costs associated with the care and maintenance of Syama, insurance costs and tax penalties paid.



## Minority Interests

The minority interest for the year ended December 31, 2003 represents the 20% minority share of the losses in the Syama mine and the 20% minority share of losses on the Loulo Project. No minority interest was recognized in 2004, as all costs directly related to the construction of the Loulo mine were capitalized and the Syama mine was sold in April 2004.

## B. LIQUIDITY AND CAPITAL RESOURCES

### Cash Resources

#### Operations

Net cash provided by operations was \$29.7 million for the year ended December 31, 2005 and \$4.3 million for the year ended December 31, 2004. The \$25.4 million increase was mainly the result of an improved average gold price received, higher grades and higher production at Morila, as well as production commencing at Loulo from November 2005.

Net cash provided by operations was \$4.3 million for the year ended December 31, 2004 and \$51.2 million for the year ended December 31, 2003. The \$46.9 million decrease was mainly the result of lower grades and lower production at Morila, compared to the previous year.

#### Investing

Investing activities for the year ended December 31, 2005 utilized \$84.5 million compared to \$57 million utilized for the year ended December 31, 2004. The increase in cash utilized in investing activities year on year is mainly the result of increased development expenditure incurred on the Loulo construction project, as well as advances made to Loulo contractors in 2005. In addition, we received \$8.6 million from the sale of Syama in 2004.

Investing activities for the year ended December 31, 2004 utilized \$57 million compared to \$6 million utilized for the year ended December 31, 2003. This was due to development expenditure incurred in 2004 on the construction of the Loulo Mine.

#### Financing

Financing activities for the year ended December 31, 2005 generated net cash of \$129 million compared to net cash generated of \$25.5 million for the year ended December 31, 2004. The net cash generated in the year ended December 31, 2005 relates to the funds received as part of the public offering completed in November 2005, as well as the final draw down of \$25 million on the Loulo project loan. The net cash generated in the year ended December 31, 2004 related mainly to the first draw down of \$35 million on the Loulo Project loan in December 2004, partially offset by repayment of the Morila project loan.

#### Credit and Loan Facilities

On April 7, 2000, we concluded a \$90 million loan with a consortium of financial lenders led by NM Rothschild for the development of Morila. We referred to this loan as the Morila Project Loan. The loan carried interest at U.S. three month LIBOR plus 2% per annum. At December 31, 2003, the interest rate on this loan was 3.29%. The loan was scheduled to be repaid over 5 years with the first payment having been made on June 30, 2001, and was collateralized by the assets of Morila. Also, we had pledged our interest in Morila Limited and related assets and the Morila joint venture had pledged its interest in Morila and related assets to secure Morila's obligations under the Morila Project Loan Agreement. In addition to the periodic payments of principal, Morila was required to make interest payments at periodic intervals. The loan was fully repaid in June 2004.

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During the year ended December 31, 2000, Morila entered into a finance lease for five Rolls-Royce generators under the terms of a Deferred Terms Agreement between Morila and Rolls-Royce. The lease is repayable over ten years commencing April 1, 2001 and bears interest at a variable rate which at December 31, 2005 was approximately 20% per annum. Our attributable share of this finance lease amounted to \$4.8 million at December 31, 2005 and \$5.8 million at December 31, 2004. Together with AngloGold Ashanti, we have guaranteed the repayment of the lease.

Somisy and Randgold Resources Mali SARL, our subsidiaries, had a Communauté Financière Africaine franc denominated, uncollateralized overdraft facility of approximately \$1.6 million with Banque de Developpement du Mali bearing interest at a fixed interest rate of 10.25% per annum at December 31, 2003. The Somisy facility was taken over by Resolute Mining as part of the sale of Syama.

On August 28, 2002, the Syama hedge transactions were closed through a cancellation agreement with NM Rothschild. On that date, we agreed to buy gold call options to offset existing positions with NM Rothschild comprised of 148,500 ounces at \$353/ounce at a cost of \$1,805,760. In lieu of the existing premium, NM Rothschild agreed to lend us that amount on a pre-agreed payment schedule requiring us to repay the loan monthly through the 2004 fiscal year. This loan carried interest at the relevant interbank rate plus 3%, which equated to an average rate of 4.37% at December 31, 2003. The liability was fully paid by the end of 2004.

Morila also has a finance lease with Air Liquide relating to three oxygen generating units. The lease is payable over 10 years commencing December 1, 2000 and bears interest at a variable rate which at December 31, 2004 stood at approximately 3.09%.

Somilo SA also has a \$0.6 million loan from the Government of Mali. This loan is uncollateralized and bears interest at the base rate of the Central Bank of West African States plus 2% per annum. This loan is repayable from cash flows of the Loulo mine after the repayment of all other loans. At December 31, 2005, the interest rate on this loan was 7%.

The \$60 million Loulo Project Loan was arranged by NM Rothschild & Sons Limited and SG Corporate & Investment Banking, who have been joined in the facility by Absa Bank and HVB Group, and is repayable between June 2006 and September 2009.

A first installment of \$35 million was drawn against the project loan in December 2004 and the remainder of \$25 million was drawn during 2005. The loan is collateralized over the assets of the Loulo Project. Additionally, we have pledged our interest in Randgold Resources (Somilo) Limited and related assets, and Randgold Resources (Somilo) Limited has pledged our interest in Somilo and related assets to secure Somilo's obligations under this loan. The loan is guaranteed by us until economic completion of the project has been achieved, which is expected before December 31, 2007. The loan bears interest at LIBOR plus 1.75% pre-completion of the Loulo capital program, or at any time when we continue to be a guarantor of the facility. Post completion until the fourth anniversary of signing facility documentation, the interest rate is LIBOR plus 2.10% and thereafter 2.25%. The weighted average interest rate for the year amounted to 5.14% (2004: 4.17%).

Under the term of this loan, we are required to enter into certain gold forward sales. 365,000 ounces of gold have been sold forward over the financial years 2005 to 2009, at an average forward price of \$432 per ounce. The facilities are margin free.

Various debt covenants apply to the loan with which we comply with, including:

- Hedging arrangements reasonably acceptable to N M Rothschild & Sons Limited will remain in place. We will continue to provide evidence to the effect that we or Somilo Limited have entered into committed hedging agreements and that the proceeds of sale of gold are sufficient to ensure that, as at all calculation dates scheduled, it is and will continue to be in compliance with required financial ratios;
- Limitations on material asset disposals and acquisitions;
- Restrictions with regards to the repayment of inter-company debt or dividend payments by Somilo;

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- Maintain insurance with reputable insurance companies;
- Establish a Debt Service Reserve Account with the minimum credit balance on all dates equal to the aggregate principal amount of and interest accruing on the loan and the aggregate amount of premium accruing in connection with the Political Risk Insurance during the six month period commencing on such date;
- Limitations on additional indebtedness by us; and
- Certain financial ratios need to be adhered to throughout the loan agreement.

These ratios are:

- The Loan Life Ratio not to be 140% or below
- The Project Life Ratio not to be 180% or below
- The Debt Service Coverage Ratio not to be 125% or below
- Proven and Probable Reserves for the duration of the loan, not to be lower than 30% of the Proven and Probable Reserves at the date the Loan was entered into.

The Final maturity Date of the Loan is September 30, 2009.

The Loan Life ratio measures the ratio, expressed as a percentage, of the present value of future net cash flows over the project life to the aggregate principal amount of all outstanding loans at the measurement date.

The Project Life ratio measures the ratio, expressed as a percentage, of the present value of future net cash flows over the project life to the aggregate principal amount of all outstanding loans at the measurement date.

The Debt Service Coverage Ratio measures the ratio of cashflows prior to debt service, to the debt service amounts.

The Caterpillar finance facility relates to fifteen 3512B HD generator sets and ancillary equipment purchased from JA Delmas and financed by a loan from Caterpillar Finance for Loulo. The lease is payable quarterly over 42 months commencing on August 1, 2005, and bears interest at a fixed rate of 6.03% per annum. Together with Randgold Resources (Somilo) Limited, we jointly guaranteed the repayment of this lease. The average lease payments of \$0.5 million are payable in installments over the term of the lease.

