Notes to the consolidated financial statements

FOR THE YEAR ENDED 31 DECEMBER 2005

1 NATURE OF OPERATIONS

The company and its subsidiaries (the "group") together with its joint ventures carry out gold mining activities and exploration. Currently there are two operating mines in Mali, West Africa: the Morila gold mine, which commenced production in October 2000, and the Loulo mine, which commenced production in November 2005. The group also has a portfolio of exploration projects in West and East Africa. The interests of the group in its operating mines are held through Morila SA ("Morila") which owns the Morila mine and Somilo SA ("Somilo") which owns the Loulo mine. Randgold Resources holds an effective 40% interest in Morila, following the sale to AngloGold Ashanti Limited on 3 July 2000 of one-half of Randgold Resources' wholly-owned subsidiary, Morila SA. Management of Morila Limited, the 80% shareholder of Morila, is effected through a joint venture committee, with Randgold Resources and AngloGold Ashanti each appointing one-half of the members of the committee. AngloGold Ashanti Mali SA ("Anser"), a subsidiary of AngloGold Ashanti, is the operator of Morila. Randgold Resources holds an effective 80% interest in Loulo. The remaining 20% interest is held by the Malian government. Randgold Resources is the operator of Loulo. The group has various sizes of exploration programmes ranging from substantial to early stage in Mali West, around Morila and in Senegal, Tanzania, Burkina Faso and Ghana. An updated pre-feasibility study has been completed for the Tongon project in Côte d'Ivoire. As a result of the political situation in Côte d'Ivoire, no further exploration activity was effected in the year. However, new applications have been made and field work is expected to recommence in 2006.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. A change in accounting policy reflecting the adoption of IFRS 2 "share-based payments" is described in note 6.

BASIS OF PREPARATION: The consolidated financial statements of Randgold Resources Limited and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and certain financial assets and financial liabilities (including derivative instruments) which are carried at fair value through profit and loss. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the the consolidated financial statements, are disclosed in note 3.

The following standards which have been recently issued or revised have not been adopted early by the group. Their impact on the results is discussed below:

- *IFRS 6 Exploration for and Evaluation of Mineral Resources (effective 1 January 2006)*
  The objective of this IFRS is to specify the financial reporting for the exploration for, and evaluation of mineral resources. Adoption of this standard should not affect the financial statements.
- *IFRS 7 Financial Instruments Disclosure (effective 1 January 2007)*
  The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. The impact of the adoption of the standard is currently being assessed.
- *IFRIC Interpretation 4 Determining whether an arrangement contains a lease (effective 1 January 2006)*
  IFRIC 4 specifies criteria for determining, at the inception of an arrangement, whether the arrangement contains a lease. It also specifies when an arrangement should be reassessed subsequently. Adoption of this standard should not affect the financial statements.
- *IFRIC Interpretation 8 Scope of IFRS 2 (effective 1 May 2006)*
  The interpretation determines whether IFRS 2 applies to transactions in which the entity cannot identify some or all of the goods or services received. The impact of the adoption of the standard is currently being assessed.

The following standards are not applicable to the group:

- *IFRIC Interpretation 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective 1 January 2006)*
- *IFRIC Interpretation 6 Liabilities arising from Participation in a Specific Market - Waste Electrical and Electrical Equipment (effective 1 December 2005)*
- *IFRIC Interpretation 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective 1 March 2006)*

CONSOLIDATION: The consolidated financial information includes the financial statements of the company, its subsidiaries and the company's proportionate share in joint ventures using uniform accounting policies for like transactions and other events in similar circumstances.

SUBSIDIARIES: Subsidiaries are entities over which the group has the power to govern the financial and operating policies, generally accompanying an interest of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including mineral property interests) and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

JOINT VENTURES: Joint ventures are those entities in which the group holds a long term interest and which are jointly controlled by the group and one or more venturers under a contractual arrangement. The group's interest in such jointly

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

controlled entities is accounted for by proportionate consolidation. Under this method the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the group's financial statements. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately.

The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal. Intercompany accounts and transactions are eliminated on consolidation.

SPECIAL PURPOSE ENTITIES: Special purpose entities ("SPEs") are those undertakings that are created to satisfy specific business needs of the group under which the group has the right to the majority of the benefits of the SPE and/or is exposed to risk incident to the activities thereof. SPEs are consolidated in the same manner as subsidiaries when the substance of the relationship indicates that the SPE is controlled by the group.

SEGMENT REPORTING: A business segment is a group of assets and operations engaged in performing mining or other services that are subject to risks and returns that are different from those of other business segments. A geographic segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The group has only one business segment, that of gold mining. Segment analysis is based on individual mining operations. Corporate and exploration income and costs not directly related to the mining operations are not allocated to segments.

FOREIGN CURRENCY TRANSLATION:

(a) *Functional and presentation currency*

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in US dollars, which is the company's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities which are classified as available-for-sale financial assets, are included in the fair value reserve in equity.

PROPERTY, PLANT AND EQUIPMENT:

(a) *Undeveloped properties*

Undeveloped properties upon which the group has not performed sufficient exploration work to determine whether significant mineralisation exists, are carried at original acquisition cost. Where the directors consider that there is little likelihood of the properties being exploited, or the value of the exploitable rights have diminished below cost, an impairment is recorded.

(b) *Development costs and mine plant facilities*

Development costs and mine plant facilities are initially recorded at cost. Where relevant the estimated cost of dismantling the asset and remediating the site is included in the cost of property, plant and equipment, whereafter they are measured at cost less accumulated amortisation and impairment. Development costs and mine plant facilities relating to existing and new mines are capitalised. Development costs consist primarily of direct expenditure incurred to establish or expand productive capacity, and are capitalised until commercial levels of production are achieved, after which the costs are amortised.

(c) *Non-mining fixed assets*

Other non-mining fixed assets are shown at cost less accumulated depreciation and impairment.

