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font-style: normal; background-color: #cceeff;"> Authorized: 80,000,000 ordinary shares of 5 US cents each, for both years presented Issued: 59,226,694 ordinary shares (2003: 58,520,770*) 2,961 2,926 Share premium 102,342 200,244 Accumulated profit/(loss) 100,213** (18,580) Other reserves (14,347)** (7,403) TOTAL SHAREHOLDERS' EQUITY 191,169 177,187 MINORITY SHARE OF ACCUMULATED LOSSES 14 (954) (8,520) NON-CURRENT LIABILITIES Long-term borrowings 13 40,718 6,832 Loans from minority shareholders in subsidiaries 14 2,575 9,478 Deferred financial liabilities 15 15,668 8,488 Provision for environmental rehabilitation 12 3,701 5,962 TOTAL NON-CURRENT LIABILITIES 62,662 30,760 Accounts payable and accrued liabilities 11 14,428 11,990 Current portion of long-term liabilities 11,13 1,156 11,567 Bank overdraft —1,550 TOTAL CURRENT LIABILITIES 15,584 25,107 TOTAL EQUITY AND LIABILITIES 268,461 224,534

See notes to the consolidated financial statements

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

** Reflects adoption of IFRS 2: Share-based payments.

RANDGOLD RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31,

	Number of ordinary shares	Share capital $'000	Additional paid-in capital $'000	Accumulated losses $0'000	Other reserves $'000	Total $'000
BALANCE AT DECEMBER 31, 2001	22,461,630	2,246	161,830	(131,834)	(1,745)	30,497
Net income	—	—	—	65,728	—	65,728
Exercise of employee stock options	202,110	20	683	—	—	703
Movement on cash flow hedges	—	—	—	—	(6,548)	(6,548)
Issue of shares – public offering	5,000,000	500	32,000	—	—	32,500
Share issue expenses	—	—	(3,895)	—	—	(3,895)
BALANCE AT DECEMBER 31, 2002	27,663,740	2,766	190,618	(66,106)	(8,293)	118,985
Net income	—	—	—	47,526	—	47,526

Exercise of employee stock options	1,596,645	160	9,626	—	—	9,786
Movement on cash flow hedges	—	—	—	—	890	890
BALANCE AT DECEMBER 31, 2003	29,260,385	2,926	200,244	(18,580)	(7,403)	177,187
Net income	—	—	—	18,793	—	18,793
Exercise of employee stock options	702,924	35	2,098	—	—	2,133
Subdivision of shares	29,263,385	—	—	—	—	—
Capital reduction	—	—	(100,000)	100,000	—	—
Movement on cash flow hedges	—	—	—	—	(8,265)	(8,265)
Share-based payments	—	—	—	—	1,321	1,321
Balance at December 31, 2004	59,226,694	2,961	102,342	100,213	(14,347)	191,169

The Company listed its shares on the Nasdaq Stock Market on July 11, 2002 when it issued and allotted 5,000,000 million new shares to new shareholders and raised US$32.5 million. The Company's Global Depositary Receipts were exchanged for American Depositary Receipts (ADR) which trade on the Nasdaq and London Stock Exchange. Each ADR equated to two ordinary shares at the time of the listing.

During the first quarter of 2003 the ratio was split to 1 ADR to 1 ordinary share.

A special resolution was passed on April 26, 2004 to divide each of the ordinary shares of US$0.10 in the Company into two ordinary shares of US$0.05 each. The aim was to improve the tradability of the Company's shares and to equalize a share's value before and after the share split.

A special resolution was passed at the Annual General Meeting in April 2004, which was subsequently approved by the Court in Jersey, to extinguish accumulated losses by reducing the company's share premium account by US$100 million in order to permit future dividend payments.

Other Reserves includes the mark-to-market valuation of financial instruments designated as cash flow hedges.

See notes to the consolidated financial statements

RANDGOLD RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	Notes	2004 $'000	2003 $'000	2002 $'000
CASH FLOWS FROM OPERATIONS				