### Corporate, Exploration, Development and New Business Expenditures

Our expenditures on corporate, exploration, development and new business activities for the past three years are as follows:

Area	Year Ended December 31,		
	2005	2004	2003
	(dollars in thousands)		
Rest of Africa	277	—	190
Burkina Faso	2,816	1,029	—
Mali	6,094	5,174	7,597
Tanzania	5,751	3,627	1,756
Côte d'Ivoire	1,404	1,029	1,603
Senegal	5,920	4,267	2,749
Merger transaction costs	—	—	3,112
Ghana	1,787	1,724	—
Total exploration and corporate expenditure	24,049	16,850	17,007

The main focus of exploration work is on our advanced projects in Mali West, around Morila, and in Senegal and more recently Tanzania, Burkina Faso and Ghana.

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The Tongon project in Côte d'Ivoire is at an early stage of feasibility, where the data currently available is less accurate but of a sufficient level of detail for preliminary economic analysis to be undertaken. As a result of the political situation in Côte d'Ivoire, which started in September 2002, no further exploration activity has been possible on the project. Exploration activity resumed in 2006, and drilling commenced in early June 2006.

## Working Capital

Management believes that our working capital resources, by way of internal sources and banking facilities, are sufficient to fund our currently foreseeable future business requirements.

## C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.

We are not involved in any research and development and have no registered patents or licenses.

## D. TREND INFORMATION

Our financial results are subject to the movement in gold prices. In the past fiscal year, the general trend has been upwards and this has had an impact on revenues. However it should be noted that fluctuations in the price of gold remain a distinct risk to us.

## Gold Market

The gold market is relatively liquid compared with many other commodity markets, with the price of gold generally quoted in U.S. dollars. The physical demand for gold is primarily for fabrication purposes, and gold is traded on a world-wide basis. Fabricated gold has a variety of uses, including jewelry (which accounts for 85% of fabricated demand), electronics, dentistry, decorations, medals and official coins. In addition, central banks, financial institutions and private individuals buy, sell and hold gold bullion as an investment and as a store of value.

Historically, gold has been used as a store of value because it tends to retain its value in relative terms against basic goods in times of inflation and monetary crisis. Therefore, large quantities of gold in relation to annual mine production are held for this purpose. This has meant that, historically, the potential total supply of gold has been far greater than annual demand. Thus, while current supply and demand plays some part in determining the price of gold, this does not occur to the same extent as for other commodities.

Instead, gold prices have been significantly affected, from time to time, by macro-economic factors such as expectations of inflation, interest rates, exchange rates, changes in reserve policy by central banks, and global or regional political and economic crises. In times of inflation and currency devaluation, gold has traditionally been seen as refuge, leading to increased purchases of gold and a support for the price of gold.

Interest rates affect the price of gold on several levels. High real interest rates increase the cost of holding gold, and discourage physical buying in developed economies. High U.S. dollar interest rates also make hedging by forward selling attractive because of the higher contango premiums (differential between LIBOR and gold lease rates) obtained in the forward prices. Increased forward selling in turn has an impact on the spot price at the time of sale.

Changes in reserve policies of central banks have affected the gold market and gold price on two levels. On the physical level, a decision by a central bank to decrease or to increase the percentage of gold in bank reserves leads to either sales or purchases of gold, which in turn has a direct impact on the physical market for the metal. In practice, sales by central banks have often involved substantial tonnages within a short period of time and this selling can place strong downward pressure on the markets at the time they occur. As important as the physical impact to official sales, announcements of rumors of changes in central bank policies which might lead to the sale of gold reserves have, in recent years, had a powerful negative effect on market sentiment and encouraged large speculative positions against gold in the futures market for the metal.

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The volatility of gold prices is illustrated in the following table, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in U.S. dollars for the past ten years. On May 31, 2006, the morning fixing price of gold on the London Bullion Market was \$654 per ounce.

Year	Price Per Ounce (\$)		
	High	Low	Average
1995	396	372	384
1996	415	367	388
1997	367	283	331
1998	313	273	294
1999	326	253	279
2000	313	264	279
2001	293	256	271
2002	349	278	310
2003	416	320	363
2004	454	375	409
2005	537	411	444

**E. OFF-BALANCE SHEET ARRANGEMENTS**

None.

**F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

Our contractual obligations and commercial commitments consist primarily of credit facilities, as described above. The related obligations as at December 31, 2005 are set out below:

Contractual Obligations	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
		(dollars in thousands)			
Long-term debt obligations <sup>(1)</sup>	65,696	22,116	37,693	5,887	—
Capital lease obligations <sup>(2)</sup>	16,320	5,024	8,212	2,750	334
Financial liabilities – forward gold sales	43,090	8,939	23,150	11,001	—
Loans from minority shareholders in subsidiaries	2,483	—	—	2,483	—
Total contractual cash obligations	127,589	36,079	69,055	22,121	334
Other long-term obligations	—	—	—	—	—
Contracts for capital expenditure	6,000	6,000	—	—	—

(1) Includes total interest of \$5.7 million calculated at the rate existing at year end.

(2) Includes total interest of \$3.8 million calculated at the rates existing at year end.

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## Item 6. Directors, Senior Management and Employees

**A. DIRECTORS AND SENIOR MANAGEMENT**

Our Articles of Association provide that the board must consist of no less than two and no more than 20 directors at any time. The board currently consists of 9 directors.

Our Articles of Association provide that any new director should be reelected by the shareholders at the annual general meeting following the date of the director's appointment. Furthermore, each director is subject to reelection on a rotation basis every three years as required by our Articles of Association and the Companies (Jersey) Law, 1991. Dr. A.L. Pavard and Mr. B.H. Asher positions as non-executive directors were the subject of an ordinary resolution at the annual general meeting held on May 2, 2006, as required by our Articles of Association.

According to the Articles of Association, the board meets at intervals determined by the board from time to time.

The address of each of our executive directors and non-executive directors is the address of our principal executive offices, La Motte Chambers, La Motte Street, St. Helier, Jersey, JE1 1BJ, Channel Islands.

## Executive Directors

D. Mark Bristow (47) Chief Executive Officer. Dr. Bristow was appointed a director in August 1995 and Chief Executive Officer in October 1995. A geologist with more than 23 years' experience in the mining industry, he holds a Ph. D. in Geology from Natal University, South Africa. Prior to this he held executive responsibility for the exploration and new business activities of Randgold & Exploration from 1992 to 1995. During the period 1995 to 1997 he also directed the re-engineering of the reserve management functions of the gold mining of the Randgold & Exploration Group and its affiliated gold mining companies. He has held directorships in Harmony Gold Mining Company Limited and DRD Gold Limited.

Roger A. Williams (43) Finance Director. Mr. Williams is a chartered accountant with 18 years experience in finance including nine years in the mining industry. Prior to joining us in January 1997, he was a financial manager for Kimberly-Clark of Southern Africa and an audit manager with Deloitte & Touche in the United Kingdom. In November 2001 he was appointed an alternate director and was appointed as Finance Director in April 2002.

## Non-Executive Directors

Philippe Liétard (57) Non-Executive Chairman; Mr. Liétard was appointed a director in February 1998. Mr. Liétard was managing director of the Global Natural Resources Fund from 2000 to 2003. Prior to July 2000, he was director of the Oil, Gas and Mining Department of the International Finance Corporation. His experience in corporate and project finance with UBS, IFC and the World Bank extends over 30 years, most of them in the minerals business and in Africa. Mr. Liétard is now an independent consultant and a promoter of mining and energy investments. He was appointed a director in February 1998 and chairman in November 2004.