(d) *Depreciation and amortisation*

Long-lived assets include mining properties, such as free hold land, metallurgical plant, tailings and raw water dams, power plant and mine infrastructure, as well as mine development costs. Depreciation and amortisation are charged over the life of the mine based on estimated ore tonnes contained in proven and probable reserves, to reduce the cost to estimated residual values. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in the future from known mineral deposits. Total proven and probable reserves are used in the depreciation calculation. The useful lives for Morila and Loulo are estimated at eight and a minimum of ten years respectively. Short-lived assets which include motor vehicles, office equipment and computer equipment, are depreciated over estimated useful lives of between two to five years.

(e) *Mining property valuations*

The carrying amount of the long-lived assets of the group are compared to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. The recoverable amount is the higher of value in use and net selling price. In assessing the value in use, the expected future cash flows from the asset is determined by applying a discount rate to the anticipated pre-tax future cash flows. The discount rate used is derived from the group's weighted average cost of capital. An impairment is recognised in the income statement to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are amortised in line with group accounting policies. A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment. This reversal is recognised in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for purposes of assessing impairment. The estimates of future discounted cash flows are subject to risks and uncertainties including the future gold price. It is therefore reasonably possible that changes could occur which may affect the recoverability of mining assets.

DEFERRED STRIPPING COSTS: 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, the open pit mines have diverse grades and waste-to-ore ratios over the mine life, and hence the costs of waste stripping in excess of the expected pit life average stripping

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

ratio are deferred. These mining costs, which are commonly referred to as "deferred stripping" costs, are incurred in mining activities that are generally associated with the removal of waste rock. 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) is treated as a production cost and included in its 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 tonnes 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, relatively lower stripping costs will, in the future, be deferred in each period, or a relatively higher amount of charges 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 pit, resulting in lower earnings in future periods. This method of accounting has the effect of smoothing costs over the life of the project. The directors believe that the method used is the same as the method used by many mining companies in the industry with open pit mines.

INVENTORIES: Include ore stockpiles, gold in process and supplies and spares, and are stated at the lower of cost or net realisable value. The cost of ore stockpiles and gold produced is determined principally by the weighted average cost method using related production costs. Costs of gold produced inventories include all costs incurred up until production of an ounce of gold such as milling costs, mining costs and mine G&A but excluding transport, refining and taxes. Net realisable value is determined with reference to current market prices. Stockpiles consist of two types of ore, high grade and medium grade ore, which will be processed through the processing plant. In the case of Morila, high grade ore is defined as ore above 4g/t and medium grade is defined as ore above 2g/t. For Loulo, high grade ore is defined as ore above 3.7g/t and medium grade is defined as ore above 1.5g/t. Both high and medium grade stockpiles are currently being processed and all ore is expected to be fully processed within the life of mine. This does not include high grade tailings at Morila which are carried at zero value due to uncertainty as to whether they will be processed through the plant. The processing of ore in stockpiles occurs in accordance with the life of mine processing plan that has been optimised based on the known mineral reserves, current plant capacity and mine design. Stores and materials consist of consumable stores and are valued at weighted average cost after appropriate impairment of redundant and slow moving items.

INTEREST: Is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity. Borrowing cost is expensed as incurred except to the extent that it relates to the construction of property, plant and equipment during the time that is required to complete and prepare the asset for its intended use, when it is capitalised as part of property, plant and equipment.

FINANCIAL INSTRUMENTS: These are measured as set out below. Financial instruments carried on the balance sheet include cash and cash equivalents, investments in subsidiaries and joint venture, receivables, accounts payable, borrowings and derivative financial instruments.

INVESTMENTS IN SUBSIDIARIES AND JOINT VENTURE: Are stated at amortised cost less any provisions for impairment in the financial statements of the company. Dividends are accounted for when declared. On the disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

DERIVATIVES: Derivatives are initially recognised at fair value on the date a derivative contract is entered into (trade date) and are subsequently remeasured at their fair value, unless they meet the criteria for the "normal purchases normal sales" exemption. On the date a derivative contract is entered into, the group designates the derivative for accounting purposes as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). Certain derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of a derivative that is highly effective in offsetting changes in the cash flow of the hedged item, and that is designated and qualifies as a cash flow hedge, are recognised directly in equity. Amounts deferred in equity are included in the income statement in the same periods during which the hedge firm commitment or forecasted transaction affects net profit or loss. Recognition of gains and losses on derivatives which meet the criteria for own use are deferred until settlement. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. The group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives designated as hedges to specific assets and liabilities or to specific firm commitments for forecasted transactions. The group formally assesses, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged item. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. The group does not have any fair value hedges.

RECEIVABLES: Are recognised initially at fair value. There is a rebuttable presumption that the transaction price is fair value unless this could be refuted by reference to market indicators. Subsequently, receivables are measured at amortised cost, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

CASH AND CASH EQUIVALENTS: Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term highly liquid investments with a maturity of three months or less at the date of purchase and bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in current liabilities.

REHABILITATION COSTS: The net present value of estimated future rehabilitation cost is recognised and provided for in the financial statements and capitalised within mining assets on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine. Initial recognition is at the time of the disturbance occurring and thereafter as and when additional

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

disturbance takes place. The estimates are reviewed annually to take into account the effects of inflation and changes in estimates and are discounted using rates that reflect the time value of money. Annual increases in the provision due to the unwinding of the discount are recognised in the income statement as a finance cost. The present value of additional disturbances and changes in the estimate of the rehabilitation liability are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted previously. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

Environmental liabilities, other than rehabilitation costs, which relate to liabilities arising from specific events, are expensed when they are known, probable and may be reasonably estimated.

PROVISIONS: Are recognised when the group has a present legal or constructive obligation as a result of past events where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

BORROWINGS: Are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

ACCOUNTS PAYABLE: Are stated at cost adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

DEFERRED TAXATION: Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the temporary difference arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS:

(a) *Pension obligations*

The group has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contributions to publicly or privately administered provident funds on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(b) *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(c) *Profit sharing and bonus plans*

The group recognises a liability and an expense for bonuses. The group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Share options*

The fair value of the employee services received in exchange for the grant of options or shares after 7 November 2002 is recognised as an expense. The total amount to be expensed rateably over the vesting period is determined by reference to the fair value of the options or shares determined at the grant date, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable or the number of shares that the employee will ultimately receive. This estimate is revised at each balance sheet date and the difference is charged or credited to the income statement, with a corresponding adjustment to equity. The proceeds received on exercise of the options net of any directly attributable transaction costs are credited to equity. Refer to note 6.