Bernard H. Asher (69) Non-Executive Director; Chairman of the audit committee and Member of the remuneration committee. From 1986 to 1998, he was an executive director of HSBC Holdings plc and chairman of HSBC Holdings subsidiary, HSBC Investment Bank plc. He was chairman of Lonrho Africa plc, vice-chairman of the Court of Governors of the London School of Economics and of the Legal & General Group plc and a director of Morgan Sindall plc. He is Chairman of Lion Trust Asset Management and senior independent director of Morgan Sindall plc. He was appointed a director in June 1997 and senior independent director in October 2003.

Norborne P. Cole (64) Non-Executive Director. Mr. Cole was appointed a director in May 2006. Mr. Cole was CEO of Coca-Cola Amatil based in Sydney Australia until 1998. Currently he is vice-chairman of Silver Eagle Distributors of Houston, Texas and a director of Lancer Corporation, Papa John's International Inc. and the San Antonio Zoo.

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Jean-Antoine Cramer (74) Non-Executive Director; Member of the audit committee. Mr. Cramer was appointed a director in June 1997. Mr. Cramer was senior partner in Messieurs Cramer & Cie, a Geneva portfolio management company and was president of the Corporate Association of Geneva Investment Managers and lectures on various topics relating to politics and economics.

Robert I. Israel (56) Non-Executive Director; Chairman of the remuneration committee. Mr. Israel was appointed a director in June 1997. Mr. Israel is a partner at Compass Advisers, LLP. Until April 2000, Mr. Israel served as a managing director of Schroder & Co. Inc. and head of its Energy Department. He has 26 years of experience in corporate finance, especially in the natural resources sector.

Aubrey L. Paverd (67) Non-Executive Director; Member of the audit committee. Dr. Paverd was appointed a non-executive director in August 1995. He is also a director of the Peruvian mining company Cia. Minas Buenaventura. Dr. Paverd is now an independent consultant. He has 43 years of international geological experience.

Karl Voltaire (56) Non-Executive Director. Dr. Voltaire was appointed a director in May 2006. He holds a Ph.D in Finance from the University of Chicago. He is currently the CEO of The Nelson Mandela Institute and was previously a director of the African Development Bank. Dr Voltaire was formerly with the International Finance Corporation where he was the director in charge of Global Financial Markets.

#### Executive Officers

David Haddon (48) General Counsel and Secretary. Having overseen our administrative obligations from our incorporation in 1995, Mr. Haddon assumed full secretarial responsibility when we became listed on the London Stock Exchange in July 1997. He has over 21 years of legal and administrative experience. He assumed the responsibility as general counsel in January 2004. He is a director of Seven Bridges Trading 14 (Pty) Limited.

Bill Houston (58) General Manager — Human Resources. Mr. Houston joined us in 1992 as group training and development manager and currently heads the human resources function. He has 25 years of human resources experience. He is a director of Morila SA and Seven Bridges Trading 14 (Pty) Limited.

Amadou Konta (48) General Manager — Loulo. Mr. Konta has a degree in civil engineering as well as several management and project management qualifications. He was appointed mine foreman and superintendent at Syama mine and served as mine manager from 1997. In 2001 he was promoted as our construction manager in Mali and was appointed Loulo general manager on October 1, 2004.

Victor Matfield (41) Manager — Corporate Finance. Mr. Matfield is a chartered accountant with 13 years experience in the mining industry. He was appointed corporate finance manager in August 2001, prior to that he served as financial manager of the Syama mine and of the Morila capital project. He is a director of Seven Bridges Trading 14 (Pty) Limited.

Chris Prinsloo (55) Group Commercial and Financial Manager. Mr. Prinsloo became Group Financial Manager in January 2002. He has 33 years of experience in the mining industry. He is a director of Somilo SA and Morila SA.

Richard Quarmby (46) Technical Manager. Mr. Quarmby is a qualified chemical engineer with extensive experience in the mining industry. He joined our metallurgical team in 1997, playing a pivotal role in the development and implementation on site of the Syama and Morila metallurgical plant designs. His responsibilities include metallurgical development through liaising with partner consultants and evaluating all technical and economic implications with the aid of both proprietary and in-house developed software.

Adrian J. Reynolds (51) General Manager — Exploration and Evaluation. Mr. Reynolds has 25 years experience in the exploration and mining industries and was part of the team that developed our original strategy. He leads the exploration team and manages the evaluation of early stage and development projects. He is responsible for the Morila technical oversight and for compilation of our technical audits, due diligences and feasibility studies. He is a director of Morila Limited and Somilo SA.



Mahamadou Samake (58) General Manager — Randgold Resources Mali. Mr. Samake is the general manager of the Bamako office and is a director of our Malian subsidiaries. He was a professor of company law at the University of Mali.

John Steele (45) General Manager — Capital Projects. Mr. Steele has overseen the capital expansion program at the Syama mine, and at the beginning of July 1998, assumed the position of general manager capital projects for the Randgold Resources Group, overseeing the construction of Morila. He is a director of Somilo SA and Morila Limited and is currently leading the Loulo construction project.

Our Articles of Association provide that the longest serving one-third of directors retire from office at each annual general meeting. Retiring directors normally make themselves available for re-election and are re-elected at the annual general meeting on which they retire. Our officers who are also directors retire as directors in terms of the Articles of Association, but their service as officers is regulated by standard industry employment agreements.

The date of appointment, date of expiration and length of service for each of our directors is set forth in the table below:

Director	Date of Appointment	Date of Expiration of Term	Number of Years Service
Executive			
D. M. Bristow	8/11/95	5/31/08	10
R. A. Williams	5/01/02	5/31/08	4
Non-Executive			
B. H. Asher	6/12/97	5/05/09	8
J. A. Cramer	6/12/97	5/05/07	8
R. I. Israel	6/12/97	5/05/07	8
P. Liétard	2/11/98	5/05/07	7
A. L. Paverd	7/29/95	5/05/09	10
Nathan P. Cole, Jr.	5/03/06	4/30/07	<1
Karl Voltaire	5/03/06	4/30/07	<1

None of our directors and executive officers was selected under any arrangements or understandings between that director or executive officer and any other person. All of our non-Executive directors are considered independent directors.

#### B. COMPENSATION

Our objective is to provide senior management, including executive directors, with a competitive remuneration package which will attract and retain executives of the highest caliber and will encourage and reward superior performance in the manner consistent with the interests of our shareholders. The remuneration committee's policies are designed to meet these objectives and to ensure that the individual directors are fairly and responsibly rewarded for their respective contributions to our performance.

We have no liability in respect of retirement provisions for executive directors. We do, however, provide a vehicle in the form of a defined contribution fund into which employees, including executive directors, may contribute for the purpose of providing for retirement. While we make an annual contribution on behalf of our employees, we do not do so on behalf of our executive directors.

Each executive director receives a basic salary. Executive directors do not receive any fees. Executive directors are paid an annual bonus which is determined by the annual performance of our share price.

Fees paid to directors are:

- A general retainer to all non-executive directors of \$45,000;

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- An annual committee assignment fee of \$25,000, with an additional premium for membership of the audit committee of \$10,000;
- The chairman of a board committee to receive a committee assignment fee of \$40,000;
- The senior independent director, in addition to the general annual retainer but in lieu of any committee assignment fee, to receive an additional \$75,000;
- The non-executive chairman, in addition to the general annual retainer but in lieu of any committee assignment fee, to receive an additional \$90,000;
- An award to each director of \$30,000 to be translated into a number of “restricted” shares. The shares are to vest over a three year period from the date of each award, being January 1. Vesting would accelerate on the following conditions:
  - Termination other than resignation or dismissal;
  - Voluntary retirement after the age of 65 with a minimum of three years service as a director; and
  - Change in control of the company.

A director must hold shares at least equal in value (as at the beginning of the year) to the general annual retainer. A director would be granted three years in which to acquire the required shareholding and this period could be extended by the unanimous approval of the uninterested directors. If the number of shares were to fall below the threshold due to a fall in the share price, no additional purchase of shares would be required. Currently, other than Mr. Cramer and the two new directors, Mr. N. P. Cole and Dr. K. Voltaire who were appointed in May 2006, all the directors hold shares equal to the value of the general annual retainer.

Non-executive directors have been granted options to purchase our ordinary shares. Details of the options held by the non-executive directors are shown below.

On May 11, 2005 the first \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq National Market closing price on May 10, 2005, being \$12.78. In terms of the policy, 783 shares were issued directly to each non-executive director and 1,565 shares were held as restricted stock. Non-executive directors were issued the second tranche of 782 ordinary shares on February 13, 2006 and, subject to agreed conditions, the final balance will be issued on January 1, 2007.

On February 13, 2006 the second \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq National Market closing price on February 10, 2006, or \$17.11. In terms of the policy, 584 shares were issued directly to each non-executive director and 1,169 shares were held as restricted stock. Non-executive directors were issued the second tranche of 584 ordinary shares on January 1, 2007 and the balance will be issued on January 1, 2008 subject to agreed conditions.

During the year ended December 31, 2005, the aggregate compensation paid or payable to our directors and executive officers as a group was approximately \$5.48 million, of which \$3.85 million was payable to directors and recognized as a remuneration expense.

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The following table sets forth the aggregate compensation for each of the directors:

	Basic Salary/Fees		Bonus/Service Contract		Other Payments		Total December 31,	
	December 31, 2005 (\$)	2004 (\$)	December 31, 2005 (\$)	2004 (\$)	December 31, 2005 (\$)	2004 (\$)	2005 (\$)	2004 (\$)
Executive								
D.M. Bristow <sup>(1)</sup>	600,000	530,156	975,136	1,118,022	693,700	535,250	2,268,836	2,183,428
R.A. Williams	278,208	239,040	325,045	372,674	—	—	603,253	611,714
R.A.R. Kebble <sup>(2)</sup>	—	343,750	975,136	1,118,022	—	1,093,750	975,136	2,555,522
Sub-total	878,208	1,112,946	2,275,317	2,608,718	693,700	1,629,000	3,847,225	5,350,664
Non-Executive								
P. Liétard	135,000	102,500	—	—	30,000	—	165,000	102,500
B. H. Asher	120,000	115,000	—	—	30,000	—	150,000	115,000
J. A. Cramer	80,000	85,000	—	—	30,000	—	110,000	85,000
R. I. Israel	85,000	68,000	—	—	30,000	—	115,000	68,000
F. Lips <sup>(3)</sup>	—	15,000	—	—	—	—	—	15,000
A. L. Paverd	80,000	85,000	—	—	30,000	—	110,000	85,000
N. P. Cole, Jr. <sup>(4)</sup>	—	—	—	—	—	—	—	—
K. Voltaire <sup>(4)</sup>	—	—	—	—	—	—	—	—
Subtotal	500,000	470,500	—	—	150,000	—	650,000	470,500
TOTAL	1,378,208	1,583,446	2,275,317	2,608,718	843,700	1,629,000	4,497,225	5,821,164

<sup>(1)</sup>Other payments comprise the grant of restricted shares to Dr. D. M. Bristow.

<sup>(2)</sup>Mr. R.A.R. Kebble resigned from the board effective November 3, 2004. All amounts shown as remuneration for 2005 and the “other payments” for 2004 reflect payments in settlement of Mr. R.A.R. Kebble’s termination agreement.

<sup>(3)</sup>Mr. F. Lips retired from the board on February 19, 2004.

<sup>(4)</sup>Messrs. Cole and Voltaire were appointed to the board effective May 13, 2006.

The executive directors do not receive any benefits in kind and the only long-term incentive scheme is the Share Option Scheme.

The bonus is calculated on the movement in our share price based on a calendar year to March 31. The 2005 bonuses, as shown above, reflect the amounts paid in April 2005 based on the movement in the share price from April 1, 2004 to March 31, 2005, being \$10.70 to \$12.36.

Share options exercised by the directors during 2005 and up to April 30, 2006 are detailed below:

Name	Number of Options Exercised	Average Exercised Price (\$)
R. A. Williams	94,460	3.14
D. M. Bristow	166,700	3.25

P. Liétard	25,400	1.65
A. L. Pavverd	25,400	1.65

The high and low share prices for our ordinary shares for the year on the London Stock Exchange were (pounds sterling) 9.58 and (pounds sterling) 5.30, respectively and our high and low price for our ADRs on the Nasdaq National Market were \$16.77 and \$10.13 respectively. The ordinary share price on the London Stock Exchange and the price of an ADR on the Nasdaq National Market at December 31, 2005 were (pounds sterling) 9.27 and \$16.13 respectively.

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Share options outstanding at April 30, 2006 and held by directors and executive officers were as follows:

Name	Options to Purchase Ordinary Shares	Expiration Date	Exercise Price(\$)
Executive Directors			
R. A. Williams	125,000	8/05/14	8.05
Non-Executive Directors			
B. H. Asher	25,400	1/28/11	1.65
J. A. Cramer	25,400	1/28/11	1.65
R. I. Israel	25,400	1/28/11	1.65
Officers			
D. J. Haddon	40,000	7/11/12	3.25
	75,000	8/05/14	8.05
W. R. A. Houston	75,000	8/05/14	8.05
A. Konta	60,000	8/05/14	8.05
V. Matfield	26,700	7/11/12	3.25
	75,000	8/05/14	8.05
C. J. Prinsloo	75,000	8/05/14	8.05
R. Quarmby	13,400	7/11/12	3.25
	60,000	8/05/14	8.05
A. J. Reynolds	8,700	7/11/12	3.25
	75,000	8/05/14	8.05
M. Samake	75,000	8/05/14	8.05
J. Steele	85,000	8/05/14	8.05

### C.BOARD PRACTICES

#### Directors' Terms of Employment

Service contracts have been concluded with the two executive directors. Mr. R. A. Williams' current agreement runs until December 31, 2008. Given our size and management team, the board considers periods of employment in excess of one year appropriate. The board has agreed to a rolling three year contract for Dr. D. M. Bristow and this has been approved based on the importance attributed to his contribution to our overall strategic direction and performance. In

the event of unilateral termination, we would be required to compensate the director concerned for any outstanding amounts due in terms of the contract.

In terms of the new service contract entered into with Dr. D. M. Bristow, the board on the recommendation of the remuneration committee on May 11, 2005 awarded the CEO restricted stock amounting to 150,000 shares. The award was subject to agreed performance criteria set for the 2004 financial year. Since Dr. D. M. Bristow has met these criteria, two thirds of the shares have become due by December 31, 2005 and the remaining third from the end of December 2006.

On August 16, 2004, the board approved a resolution awarding Mr. R. A. Williams 125,000 share options in accordance with the rules of the current share option scheme. The options were awarded at a price of \$8.05, being the trading price of the company on August 5, 2004, Mr. R. A. Williams would be entitled to exercise the options in three annual tranches commencing August 6, 2006.

We currently do not have service agreements with our non-executive directors. However, each director is subject to reelection by our shareholders in accordance with our Articles of Association.

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### Board of Directors Committees

In order to ensure good corporate governance, the board has formed an audit committee and a remuneration committee. The audit and remuneration committees are comprised of a majority of non-executive directors. It is the board's view that because of our size and range of activities, the board is best suited to act as a nomination committee in its entirety.

#### Audit Committee

Our audit committee charter, which defines the terms of reference for the audit committee members, sets out the framework through which the audit committee reviews our annual results, the effectiveness of our systems of internal control, internal audit procedures and legal and regulatory compliance and the cost effectiveness of the services provided by the internal and external auditors. The audit committee also reviews the scope of work carried out by our external auditors and holds discussions with the external auditors at least once a year. The audit committee is comprised of three independent non-executive directors. The members of the audit committee are Messrs. Asher (Chairman), Cramer and Dr. Paverd.

#### Remuneration Committee

The remuneration committee reviews the remuneration of directors and senior management and determines the structure and content of the senior executives' remuneration packages by reference to a number of factors including current business practice and our prevailing business conditions and the mining and exploration industry. The members of the remuneration committee are Messrs. Israel (Chairman) and Asher.