FINANCE LEASES: Leases of plant and equipment where the group assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and the finance charges to achieve a constant rate on the finance balance outstanding. The interest portion of the finance payment is charged to the income statement over the lease period. The plant and equipment acquired under the finance lease are depreciated over the useful lives of the assets, or over the lease term if shorter.

REVENUE RECOGNITION: The company enters into contracts for the sale of gold. Revenue arising from gold sales under these contracts is recognised when the price is determinable, the product has been delivered in accordance with the terms of the contract, the significant risks and rewards of ownership have been transferred to the customer and collection of the sales price is reasonably assured. These criteria are met when the gold leaves the mine's smelt house. As sales from gold contracts are subject to customer survey adjustment, sales are initially recorded on a provisional basis using the group's best estimate of the contained metal. Subsequent adjustments are recorded in revenue to take into account final assay and weight certificates from the refinery, if different from the initial certificates. The differences between the estimated and actual contained gold have not been significant historically.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

EXPLORATION AND EVALUATION COSTS: The group expenses all exploration and evaluation expenditures until the directors conclude that a future economic benefit is more likely than not of being realised, ie "probable." In evaluating if expenditures meet this criterion to be capitalised, the directors utilise several different sources of information depending on the level of exploration. While the criteria for concluding that an expenditure should be capitalised is always probable, the information that the directors use to make that determination depends on the level of exploration.

(a) Exploration and evaluation expenditure on greenfields sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs if the final feasibility study demonstrates that future economic benefits are probable.

(b) Exploration and evaluation expenditure on brownfields sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the directors are able to demonstrate that future economic benefits are probable through the completion of a pre-feasibility study, after which the expenditure is capitalised as a mine development cost. A "pre-feasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The pre-feasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allow the directors to conclude that it is more likely than not that the group will obtain future economic benefit from the expenditures.

(c) Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a pre-feasibility study. This economic evaluation is distinguished from a pre-feasibility study in that some of the information that would normally be determined in a pre-feasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allow the directors to conclude that more likely than not the group will obtain future economic benefit from the expenditures. Costs relating to property acquisitions are also capitalised. These costs are capitalised within development costs.

EARNINGS PER SHARE: Is computed by dividing net income by the weighted average number of ordinary shares in issue during the year.

FULLY DILUTED EARNINGS PER SHARE: Is presented when the inclusion of potential ordinary shares has a dilutive effect on earnings per share.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Some of the accounting policies require the application of significant judgement by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgements are subject to an inherent degree of uncertainty and are based on historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Future rehabilitation obligations

The net present value of current rehabilitation estimates have been discounted to their present value at 6% per annum, being an estimate of the cost of borrowings. Expenditure is expected to be incurred at the end of the respective mine lives.

Gold price assumptions

The following gold price was used in the mineral reserves open pit optimisation calculation:

Long term gold price	US$425

Uncertainties relating to transactions with a contractor

As explained in note 26 to the financial statements, there are uncertainties relating to the value of the securities held in respect of advances to a contractor and also a claim and counterclaim relating to the Loulo development. The amounts reflected in the financial statements reflect the directors best estimate of the amount that will be recovered in respect of the advances and the outcome of the dispute relating to the cost of the development.

Deferred stripping

As explained in notes 2 and 10, the group defers certain stripping costs based on the expected life of the mine stripping ratio. This ratio is monitored on a regular basis and updated where appropriate, for example to reflect changes to the life of mine plan.

In addition, the group has to apply judgement in determining whether exploration and evaluation expenditure should be capitalised or expensed, under the policy described in note 2.

US$000	Note	**Group 31 Dec 2005**	Group 31 Dec 2004
4 INCOME AND MINING TAXES			
Current taxation		3 127	-
Deferred taxation	12	1 208	-
		4 335	-

US$000	Group 31 Dec 2005	Group 31 Dec 2004
4 INCOME AND MINING TAXES (continued)		
The tax on the group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to the group's Malian operations.		
Profit before tax	45 222	18 793
Tax calculated at tax rate of 35%	15 828	6 577
Income not subject to tax:		
■ Mali tax holiday differences	(11 493)	(6 577)
Taxation charge	4 335	-

The company is not subject to income tax in Jersey. Morila SA benefited from a five year tax holiday until 14 November 2005. Loulo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on 8 November 2005. The benefit of the tax holiday to the group was to increase its net income by US$11.5 million (2004: US$6.6 million).
Accordingly, had the group not benefited from the tax holiday in Mali, earnings per share would have been reduced by US$0.18 and US$0.11 for the years ended 31 December 2005 and 2004 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 31 December 2005 and 2004 respectively, for deduction against future mining income.

	Income (numerator) US$000	Share (denom-inator)	Per share amount US$
5 EARNINGS PER SHARE			
FOR THE YEAR ENDED 31 DECEMBER 2005			
BASIC EARNINGS PER SHARE			
Shares outstanding 1 January 2005	-	59 226 694	-
Weighted number of shares issued	-	2 475 088	-
Income available to shareholders	38 538	61 701 782	0.62
EFFECT OF DILUTIVE SECURITIES			
Weighted stock options issued to employees	-	2 127 214	-
Fully diluted earnings per share	38 538	63 828 996	0.60
FOR THE YEAR ENDED 31 DECEMBER 2004			
BASIC EARNINGS PER SHARE			
Shares outstanding 1 January 2004	-	58 520 770*	-
Weighted number of shares issued	-	349 862	-
Income available to shareholders**	18 793	58 870 632	0.32**
EFFECT OF DILUTIVE SECURITIES			
Weighted stock options issued to employees	-	1 125 625	-
Fully diluted earnings per share**	18 793	59 996 257	0.31**

* *Reflects adjustments resulting from the sub-division of shares.*
** *Reflects adjustments resulting from the adoption of IFRS 2: Share-based payment.*