## D. EMPLOYEES

At the end of each of the past three years, the breakdown of employees, including our subsidiaries but excluding Morila SA, by main categories of activity was as follows:

Category of Activity	December 31, 2003	December 31, 2004	December 31, 2005
Mining and related engineering <sup>(1)</sup>	8	9	52
Processing and related engineering <sup>(2)</sup>	7	8	76
Management and technical <sup>(3)</sup>	14	12	46
Exploration <sup>(4)</sup>	54	53	47
Administration <sup>(5)</sup>	21	28	50
TOTAL	104	110	271

Notes: In addition to the permanent employees shown above:

- <sup>(1)</sup>Mining contractor, BCM, had 184 employees on site at December 2005 and in addition there were another 199 sub-contractor employees working on building mine infrastructure, such as access and haulage roads, supplying explosives and drilling etc;
- <sup>(2)</sup>Approximately 379 construction industry employees were working for MDM, the main construction contractors at Loulo. These construction employees were working on the building of the processing plant and related infrastructure. In addition, thirteen Manutention (Caterpillar) employees were running the Power Plant, situated adjacent to the processing plant;
- <sup>(3)</sup>The increase of management and technical expertise during the year was required due to the development of Loulo mine, which started to produce gold in 2005. The operation of the mine required the putting into place a management hierarchy on the mine;
- <sup>(4)</sup>Exploration efforts were expanded during 2005 in Senegal, Burkina Faso, Ghana and Tanzania by employing, in addition to the permanent staff outlined above, 55 exploration fixed-term contract staff. The most able of the latter may become permanent employees of Randgold Resources during 2006, should they achieve the high standards required by the company, during their eight-month trial period and should vacancies be available;

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- <sup>(5)</sup>In addition to the permanent Somilo administrative employees outlined above, outsourced administrative services i.e. E.S.S. catering and cleaning contractors had 57 employees on site, while AMM, a local security company, had 44 employees providing a security service to the mine.

### E. SHARE OWNERSHIP

See “Item 7 – Major Shareholders and Related Party Transactions”.

### Employee Share Option Scheme

Since 1996, we have operated a share option scheme under which senior management, including executive and non-executive directors, may be offered options to purchase our ordinary shares. The aggregate number of shares available for issuance under the option scheme may not exceed 15% of our issued share capital. Awards to executive directors are determined by the remuneration committee and are designed to motivate directors to achieve our strategic objectives. Share options are not subject to any performance criteria for individual directors. Any options provided to an individual employee (which includes executive and non-executive directors) as defined by the rules of the scheme, are subject to an upper limit of two per cent of our issued ordinary share capital.

The exercise price of any new share options is determined as the closing price of the share on the trading day preceding that on which the person was granted the option. Under the rules of the share option scheme, all option holders, inclusive of executive and non-executive directors, were granted additional options to subscribe for shares in the open offer which was concluded in November 1998. These additional options are exercisable at the open offer price and otherwise on the same terms as the initial grant. The number of additional options to be granted to each option holder was calculated by dividing the number of open offer shares taken up by the issued share capital multiplied by the number of options held shares reflected are still options prior to the open offer.

The scheme provides for the early exercise of all options in the event of an acquisition of a number of shares that would require an offer to be made to all of our other shareholders.

## Item 7. Major Shareholders and Related Party Transactions

### A. MAJOR SHAREHOLDERS

As of May 31, 2006, our issued share capital consisted of 68,354,154 ordinary shares with a par value of \$0.05 per share. To our knowledge we are not, directly or indirectly, owned or controlled by another corporation, any foreign government or other person.

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of April 30, 2006, by:

- Any person of whom the directors are aware that is interested directly or indirectly in 3% or more of our ordinary shares;
- Each of our directors; and
- All of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and generally includes voting or investment power with respect to securities. Ordinary shares issuable pursuant to options, to the extent the options are currently exercisable or convertible within 60 days of April 30, 2006, are treated as outstanding for computing the percentage of the person holding these securities but are not treated as outstanding for computing the percentage of any other person. Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares, subject to community property laws where applicable. Unless indicated otherwise, the business address of the beneficial owners is: Randgold Resources Limited, La Motte Chambers, La Motte Street, St Helier, Jersey, JE1 1BJ, Channel Islands.

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	Holder	Shares Beneficially Owned	
		Number	Percent
	D. M. Bristow	728,400	1.07
	R. A. Williams	160,000	0.23
	B. H. Asher	40,014	0.06
	J. A. Cramer	27,548	0.04
	R. I. Israel	40,014	0.06
	P. Liétard	27,548	0.04
	A. L. Paverd	40,014	0.06
		56,300,732	82.37 <sup>(1)</sup>

BNY (Nominees) Limited 30 Cannon Street London EC4M XH Merrill Lynch Investment Managers Ltd (UK) 33 King Williams Street London EC4R 9AS	7,468,916	10.93
Wells Capital Management, Inc. 525 Market Street, 10 <sup>th</sup> Floor San Francisco CA 94105-2708 US	4,308,445	6.30
Directors and executive officers (2)	1,001,240	1.46

(1) Shares held by BNY (Nominees) Ltd are held for and on behalf of our ADR holders.

(2) No executive officer beneficially owns in excess of 1% of the outstanding ordinary shares, save for Dr. D. M. Bristow who owns 1.07%.

As of June 13, 2003, Randgold & Exploration had a percentage ownership in us of 43%. Since that time, a number of transactions have taken place which have resulted in all of our shares which were held by Randgold & Exploration being sold. Currently Randgold & Exploration has no interest in us.

To the knowledge of management, none of the above shareholders hold voting rights which are different from those held by our other shareholders.

As of April 30, 2006, there were three record holders of our ordinary shares in the United States, holding an aggregate of 48,754 ordinary shares or 0.071%.

As of April 30, 2006, there were two record holders of our ADRs in the United States, holding an aggregate of 56,272,232 ADRs or 82.32%.

#### B. RELATED PARTY TRANSACTIONS

None of our directors, officers or major shareholders or, to our knowledge, their families, had any interest, direct or indirect, in any transaction during the last fiscal year or in any proposed transaction which has affected or will materially affect us or our investment interests or subsidiaries, other than as stated below.

#### The Randgold Name

Under an agreement dated June 26, 1997, Randgold & Exploration Group has licensed us to carry on business under the name ‘‘Randgold’’. The license has been provided to us on a royalty free perpetual basis. The UK Trademark Registry granted a registration certificate to us for ‘‘Randgold’’ on February 16, 2001.

#### C. INTERESTS OF EXPERTS AND COUNSEL

Not applicable.

#### Item 8. Financial Information

See Item 18.



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## Item 9. The Offer and Listing

## A. OFFER AND LISTING DETAILS

The following table sets forth, for the periods indicated, the high and low sales prices of our ordinary shares, as reported by the London Stock Exchange, and of our ADRs, as reported by the Nasdaq National Market. Effective March 10, 2003, we changed the ratio of ordinary shares to ADRs from two ordinary shares per ADRs to one ordinary share per ADRs, so that each ADRs now represents one ordinary share. In March, 2003 we changed the currency in which the price of our ordinary shares that are traded on the London Stock Exchange are quoted. The ordinary shares are now quoted in pound sterling and not in U.S. dollars. The ADRs continue to be quoted on the London Stock Exchange and the Nasdaq Stock Market in U.S. dollars.