6 CHANGES IN ACCOUNTING POLICIES

The company adopted IFRS 2 "Share-based payment" ("IFRS 2") on 1 January 2005. The standard requires an entity to recognise share-based payments transactions in its financial statements. In accordance with the Standard's transitional provisions, the company applied IFRS 2 to share options that were granted after 7 November 2002 and had not yet vested at the effective date of 1 January 2005. This change in accounting policy has been accounted for retrospectively, and the financial statements for 2004 have been restated. The effect of the change for the year ended 31 December 2005 is the recognition of share-based payment expense of US$2.2 million (2004: US$1.3 million). No share options were granted from 7 November 2002 to 31 December 2003. This change impacted basic earnings per share by US$0.03 (2004: US$0.02) and fully diluted earnings per share by US$0.03 (2004: US$0.02).
Share-based payments
The measurement of the fair value of employee services received as consideration for equity instruments of the company, is calculated using the Black-Scholes option pricing model.
The key assumptions used in this model for options granted during the year were as follows:

	Note	2005	2004
Expected life		3 years	3 years
Volatility	6.1	52.12%	46.3%
Risk free interest rate		3.72%	2.88%
Dividend yield		0%	0%
Weighted average share price on grant and valuation date	6.2	US$12.78	US$8.05
Weighted average exercise price	6.3	US$12.78	US$8.05

6.1 Volatility is based on the three year historical volatility of the company's shares on each grant date.
6.2 Weighted average share price for the valuation is calculated taking into account the market price on all grant dates.

6 CHANGE IN ACCOUNTING POLICY (continued)

6.3 The weighted average exercise price is calculated taking into account the exercise price on each grant date. Please refer to page 41 for details provided on share options, including the number and weighted average exercise prices of share options outstanding at the beginning and end of each period, options granted, exercised and lapsed during the period.

The company has amended the format of its income statement so that all expenditure is classified according to its function. As a result, the amounts previously reported as "mine production costs", "movement in production inventory and ore stockpiles", "transfer from/(to) deferred stripping", "depreciation and amortisation" and "general and administrative expenses" have been combined under the heading "mining and processing costs". Comparatives for the year ended 31 December 2004 have been amended to reflect this new format, and the individual components within "mining and processing costs" are disclosed in note 27 to the financial statements.

US$000	Note	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
7 RECEIVABLES					
Trade		10 761	4 057	-	38
Taxation debtor		19 999	12 356	-	-
Advances to contractors		12 169	893	-	-
Prepayments		4 637	5 348	663	-
Other		352	1 013	164	2 212
		47 918	23 667	827	2 250

Advances to contractors comprise advances made to the main contractor at Loulo, MDM Ferroman (Pty) Ltd ("MDM"). MDM was the contractor responsible for construction of the Loulo mine until the main construction contract was taken back on 30 December 2005. Significant uncertainties exist relating to the value of securities supporting these advances. More detail is given in note 26 to the financial statements.

The taxation debtor relates to indirect taxes owing to the group by the State of Mali.

US$000	Note	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
8 INVENTORIES AND ORE STOCKPILES					
Consumable stores		12 681	6 091	-	-
Short term portion of ore stockpiles		21 994	803	-	-
Gold in process		2 236	2 868	-	-
		36 911	9 762	-	-
Long term portion of ore stockpiles		27 868	12 054	-	-
		64 779	21 816	-	-
Ore stockpiles have been split between long and short term based on current life of mine plan estimates.					
9 PROPERTY, PLANT AND EQUIPMENT					
Mine properties, mine development costs and mine plant facilities and equipment.					
Cost					
At the beginning of year		151 639	174 304	321	321
Disposal of Syama	24	-	(92 994)	-	-
Disposals		-	-	(321)	-
Additions		84 692	70 329	-	-
		236 331	151 639	-	321
Accumulated depreciation and amortisation					
At beginning of year		21 785	102 373	321	321
Disposal of Syama	24	-	(89 326)	-	-
Disposals		-	-	(321)	
Charge for the year		11 910	8 738	-	-
		33 695	21 785	-	321
NET BOOK VALUE		202 636	129 854	-	-

LONG-LIVED ASSETS

Included in property, plant and equipment are long-lived assets which are amortised over the life of the mine and comprise the metallurgical plant, tailings and raw water dams, power plant and mine infrastructure. The net book value of these assets was US$198.4 million as at 31 December 2005 (2004: US$111.1 million).

SHORT-LIVED ASSETS

Included in property, plant and equipment are short-lived assets which are amortised over their useful lives and are comprised of motor vehicles and other equipment. The net book value of these assets was US$4.2 million as at 31 December 2005 (2004: US$9.1 million).

US$000	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004

9 PROPERTY, PLANT AND EQUIPMENT (continued)

UNDEVELOPED PROPERTY

Included in property, plant and equipment are undeveloped property costs of US$9.7 million (2004: US$9.7 million).

Refer to note 15 for assets collateralised and under finance lease. Borrowing costs capitalised as part of additions were US$3.2 million (2004: US$0.8 million)

10 DEFERRED STRIPPING COSTS

US$000	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
Opening balance	14 884	10 885	-	-
(Utilised)/additions during the period	(11 197)	3 999	-	-
	3 687	14 884	-	-
Short term portion	(1 127)	(6 370)	-	-
Non-current portion	2 560	8 514	-	-

The deferred stripping balances at the end of 2005 and 2004 pertain to the Morila mine. In terms of the life of mine plan, pre-stripping is performed in the earlier years. This results in the cost associated with waste stripped at a rate higher than the expected pit life average stripping ratio, being deferred to future years. These costs are being released in the period where the actual stripping ratio decreases to below such expected pit life ratio. The expected pit life average stripping ratios used to calculate the deferred stripping for Morila were 4.93 in 2005 and 4.36 in 2004. These stripping ratios were calculated taking into account the actual strip ratios achieved of 2.49 and 3.98 for 2005 and 2004 respectively.

11 INVESTMENTS AND LOANS IN SUBSIDIARIES AND JOINT VENTURES

US$000	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
Investment in Somilo	-	-	5 745	5 745
Investment in Morila	-	-	271	271
			6 016	6 016
Loan - Morila	-	-	30	64
Loan - Somilo	-	-	112 738	42 780
Loan - Seven Bridges	-	-	144	478
			112 912	43 322
	-	-	118 928	49 338

During 2004, the group sold its share in Somisy to Resolute Mining. The company received net proceeds of US$8.6 million which included the repayment of amounts previously advanced to Somisy. Refer to note 24.