Financial Period Ended	Price Per Ordinary Share		Price Per ADR	
	High (£)	Low (£)	High (\$)	Low (\$)
December 31, 2005	9.67	5.31	18.69	10.13
December 31, 2004	7.82	4.29	14.26	7.77
December 31, 2003	8.33	3.10	4.26	5.07
Financial Period Ended	High (\$)	(Low)(\$)	High (\$)	Low (\$)
	High (£)	Low (£)		
December 31, 2002	7.25	2.83	7.64	2.92
December 31, 2001	2.50	1.34	—	—
Calendar Period	Price Per Ordinary Share		Price Per ADR	
	High (£)	Low (£)	High (\$)	Low (\$)
2006				
First Quarter	10.63	9.18	18.70	15.50
2005				
Fourth Quarter	9.67	7.62	16.91	13.30
Third Quarter	9.27	7.28	16.70	12.70
Second Quarter	8.00	5.96	15.08	11.05
First Quarter	7.24	5.31	14.07	10.13
2004				
Fourth Quarter	6.99	5.45	13.24	9.94
Third Quarter	5.55	4.29	9.87	7.77
Second Quarter	6.10	4.38	11.02	8.12
First Quarter	15.63	9.85	28.10	17.77
Calendar Month	Price Per Ordinary Share		Price Per ADR	
	High (£)	Low (£)	High (\$)	Low (\$)
2006				
May	14.08	9.71	26.56	18.35
April	13.24	10.47	24.36	18.13
March	10.47	9.18	18.35	15.50
February	10.63	9.75	18.70	16.24
January	10.23	9.28	18.44	16.30
2005				
December	9.64	8.70	16.91	14.66

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

Our ordinary shares are listed on the LSE, which currently constitutes the principal non-United States trading market for those shares, under the symbol RRS and our ADSs traded in the United

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States on Nasdaq under the trading symbol GOLD, in the form of American Depositary Receipts. The American Depositary Receipts are issued by The Bank of New York, as Depositary. Each American Depositary Receipt represents one American Depositary Share. Each American Depositary Share represents one of our ordinary shares.

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

Item 10. Additional Information

**A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

General

We are a company organized with limited liability under the laws of Jersey, Channel Islands. Our registered number is 62686.

The authorized share capital is \$4,000,000 divided into 80,000,000 ordinary shares of \$0.05 each, of which 68,354,154 were issued as of May 31, 2006 and 11,645,846 were available for issue. At the annual general meeting held on April 26, 2004, shareholders approved a resolution which authorized a share split which amended our authorized share capital from \$4,000,000 divided into 40,000,000 ordinary shares of \$0.10 each to \$4,000,000 divided into 80,000,000 ordinary shares of \$0.05 each. The issued share capital therefore increased from 29,263,385 to 58,526,770 ordinary shares with effect from June 11, 2004. None of our shares have any redemption rights.

Memorandum of Association

Clause 2 of our Memorandum of Association provides that we shall have all the powers of a natural person including but not limited to the power to carry on mining, exploration or prospecting.

## Changes in Capital or Objects and Powers

Subject to the 1991 Law and our Articles of Association, we may by special resolution at a general meeting:

- increase our authorized or paid up share capital;
- consolidate and divide all or any part of our shares into shares of a larger amount;
- sub-divide all or any part of our shares having a par value;
- convert any of our issued or unissued shares into shares of another class;
- convert any of our paid-up shares into stock, and reconvert any stock into any number of paid-up shares of any denomination;
- convert any of our issued shares into redeemable shares which can be redeemed;

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- cancel shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the authorized share capital by the amount of the shares so cancelled;
- reduce the authorized share capital;
- reduce our issued share capital; or
- alter our Memorandum or Articles of Association.

## Articles of Association

We adopted our Articles of Association by special resolution passed on June 24, 1997. Our Articles of Association include provisions to the following effect:

### General Meeting of Shareholders

We may at any time convene general meetings of shareholders. We hold an annual general meeting for each fiscal year within nine months of the end of each fiscal year. No more than eighteen months may elapse between the date of one annual general meeting and the next.

Annual general meetings and meetings calling for the passing of a special resolution require twenty-one days' notice of the place, day and time of the meeting in writing to our shareholders. Any other general meeting requires no less than fourteen days' notice in writing. Our business may be transacted at a general meeting only when a quorum of shareholders is present. Two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorized representative of a corporation which is a member, constitute a quorum. Nasdaq's marketplace rules, which apply to all companies listed on the Nasdaq Stock Market, state in Rule 4350(f) that the minimum quorum for any meeting of holders of a company's common stock is 33 1/3% of the outstanding shares. As a result, we requested, and Nasdaq granted to us, an exemption from compliance with the Rule 4350(f) requirement.

The annual general meetings deal with and dispose of all matters prescribed by our Articles of Association and by the 1991 Law including:

- the consideration of our annual financial statements and report of our independent accountants;
- the election of directors; and
- the appointment of independent auditors.

## Voting Rights

Subject to any special terms as to voting on which any shares may have been issued or may from time to time be held, at a general meeting, every shareholder who is present in person (including any corporation present by its duly authorized representative) shall on a show of hands have one vote and every shareholder present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless we otherwise determine, no shareholder is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a shareholder in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses, if any, have been paid to us.

## Dividends

Subject to the provisions of the 1991 Law and of the Articles of Association, we may, by ordinary resolution, declare dividends to be paid to shareholders according to their respective rights and

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interests in our profits. However, no dividend shall exceed the amount recommended by us. Subject to the provisions of the 1991 Law, we may declare and pay an interim dividend, including a dividend payable at a fixed rate, if an interim dividend appears to us to be justified by our profits available for distribution.

Except as otherwise provided by the rights attached to any shares, all dividends shall be declared and paid according to the amounts paid up, otherwise than in advance of calls, on the shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall, if we so resolve, be forfeited and shall cease to remain owing by us.

We may, with the authority of an ordinary resolution, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of those ways.

We may also with the prior authority of an ordinary resolution, and subject to such conditions as we may determine, offer to holders of shares the right to elect to receive shares, credited as fully paid, instead of the whole, or some part, to be determined by us, of any dividend specified by the ordinary resolution.

## Ownership Limitations

Our Articles of Association and the 1991 Law do not contain limits on the number of shares that a shareholder may own.

## Distribution of Assets on a Winding-Up

If we are wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie the whole or any part of our assets and may, for that purpose, value any assets and determine how the dividend shall be carried out as between the shareholders or vest the whole or any part of the assets in trustees on such trusts for the benefit of the shareholders as he with the like sanction shall determine but no shareholder shall be compelled to accept any assets on which there is a liability.

#### Transfer of Shares

Every shareholder may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by us. The instrument must be executed by or on behalf of the transferor and, in the case of a transfer of a share which is not fully paid up, by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of shareholders.

We may, in our absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

- it is in respect of a share which is fully paid up;
- it is in respect of only one class of shares;
- it is in favor of a single transferee or not more than four joint transferees;
- it is duly stamped, if so required; and
- it is delivered for registration to our registered office for the time being or another place that we may from time to time determine accompanied by the certificate for the shares to which it relates and any other evidence as we may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so; provided that we shall not refuse to register any transfer of partly paid shares which are listed on the grounds they are partly paid shares in circumstances where our refusal would prevent dealings in those shares from taking place on an open and proper basis.

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##### Variation of Rights

If at any time our share capital is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares may be varied or abrogated in the manner, if any, that is provided by the rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a resolution passed by the holders of not less than three-quarters in nominal value of the issued shares of that class at a separate general meeting of the holders of shares of the class. The quorum at that meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking equally in all respects, except as to the date from which those new shares shall rank for dividend, with or subsequent to those already issued or by the reduction of the capital paid up on those shares or by the purchase or redemption by us of our

own shares in accordance with the provisions of the 1991 Law and the Articles.

#### Capital Calls

Subject to the terms of allotment of shares, we may from time to time make calls on the members in respect of any monies unpaid on the shares, whether in respect of nominal value or premium, and not payable on a fixed date. A member must receive fourteen days' notice of any call and any call is deemed to be made when the resolution of the board authorizing such call was passed.

If any call is not paid on or before the date appointed for payment, the person liable to pay that call shall pay all costs, charges and expenses of ours in connection with the non-payment, including interest on the unpaid amount, if requested by us.