The group's interest in the Morila joint venture was as follows:

US$000	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
Non-current assets	44 378	62 748		
Current assets	76 704	42 113		
Total assets	121 082	104 861		
Long term liabilities	9 631	10 812		
Current liabilities	14 033	8 415		
Total liabilities	23 664	19 227		

12 DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 35% (2004: 35%).

US$000	Note	2005	2004
The movement on deferred taxation is as follows:			
At the beginning of the year		-	-
Income statement charge	4	1 208	-
At the end of the year		1 208	-
Deferred taxation assets and liabilities comprise of the following:			
Deferred stripping		1 227	-
Deferred taxation liability		1 227	-
Depreciation in excess of tax allowances		(19)	-
Deferred taxation asset		(19)	-
Net deferred taxation liability		1 208	-

US$0.8 million is expected to be recovered in more than 12 months.

US$000	Note	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
13 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES					
Trade payables		16 776	6 064	383	23
Payroll and other compensation		2 887	532	2 578	532
Accruals		6 169	5 105	-	-
Other		2 981	2 727	663	757
		28 813	14 428	3 624	1 312
14 PROVISION FOR ENVIRONMENTAL REHABILITATION					
Opening balance		3 701	5 962	-	-
Disposal of Syama	24	-	(2 438)	-	-
Unwinding of discount		254	177	-	-
Additional disturbances		5 525	-	-	-
		9 480	3 701	-	-

As at 31 December 2005, US$5.5 million of the provision relates to Loulo (31 December 2004: US$nil) which is based on estimates provided by environmental consultants in connection with the Loulo feasibility study. The remaining US$3.9 million relates to Morila (31 December 2004: US$3.7 million). The provisions for rehabilitation costs include estimates for the effect of future inflation and have been discounted to their present value at 6% per annum, being an estimate derived from the risk free rate. Limited environmental rehabilitation regulations currently exist in Mali to govern the mines, so the directors have based the provisions on environmental rehabilitation using the standards as set by the World Bank, which require an environmental management plan, an annual environmental report, a closure plan, an up to date register of plans of the facility, preservation of public safety on closure, carrying out rehabilitation works and ensuring sufficient funds exist for the closure works. However, it is reasonably possible that the group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates. The group is committed to rehabilitation of its properties. It makes use of independent environmental consultants for advice and it also uses past experience in similar situations to ensure that the provisions for rehabilitation are adequate.

US$000	Note	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
15 BORROWINGS					
Morila power plant finance lease	15.1	4 792	5 787	-	-
Morila oxygen plant finance lease	15.2	884	1 045	-	-
Loulo project finance loan	15.3	60 010	35 042	-	-
Loulo CAT finance lease	15.4	6 843	-	-	-
		72 529	41 874	-	-
Less: current portion		(22 991)	(1 156)	-	-
		49 538	40 718	-	-

All loans are secured and have variable interest rates, except for the Loulo CAT finance lease.

15.1 Morila power plant finance lease

The Morila power plant finance lease relates to five generators leased from Rolls-Royce for Morila. The lease is repayable over ten years commencing 1 April 2001 and bears interest at a variable rate of interest which as at 31 December 2005 was approximately 20% per annum. The lease is collateralised by plant and equipment whose net book value at 31 December 2005 amounted to US$4.8 million (2004: US$5.8 million). Average annual lease payments of US$1.5 million are payable in instalments over the term of the lease. The company has, together with AngloGold Ashanti, jointly guaranteed the repayment of this lease.

15.2 Morila oxygen plant finance lease

The Morila oxygen plant finance lease relates to three oxygen generating units leased from Air Liquide for Morila. The lease is payable over 10 years commencing 1 December 2000 and bears interest at a variable rate which as at 31 December 2005 was approximately 3.09% per annum. The lease is collateralised by the production units whose net book value at 31 December 2005 amounted to US$0.8 million (2004: US$1.0 million).

15.3 Loulo project finance loan

The US$60 million Loulo project loan was arranged by N M 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 instalment of US$35 million was drawn against the loan in December 2004. A further US$25 million was drawn down in 2005. The loan is collateralised over the assets of the Loulo project with a carrying amount of US$161.1 million (2004: US$82.3 million). Additionally, the company has pledged its interest in Randgold Resources (Somilo) Limited and related assets, and Randgold Resources (Somilo) Limited has pledged its interest in Somilo and related assets to secure Somilo's obligations under this loan. The loan is guaranteed by Randgold Resources until economic completion of the

15 LONG TERM LIABILITIES (continued)

15.3 Loulo project finance loan (continued)

project has been achieved, which is expected before 31 December 2007. The loan bears interest at LIBOR plus 1.75% pre-completion of the Loulo capital programme, or at any time when Randgold Resources continues 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%. Under the terms of this loan, the company is required to enter into certain gold price forward sales. 365 000 ounces of gold have been sold forward over the financial years 2005 to 2009, at an average forward price of US$432 per ounce. The facilities are margin free.

Various debt covenants apply to the loan, including:

- Limitations on material asset disposals and acquisitions;
- Restrictions with regards to the repayment of intercompany debt or dividend payments by Somilo;
- 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;
- Certain financial ratios need to be adhered to throughout the loan agreement.

15.4 Loulo CAT finance lease

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 1 August 2005, and bears interest at a fixed rate of 6.03% per annum. The company together with Randgold Resources (Somilo) Limited jointly guaranteed the repayment of this lease. The average lease payments of US$0.5 million are payable in instalments over the term of the lease.