Unless we otherwise determine, no member shall be entitled to receive any dividend or to be present and vote at any general meeting, or be included in a quorum, or to exercise any other right or privilege as a shareholder unless and until any outstanding calls in respect of his shares are paid.

#### Borrowing Powers

We may exercise all of our powers to borrow money and to mortgage or charge all or any part of our undertaking, property and assets, present and future, and uncalled capital and, subject to the provisions of the 1991 Law, to create and issue debenture and other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of ours or of any third party.

#### Issue of Shares and Preemptive Rights

Subject to the provisions of the 1991 Law and to any special rights attached to any shares, we may allot or issue shares with those preferred, deferred or other special rights or restrictions regarding dividends, voting, transfer, return of capital or other matters as we may from time to time determine by ordinary resolution, or if no ordinary resolution has been passed or an ordinary resolution does not make specific provision, as we may determine. We may issue shares that are redeemable or are liable to be redeemed at our option or the option of the holder in accordance with our Articles of Association. Subject to the provisions of the 1991 Law the unissued shares at the date of adoption of the Articles of Association and shares created thereafter shall be at our disposal. We cannot issue shares at a discount.

There are no pre-emptive rights for the transfer of our shares either within the 1991 Law or our Articles of Association.

#### Meetings of the Board of Directors

Any director may, and the secretary at the request of a director shall, call a board meeting at any time on reasonable notice. A director may waive this notice requirement.

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Subject to our Articles of Association our board of directors may meet for the conducting of business, adjourn and otherwise regulate its proceedings as it sees fit. The quorum necessary for the transaction of business may be

determined by the board of directors and unless otherwise determined shall be two persons, each being a director or an alternate director. A duly convened meeting of the board of directors at which a quorum is present is necessary to exercise all or any of the board's authorities, powers and discretions.

Unless otherwise determined, two persons, each being a director or an alternate director constitutes a quorum.

Our board of directors may delegate or entrust to and confer on any director holding an executive office any of its powers, authorities and discretions for such time, on such terms and subject to such conditions as it sees fit. Our board of directors may also delegate any of its powers, authorities and discretions for such time and on such terms and subject to such conditions as it sees fit to any committee consisting of one or more directors and one or more other persons, provided that a majority of the members of the committee should be directors.

#### Remuneration of Directors

Our directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors any sum that we may from time to time determine, not exceeding in aggregate \$300,000 per annum or any other sum as we, by ordinary resolution in a general meeting, shall from time to time determine. That sum, unless otherwise directed by ordinary resolution of us by which it is voted, shall be divided among the directors in the proportions and in the manner that the board determines or, if the board has not made a determination, equally. The directors are entitled to be repaid all traveling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors.

The salary or remuneration of any director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by us, and may be in addition to or in lieu of any fee payable to him for his services as director.

#### Pensions and Gratuities for Directors

We may exercise all of our powers to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of any company in our group and their relatives or dependants.

#### Directors' Interests in Contracts

Subject to the provisions of the 1991 Law and provided that his interest is disclosed as soon as practicable after a director becomes aware of the circumstances which gave rise to his duty to disclose in accordance with the Articles of Association, a director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with us, or in which we are otherwise interested, may hold any other office or place of profit under us (except that of auditor of, or of a subsidiary of ours) in conjunction with the office of director and may act by himself or through his firm in a professional capacity for us, and in any such case on such terms as to remuneration and otherwise as we may arrange, and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by us or in which we are otherwise interested and shall not be liable to account to us for any profit, remuneration or other benefit realized by any such office, employment, contract, arrangement, transaction or proposal.

No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

#### Restrictions on Directors' Voting

Except as provided in our Articles of Association, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any

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contract, arrangement, transaction or any other proposal whatsoever to which we are or will be a party and in which he has an interest which (together with an interest of any person connected with him) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through us, unless the resolution concerns any of the following matters:

- the giving of any guarantee, security, or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of us or any of our subsidiary undertakings;
- the giving of any guarantee, security or indemnity in respect of a debt or obligation of ours or any of our subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- any proposal concerning an offer of shares or debentures or other securities of or by us or any of our subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest in one per cent or more of the issued equity share capital of any class of that body corporate or of the voting rights available to shareholders of that body corporate;
- any proposal relating to an arrangement for the benefit of our employees or the employees of any of our subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or
- any proposal concerning insurance which we propose to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

A director shall not vote or be counted in the quorum for any resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or termination) as the holder of any office or place of profit with us or any company in which we are interested.

#### Number of Directors

Unless and until otherwise determined by a special resolution, the number of directors shall be not less than two or more than 20.

#### Directors' Appointment and Retirement by Rotation

Directors may be appointed by ordinary shareholder resolution or by the board. If appointed by ordinary resolution, a director holds office only until the next annual general meeting and shall not be taken into account in determining the number of directors who are to retire by rotation. A director shall not be required to hold any of our shares.

At each annual general meeting, one-third of the directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. Subject to the provisions of the 1991 Law and to the Articles, the directors to retire will, first, be any director who wishes to retire and not offer himself for re-election and secondly, will be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot. There is no



age limit imposed upon directors.

#### Untraced Shareholders

Subject to the Articles, we may sell any of our shares registered in the name of a shareholder remaining untraced for 12 years who fails to communicate with us following advertisement of an intention to make such a disposal. Until we can account to the shareholder, the net proceeds of sale will be available for use in our business or for investment, in either case at our discretion. The proceeds will not carry interest.

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#### Crest

The Companies (Amendment No. 4) (Jersey) Law 1998 and the Companies (Uncertificated Securities) (Jersey) Order 1999 allow the holding and transfer of shares under CREST, the electronic system for settlement of securities in the United Kingdom. Our Articles of Association already provide for our shares to be held in uncertificated form under the CREST system.

#### Purchase of Shares

Subject to the provisions of the 1991 Law, we may purchase any of our own shares of any class. The 1991 Law provides that we may, by special resolution approve the acquisition of our own shares provided that the source of funds used to finance any repurchase is in accordance with the 1991 Law. The 1991 Law limits the type of funds available to govern the repurchase of the nominal value and the share premium attributed to any share.

#### Non-Jersey Shareholders

There are no limitations imposed by Jersey law or by our Articles of Association on the rights of non-Jersey shareholders to hold or vote on our ordinary shares or securities convertible into our ordinary shares.

#### Rights of Minority Shareholders and Fiduciary Duties

Majority shareholders of Jersey companies have no fiduciary obligations under Jersey law to minority shareholders. However, under the 1991 Law, a shareholder may, under some circumstances, seek relief from the court if he has been unfairly prejudiced by us. The provisions of the 1991 Law are designed to provide relief from oppressed shareholders without necessarily overriding the majority's decision. There may also be common law personal actions available to our shareholders.

#### Jersey Law and Our Memorandum and Articles of Association

The content of our Memorandum and Articles of Association is largely derived from an established body of corporate law and therefore they mirror the 1991 Law. Jersey company law draws very heavily from company law in England and there are various similarities between the 1991 Law and the English Companies Act 1985 (as amended). However, the 1991 Law is considerably shorter in content than the English Companies Act 1985 and there are some notable differences between English and Jersey company law. There are, for example, no provisions under Jersey law (as there are under English law):

- controlling possible conflicts of interests between us and our directors, such as loans by us or directors, and contracts between us and our directors other than a duty on directors to disclose an interest in any transaction to be entered into by us or any of our subsidiaries which to a material extent conflicts with our interest;
- specifically requiring particulars to be shown in our accounts of the amount of loans to officers or directors' emoluments and pensions, although these would probably be required to be shown in our accounts in conformity to the requirement that accounts must be prepared in accordance with generally accepted accounting principles;
- requiring us to file details of charges other than charges of Jersey realty; or
- as regards statutory preemption provisions in relation to further issues of shares.

Under Article 143 of the 1991 Law, the court may make an order giving relief, including regulation of our affairs requiring us to refrain from doing or continuing to do an act complained of, authorizing civil proceedings and providing for the purchase of shares by any of our other shareholders.

The court has wide powers within its inherent jurisdiction and a shareholder could successfully bring an action in a variety of circumstances. Although there is no statutory definition of unfairly prejudicial conduct, authority suggests that it includes oppression and discrimination and that the test is objective.

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There are no provisions in our Memorandum or Articles of Association concerning changes of capital where these provisions would be considered more restrictive than that required by the 1991 Law.

### C. MATERIAL CONTRACTS

1. Shareholder Loan Agreement dated August 1, 2004, between Randgold Resources Limited and Randgold Resources (Somilo) Limited

We entered into this agreement to loan Randgold (Somilo) Limited funds to assist with the construction of the Loulo Mine in western Mali.

2. Deed of Guarantee and Indemnity, dated September 6, 2004, between Randgold Resources Limited and N.M. Rothschild & Sons Limited.

We entered into this agreement as security and pledge for the discharge and obligations in respect of the \$60,000,000 Project Term Loan Facility.

3. \$60,000,000 Project Term Loan Facility Agreement, dated September 6, 2004, between Société des Mines de Loulo S.A., Randgold Resources Limited, Randgold Resources (Somilo) Limited, Various Banks and Other Financial Institutions, N.M. Rothschild & Sons Limited, Absa Bank Limited and Bayerische Hypo Und Vereinsbank AG.

We entered into the Project Term Loan Facility Agreement to borrow \$60,000,000 for the purpose of constructing the Loulo Mine in western Mali.

4. Deed of Subordination and Pledge, dated September 6, 2004, between Société des Mines de Loulo S.A., Randgold Resources Limited, Randgold Resources (Somilo) Limited and N.M. Rothschild & Sons Limited.

Under this agreement, we subordinated our shareholder loans made to Société des Mines de Loulo S.A. for the fulfillment of its obligations in terms of the \$60,000,000 Project Term Loan Facility.

5. Termination Agreement, dated November 9, 2004, between Randgold Resources Limited and Mr. R.A.R. Kebble.

We entered into this agreement with our former chairman in connection with the termination of his service.

6. Amended and Restated Debenture, between Randgold Resources Limited and N.M. Rothschild & Sons Limited.

Under this agreement, we amended the charges made in terms of the original debenture dated September 6, 2004, which formed part of the security required for the \$60,000,000 Project Term Loan facility.

7. Deed of Assignment, dated December 20, 2004, between Randgold Resources Limited and Société des Mines de Loulo S.A.

Under this agreement we assigned all rights, title, benefit and interest present and future arising out of or in, to or under the Required Risk Management Agreements to Société des Mines de Loulo S.A.

8. Amendment to Shareholders' Loan Agreement ("Amendment") between Randgold Resources Limited and Randgold Resources (Somilo) Limited.

We entered into an agreement to amend the amount of the original shareholder loan to Randgold Resources (Somilo) Limited.

9. International Swap Dealers Association Inc. Master Agreement, dated December 21, 2004, between Randgold Resources Limited and Absa Bank Limited.

We entered into this agreement to cover the derivative instruments required as security for the \$60,000,000 Project Term Loan Facility Agreement.

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10. Third Contract of Employment, dated April 20, 2006, between Randgold Resources Limited and Roger A. Williams.

We entered into a third contract of employment with Roger A. Williams, our Finance Director.

### D. EXCHANGE CONTROLS

There are currently no Jersey or United Kingdom foreign exchange control restrictions on the payment of dividends on our ordinary shares or on the conduct of our operations. Jersey is in a monetary union with the United Kingdom. There are currently no limitations under Jersey law or our Articles of Association prohibiting persons who are not residents or nationals of United Kingdom from freely holding, voting or transferring our ordinary shares in the same manner as United Kingdom residents or nationals.

### E. TAXATION

Material Jersey Tax Consequences

General

The following summary of the anticipated tax treatment in Jersey in relation to the payments on the ordinary shares and ADSs is based on the taxation law and practice in force at the date of this Annual Report, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. We encourage you to consult your own professional advisers on the implications of subscribing or, buying, holding, selling, redeeming or disposing of ordinary shares or ADSs and the receipt of interest and distributions, whether or not on a winding-up, with respect to the ordinary shares or ADSs under the laws of the jurisdictions in which they may be taxed.

We are an “exempt company” within the meaning of Article 123A of the Income Tax (Jersey) Law, 1961, as amended, for the calendar year ending December 31, 2005. We are required to pay an annual exempt company charge, which is currently (pounds sterling) 600, in respect of each subsequent calendar year during which we wish to continue to have “exempt company” status. The retention of “exempt company” status is conditional upon the Controller of Income Tax being satisfied that no Jersey resident has a beneficial interest in us, except as permitted by published concessions granted by the Controller from time to time. By concession, the holding of ordinary shares or ADSs by a Jersey resident in an exempt company, the shares of which are traded on a recognized stock exchange, is not regarded as a beneficial interest, provided that the holding is de minimis or clearance has been obtained from the Controller.

The Controller of Income Tax has indicated that a holding by Jersey residents of less than 10% of the share capital of a company shall be treated as de minimis.

As an “exempt company”, we will not be liable for Jersey income tax other than on Jersey source income, except by concession bank deposit interest on Jersey bank accounts. For so long as we are an “exempt company”, payments in respect of the ordinary shares and ADSs will not be subject to any taxation in Jersey, unless the shareholder is resident in Jersey, and no withholding in respect of taxation will be required on those payments to any holder of the ordinary shares or ADSs.

Currently, there is no double tax treaty or similar convention between the U.S. and Jersey.

#### Taxation of Dividends

Dividends are declared and paid gross in U.S. dollars. Under existing Jersey law, provided that the ordinary shares and ADSs are not held by, or for the account of, persons resident in Jersey for income tax purposes, payments in respect of the ordinary shares and ADSs, whether by dividend or other distribution, will not be subject to any taxation in Jersey and no withholding in respect of taxation will be required on those payments to any holder of our ordinary shares or ADSs.

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#### Taxation of Capital Gains and Estate and Gift Tax

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue or transfer of ordinary shares or ADSs. In the event of the death of an individual sole shareholder, duty at rates of up to 0.75% of the value of the ordinary shares or ADSs held may be payable on the registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with ordinary shares or ADSs held by the deceased individual sole shareholder.

## Material United States Federal Income Tax Consequences

The following summary describes the material U.S. Federal income tax consequences to U.S. holders (as defined below) arising from the purchase, ownership and disposition of our ordinary shares or ADSs. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, final, temporary and proposed U.S. Treasury Regulations promulgated under the Code, and administrative and judicial interpretations of the Code and the U.S. Treasury Regulations, all as in effect as of the date of this summary, and all of which are subject to change, possibly with retroactive effect.

This summary has no binding effect or official status of any kind; we cannot assure holders that the conclusions reached below would be sustained by a court if challenged by the Internal Revenue Service.

For purposes of this discussion, a “U.S. holder” is a holder of our ordinary shares or ADSs that is:

- a U.S. citizen;
- an individual resident in the United States for U.S. Federal income tax purposes;
- a domestic corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any U.S. state or the District of Columbia;
- an estate the income of which is includible in its gross income for U.S. Federal income tax purposes without regard to its source; or
- a trust, if either: a U.S. court is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all the substantial decisions of the trust, or the trust has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

This summary does not deal with all aspects of U.S. Federal income taxation that may be relevant to particular U.S. holders in light of their particular circumstances, or to U.S. holders subject to special rules, including, without limitation:

- some retirement plans;
- insurance companies;
- U.S. holders of ordinary shares or ADSs held as part of a “straddle,” “synthetic security,” “hedge,” “conversion transaction” or other integrated investment;
- persons that enter into “constructive sales” involving our ordinary shares or ADSs or substantially identical property with other investments;
- U.S. holders whose functional currency is not the U.S. Dollar;
- some expatriates or former long-term residents of the United States;
- financial institutions;
- broker-dealers;
- tax-exempt organizations;