US$000	**Group 31 Dec 2005**	Group 31 Dec 2004
15.5 Maturities		
The borrowings mature over the following periods:		
Not later than 1 year	22 991	1 156
Later than 1 year and not later than 5 years	49 304	39 434
Later than 5 years	234	1 284
	72 529	41 874
15.6 Finance lease liabilities - minimum lease payments		
Balance of leases outstanding	12 519	6 832
Future finance charges on leases	(3 435)	(4 305)
Present value of finance lease liabilities	9 084	2 527

16 LOANS FROM MINORITY SHAREHOLDERS IN SUBSIDIARIES

US$000	Note	**Group 31 Dec 2005**	Group 31 Dec 2004	**Company 31 Dec 2005**	Company 31 Dec 2004
SOMILO	16.1				
Government of Mali - principal amount		551	632	-	-
Deferred interest		1 932	1 943	-	-
Loans		2 483	2 575	-	-
Accumulated profit/(losses)		1 395	(954)	-	-

16.1 Somilo

The government of Mali loan to Somilo is uncollateralised and bears interest at the base rate of the Central Bank of West African States plus 2%. The accrual of interest ceased in the last quarter of the year per mutual agreement between the shareholders. The loan is repayable from cash flows of the Loulo mine after repayment of all other loans. As at 31 December 2004, the losses of Somilo were attributed to the minority shareholders as their loans are not repayable until there is "net available cash". In the event of a liquidation of Somilo the shareholders loans and deferred interest are not guaranteed.

Notes to the consolidated financial statements (continued)

FOR THE YEAR ENDED 31 DECEMBER 2005

US$000	Group 31 Dec 2005	Group 31 Dec 2004	Company 31 Dec 2005	Company 31 Dec 2004
17 FINANCIAL LIABILITIES				
Forward gold sales	43 090	15 668	-	-
Less: non-current portion	(34 151)	(15 448)	-	-
Current portion	8 939	220	-	-

17.1 The financial liabilities relate to the Loulo forward gold sales which qualify for hedge accounting. These derivative instruments are further detailed in note 20.

18 EMPLOYMENT COST

The group contributes to several defined contribution provident funds. The provident funds are funded on the "money accumulative basis" with the members' and company contributions having been fixed in the constitutions of the funds. All the group's employees other than those directly employed by West African subsidiary companies, are entitled to be covered by the abovementioned retirement benefit plans. Retirement benefits for employees employed by West African subsidiary companies, are provided by the state social security system to which the company and employees contribute a fixed percentage of payroll costs each month. Fund contributions by the group for the years ended 31 December 2005 and 31 December 2004 amounted to US$0.2 and US$0.2 million respectively.
Total staff cost including the above was US$7.9 million (2004: US$3.6 million). This includes the total charge for share-based payments relating to directors and employees, which amounted to US$2.2 million (2004: US$1.3 million).

19 SEGMENT INFORMATION

The group's mining and exploration activities are conducted in West and East Africa. An analysis of the group's business segments, excluding intergroup transactions, is set out below. Syama was on care and maintenance from December 2001, until its sale to Resolute in April 2004. The group undertakes exploration activities in East and West Africa which are included in the corporate and exploration segment.

US$000	Group's 40% share of Morila Mine	Loulo	Corporate and explor-ation	Total
A) YEAR ENDED 31 DECEMBER 2005				
PROFIT AND LOSS				
Gold sales	120 814	30 688	-	151 502
Mining and processing costs excluding depreciation	(48 852)	(9 258)	-	(58 110)
Depreciation and amortisation	(7 206)	(4 704)	-	(11 910)
Mining and processing costs	(56 058)	(13 962)	-	(70 020)
Transport and refining costs	(288)	(72)	-	(360)
Royalties	(8 398)	(1 875)	-	(10 273)
Exploration and corporate expenditure	(442)	(2 193)	(21 414)	(24 049)
Gain on forward gold sales	-	45	-	45
Net other expenses, gains and losses	(740)	-	(832)	(1 572)
Unwind of discount on provisions for environmental rehabilitation	(254)	-	-	(254)
Interest expense	(1 180)	(681)	-	(1 861)
Interest received	174	-	1 890	2 064
Profit before income tax	53 628	11 950	(20 356)	45 222
Income tax expense	(4 335)	-	-	(4 335)
Net profit	49 293	11 950	(20 356)	40 887
CAPITAL EXPENDITURE	(1 742)	(82 950)	-	(84 692)
TOTAL ASSETS	121 082	206 412	143 978	471 472
TOTAL EXTERNAL LIABILITIES	23 664	130 280	3 913	157 857
DIVIDENDS (PAID)/RECEIVED	(35 880)	-	35 880	-
NET CASH FLOWS GENERATED BY/(UTILISED IN) OPERATIONS	33 712	9 510	(13 486)	29 736
NET CASH FLOWS UTILISED IN INVESTING ACTIVITIES	(1 742)	(82 751)	-	(84 493)
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(1 156)	24 877	105 248	128 969
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	30 814	(48 364)	91 762	74 212

US$000	Group's 40% share of Morila Mine	Syama	Loulo	Corporate and exploration	Total

19 SEGMENT INFORMATION (continued)

B) YEAR ENDED 31 DECEMBER 2004

US$000	Group's 40% share of Morila Mine	Syama	Loulo	Corporate and exploration	Total
PROFIT AND LOSS					
Gold sales	73 330	-	-	-	73 330
Mining and processing costs excluding depreciation	(31 766)	-	-	-	(31 766)
Depreciation and amortisation	(8 738)	-	-	-	(8 738)
Mining and processing costs	(40 504)	-	-	-	(40 504)
Transport and refinery costs	(233)	-	-	-	(233)
Royalties	(5 304)	-	-	-	(5 304)
Exploration and corporate expenditure	(571)	-	-	(16 279)	(16 850)
Gain on financial instruments	-	-	-	2 232	2 232
Net other expenses, gains and losses	(1 179)	(658)	-	1 656	(181)
Unwind of discount on provisions for environmental rehabilitation	(177)	-	-	-	(177)
Interest expense	(1 569)	-	-	(54)	(1 623)
Interest received	17	-	-	1 016	1 033
Profit on sale of Syama	-	-	-	7 070	7 070
Income/(loss) before tax and minority interest	23 810	(658)	-	(4 359)	18 793
Tax and minority interest	-	-	-	-	-
Net income/(loss)	23 810	(658)	-	(4 359)	18 793
CAPITAL EXPENDITURE	(1 766)	-	(68 443)	(120)	(70 329)
TOTAL ASSETS	104 861	-	77 117	86 483	268 461
TOTAL EXTERNAL LIABILITIES	19 227	-	55 015	1 429	75 671
DIVIDENDS (PAID)/RECEIVED	(2 800)	-	-	2 800	-
NET CASH FLOWS GENERATED BY/(UTILISED IN) OPERATIONS	16 270	(658)	-	(11 321)	4 291
NET CASH FLOWS GENERATED BY/(UTILISED IN) INVESTING ACTIVITIES	2 116	-	(67 552)	8 451	(56 985)
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(20 805)	-	35 000	11 264	25 459
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2 419)	(658)	(32 552)	8 394	(27 235)

20 FAIR VALUE AND RISKS OF FINANCIAL INSTRUMENTS

The group's financial instruments are set out in note 21. In the normal course of its operations, the group is exposed to commodity price, currency, interest, liquidity and credit risk. In managing some of these risks, the group enters into derivative financial instruments. All derivative financial instruments are initially recognised at fair value and subsequently measured at their fair value on the balance sheet.

20.1 Concentration of credit risk

The group's derivative financial instruments and cash balances do not give rise to a concentration of credit risk because it deals with a variety of major financial institutions. Its receivables and loans are regularly monitored and assessed. Receivables are impaired when it is probable that amounts outstanding are not recoverable. Gold bullion, the group's principal product, is produced in Mali. The gold produced is sold to reputable gold refineries. Because of the international market for gold the group believes that no concentration of credit risk exists with respect to the selected refineries to which the gold is sold. Included in receivables is US$20.0 million (2004: US$12.4 million) relating to indirect taxes owing to Morila and Loulo by the State of Mali, which is denominated in FCFA. Receivables also include advances to a contractor totalling US$12.2 million (see note 26).

20 FAIR VALUE AND RISKS OF FINANCIAL INSTRUMENTS (continued)

20.2 Foreign currency and commodity price risk

In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily Euro and Communauté Financière Africaine Franc). As a result, the group is subject to transaction exposure from fluctuations in foreign currency exchange rates. In general, the group does not use derivatives to manage these currency risks. Generally, the group does not hedge its exposure to gold price fluctuation risk and sells at market spot prices. Gold sales are disclosed in US dollars and do not expose the group to any currency fluctuation risk. However, during periods of capital expenditure or loan finance, the company may use forward contracts or options to reduce the exposure to price movements, while maintaining significant exposure to spot prices.

20.3 Interest rates and liquidity risk

Fluctuation in interest rates impact on the value of short term cash investments and interest payable on financing activities (including long term loans), giving rise to interest rate risk. In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The group generally enters into variable interest bearing borrowings. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. The group has in the past been able to actively source financing through public offerings, shareholder loans and third party loans. A 1% change in interest rates on the group's borrowings will result in a US$0.6 million impact on profit before tax. The group holds financial investments with an average maturity of 30 days to ensure adequate liquidity.

21 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the group's financial instruments outstanding at 31 December 2005 and 2004. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

US$000	Note	**31 Dec 2005 Carrying amount**	**31 Dec 2005 Fair value**	31 Dec 2004 Carrying amount	31 Dec 2004 Fair value
Financial assets					
Cash and equivalents		152 452	152 452	78 240	78 240
Receivables		47 918	47 918	23 667	23 667
Financial liabilities					
Accounts payable		28 813	28 813	14 428	14 428
Short term portion of long term liabilities		22 991	22 991	1 156	1 156
Long term liabilities (excluding loans from outside shareholders)		49 538	49 538	40 718	40 718
Liabilities on forward gold sales	17	43 090	43 090	15 668	15 668
Government of Mali loan		2 483	1 999	2 575	2 575

Hedging instruments	Carrying amount US$000	Forward sales Ounces	Forward sales US$/oz
FINANCIAL INSTRUMENTS			
Details of the group's on balance sheet forward gold sale contracts as at 31 December 2005 (all treated as cash flow hedges):			
Maturity dates			
Year ended 2006	8 939	93 498	431
Year ended 2007	12 532	116 004	438
Year ended 2008	10 618	80 498	431
Year ended 2009	11 001	75 000	430
Total	43 090	365 000	433

Hedging instruments	Carrying amount US$000	Forward sales Ounces	Forward sales US$/oz

21 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The figures shown above (and below) relate to the derivative financial instruments taken out as a condition of the Loulo project financing.

FINANCIAL INSTRUMENTS

Details of the group's on balance sheet forward gold sale contracts as at 31 December 2004 (all treated as cashflow hedges):

Maturity dates			
Year ended 2005	220	12 504	430
Year ended 2006	2 471	93 498	431
Year ended 2007	3 332	103 500	435
Year ended 2008	4 425	80 498	431
Year ended 2009	5 220	75 000	430
Total	15 668	365 000	432

Estimation of fair values

Receivables, accounts payable, bank overdrafts and cash and cash equivalents. The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments.

Long term debt

The fair value of market based floating rate long term debt is estimated using the expected future payments discounted at market interest rates. No fair value is determinable for the loans from minority shareholders as repayment is contingent on net available cash from the projects.

Gold price contracts

The fair value of gold price forward contracts has been determined by reference to quoted market rates at year end balance sheet dates.

US$000	**Group 31 Dec 2005**	Group 31 Dec 2004

22 COMMITMENTS AND CONTINGENT LIABILITIES

22.1 Capital expenditure		
Contracts for capital expenditure	6 000	17 119
Authorised but not contracted for	21 253	8 011
	27 253	25 130

Capital commitments relating to the Morila joint venture amount to US$0.5 million (2004: US$1.1 million). If the group were to early terminate its mining contract at Loulo, it would have to pay a lump sum compensation depending on the maturity of the contract. If the contract was cancelled in 2005 then the payment would have been US$8.3 million (2004: US$10 million). See note 26 concerning a claim in respect of the Loulo development.

23 RELATED PARTY TRANSACTIONS

The service agreement between the company and Randgold & Exploration Company Limited was terminated by mutual agreement effective from 1 April 2004. In order to continue to source certain services from South Africa, Seven Bridges Trading 14 (Proprietary) Limited ("Seven Bridges"), a 100 per cent subsidiary of the company, was incorporated. A service agreement has been entered into between the company and Seven Bridges whereby Seven Bridges will provide certain administrative services to the company who wish to prevail on the cost effective services, expertise and materials available in South Africa. Seven Bridges derives its income from the services it provides to the company for which it charges a monthly fee based on the total employment cost to the company plus 50 per cent. In terms of the Operator Agreement between Morila SA and AngloGold Ashanti Services Mali SA, a management fee, calculated as 1% of the total sales of Morila, is payable to AngloGold Ashanti Mali SA quarterly in arrears. The attributable management fees for the year ended 31 December 2005 amounted to US$1.0 million (2004: US$0.8 million). Purchasing and consultancy services are also provided by AngloGold Ashanti to the mine on a reimbursable basis. The attributable purchases and consultancy services for the year ended 31 December 2005 amounted to US$0.4 million (2004: US$0.5 million).

23 RELATED PARTY TRANSACTIONS (continued)

Key management personnel compensation was as follows:

US$000	2005	2004
Short term employee benefits	3 853	3 600
Share-based payments	2 053	974
Total	5 906	4 574

24 SALE OF SYAMA

On 5 April 2004, Resolute Mining purchased the company's 80% interest in the Syama mine. Resolute paid the group US$9.9 million and transaction fees of US$1.2 million were incurred. Furthermore, at a gold price of more than US$350 per ounce, the company would receive a royalty of US$10 per ounce on the first million ounces of production from Syama and US$5 per ounce on the next three million ounces based on the attributable ounces acquired by Resolute Mining. This has not been included in the profit attributable to the sale of Syama and no income has been accrued in the year ended 31 December 2005 as Syama was still on care and maintenance.
The assets and liabilities of Syama disposed of were as follows:

US$000	31 Dec 2004
Property, plant and equipment	3 668
Current assets	3 797
Total assets	7 465
Total liabilities	(5 901)
Net assets	1 564
Proceeds from sale	(8 634)
Profit on disposal of Syama	(7 070)
Proceeds from sale	8 634
Cash disposed	(63)
Net cash on sale	8 571

25 NON GAAP INFORMATION

Total cash cost, total cash cost per ounce and profit from mining activity are non GAAP measures. We have calculated total cash costs and total cash costs per ounce (and hence profit from mining activity) using guidance issued by the Gold Institute. The Gold Institute is 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 costs of waste stripping in excess of the life of mine estimated stripping ratio, are deferred and then charged to production, at the average historical cost of mining the deferred waste, 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 the periods presented. Total cash costs, total cash costs per ounce and profit from mining activity should not be considered by investors as an alternative to operating profit or net profit attributable to shareholders, as an alternative to other IFRS measures or an indicator of our performance.
The data does not have a meaning prescribed by IFRS 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 amortisation would be included in a measure of total costs of producing gold under IFRS, 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 would provide investors with an indication of earnings before interest expense and taxes, when compared to the average realised price. 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, the company's discussion and analysis is focused on the "total cash cost" measure as defined by the Gold Institute. The following table reconciles total cash costs and profit from mining

25 NON GAAP INFORMATION (continued)

activity as non GAAP measures, to the information provided in the income statement, determined in accordance with IFRS, for each of the years set forth below:

US$000	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Gold sales revenue	151 502	73 330
Mine production costs	66 612	37 468
Movement in production inventory and ore stock piles	(27 137)	(8 512)
Transfer from/(to) deferred stripping	11 197	(3 999)
Transport and refinery costs	360	233
Royalties	10 273	5 304
General and administration expenses	7 438	6 986
Total cash costs	68 743	37 480
Profit from mining activity	82 759	35 850
Depreciation and amortisation	(11 910)	(8 738)
Exploration and corporate expenditure	(21 802)	(15 529)
Share-based payments	(2 247)	(1 321)
Interest and other income, including exchange gains	3 780	10 413
Gain on forward gold sales	45	2 232
Exchange losses and other expenses	(3 542)	(2 491)
Interest expense	(1 861)	(1 623)
Profit before income tax	45 222	18 793

Total cash costs for 2005 include one-off charges totalling US$4.7 million in respect of accounting provisions at Morila against slow moving stock and receivables and the settlement of a dispute of undirect taxes.

26 SIGNIFICANT UNCERTAINTIES RELATING TO TRANSACTIONS WITH A CONTRACTOR

The directors believe that the group is entitled to recover US$30 million from MDM Ferroman (Pty) Ltd ("MDM"), the contractor responsible for construction of the Loulo mine ("the project") until the main construction contract was taken back on 30 December 2005. This comprises payments totalling US$17.8 million which have been capitalised as part of the cost of the project and advances of US$12.2 million included in receivables. Of this latter amount, US$5.2 million is secured by various fixed assets, debtors, bank accounts and personal guarantees, and US$7 million is secured by performance bonds.

In addition to legal action being instituted against MDM and related entities to recover these funds from MDM, the group has obtained a provisional liquidation order against MDM based on an initial claim of US$26 million. An attempt by MDM to have the provisional winding up order rescinded was dismissed on 3 February 2006. Recovery of the full amount from MDM is dependent on the liquidation process and the successful conclusion of the legal action referred to above. The directors believe that the group has sufficient security to recover the full amount of US$12.2 million, but the ultimate value of the security cannot presently be determined. The consolidated financial statements do not reflect any additional provision that may be required if the security is found to be worth less than the receivable.

On 22 January 2006, MDM purported to submit a claim amounting to US$29 million in respect of variations, extension of time and additional costs incurred in respect of the project. This claim has not been submitted in terms of the provisions of the contract, which is a fixed lump sum turnkey project, and the directors believe that, apart from variations already agreed, no additional amounts are due to MDM. However, the ultimate outcome of this matter cannot presently be determined. The consolidated financial statements do not reflect any adjustment to the cost of the Loulo development that may arise from this claim and counterclaim, or any charge that may arise from MDM's inability to settle amounts that are determined to be payable by MDM to the group. The directors believe it is unlikely that this dispute will be resolved in MDM's favour.

27 MINING AND PROCESSING COSTS

Mining and processing costs comprise:

US$000	Year ended 31 Dec 2005	Year ended 31 Dec 2004
Mine production cost	66 612	37 468
Movement in production inventory and ore stockpiles	(27 137)	(8 512)
Transfer from/(to) deferred stripping	11 197	(3 999)
Depreciation and amortisation	11 910	8 738
General and administration expenses	7 438	6 809
	70 020	40 504