Income before taxes		18,793*	47,175	65,508
Net interest paid		590	896	3461
Depreciation and amortization		8,738	10,269	8,765
Transfer to deferred stripping		(3,999)	(3,483)	(5,043)
(Gain)/loss on financial instruments		(1,085)	1,618	346
Profit on sale of Syama		(7,070)	—	—
Net increase in provision for environmental rehabilitation		177	990	600
Share-based payments*		1,321	—	—
		17,465	57,465	73,637
Effects of changes in operating working capital items:				
— receivables		(9,369)	(934)	2,328
— inventories		(7,487)	(5,564)	(1,858)
— accounts payable and accrued liabilities		4,272	1,152	(13)
Cash provided by operations		4,881	52,119	74,094
Interest received		1,033	999	225
Interest paid		(1,623)	(1,895)	(3,686)
Net cash provided by operations		4,291	51,223	70,633
CASH FLOW FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment, net		(69,438)	(6,655)	(5,464)
Disposal of Syama – net of cash disposed	22	8,571	—	—
Movement in restricted cash		3,882	644	(52)
Net cash utilized in investing activities		(56,985)	(6,011)	(5,516)
CASH FLOWS FROM FINANCING ACTIVITIES				
Ordinary shares issues		2,133	9,786	33,203
Share issue/buy back expenses		—	—	(3,895)
Loan-term loans repaid		(11,674)	(9,534)	(40,939)
Long-term loans received		35,000	—	—
(Decrease)/increase in bank overdraft		—	380	538
Cash provided by/(utilized in) financing activities		25,459	632	(12,169)
NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS		(27,235)	45,844	52,948
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		105,475	59,631	6,683
CASH AND EQUIVALENTS AT END OF YEAR		78,240	105,475	59,631

*Reflects adoption of IFRS2: Share-based payments.

See notes to the consolidated financial statements

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

The Company, its subsidiaries and joint ventures ("the Group") carry out gold mining activities and exploration. The Group currently has one operating mine in Mali, West Africa, the Morila Gold Mine, which commenced production in October 2000, a mine in the construction phase, the Loulo Mine, also in Mali, as well as a portfolio of exploration projects in West and East Africa. The interests of the Group are Morila S.A. ("Morila") which owns the Morila mine and Somilo S.A. ("Somilo") which conducts the development activities at the Loulo mine site. Randgold Resources holds an effective 40% interest in Morila, following the sale to AngloGold Ashanti Limited on July 3, 2000 of one-half of Randgold Resources' wholly-owned subsidiary, Morila Limited. 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 Services Mali S.A. ("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.

In May 2004, construction started on the Loulo Mine which is scheduled to come into production in July 2005, initially as an open pit operation. A development study is in progress to assess the economics of mining the much larger underground resources at Loulo. A US$60 million project finance agreement for Loulo was concluded in September 2004. The loan, which is repayable between June 2006 and September 2009, was arranged by mandated lead-arrangers N.M. Rothschild & Sons Limited and SG Corporate & Investment Banking, who have been joined in the facility by Absa Bank and HVB Group as lead-arrangers. Drawdown of the loan commenced in December 2004. Until then, the Group funded the capital project itself.

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

The Tongon project in Côte d'Ivoire is at an earlier 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.

On April 5, 2004 Resolute Mining exercised its option to buy the Group's 80% interest in the Syama Mine, which had been on care and maintenance since 2001. At a gold price of more than US$350 per ounce, Randgold Resources will also 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.

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, except for the accounting policy for development costs and mine plant facilities. This accounting policy has been changed to clarify the treatment of costs relating to the definition of mineralization in existing orebodies or the expansion of the productive capacity of existing operating mines.

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 available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) which are carried at fair value.

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

GENERAL : The financial statements are measured and presented in US dollars, as it is the primary measurement currency in which transactions are undertaken. Monetary assets and liabilities in foreign currencies are translated to US dollars at rates of exchange ruling at the end of the financial period. Translation gains and losses arising at period-end, as well as those arising on the translation of settled transactions occurring in currencies other than the functional currency, are included in net income.

CONSOLIDATION : The consolidated financial information includes the financial statements of the Company, its subsidiaries and Company's proportionate share of the joint venture.

SUBSIDIARIES : Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding 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.

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.

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

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.

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOREIGN CURRENCY TRANSLATION :

(a) Measurement 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 United States Dollars, which is the Company's measurement and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. 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 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 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, whereafter they are measured at cost less accumulated amortization and impairment. Development costs and mine plant facilities relating to existing and new mines are capitalized. Development costs consist primarily of direct expenditure incurred to establish or expand productive capacity, and are capitalized until commercial levels of production are achieved, after which the costs are amortized.

c) Non-mining fixed assets

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

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 tons contained in proven and probable reserves. 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. Short-lived assets which include

motor vehicles, office equipment and computer equipment, are depreciated over estimated useful lives of between two to five years.

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

e) Mining property evaluations

The carrying amount of the long-lived assets of the Group are annually compared to the recoverable amount of the assets, or 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 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.

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, at our open pit mines, which have diverse grades and waste-to-ore ratios over the mine, we defer the costs of waste stripping in excess of the expected pit life average stripping ratio. 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 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, 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 Morila mine, resulting in lower earnings in future periods.

This method of accounting has the effect of smoothing costs over the life of the project. We believe that the method we use 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 insurance spares, and are stated at the lower of cost or net realizable value. The cost of ore stockpiles and gold

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RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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 5 g/t and medium grade is defined as ore above 1.4 g/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 optimized based on the known mineral reserves, current plant capacity and mine design.

Stores and materials consist of consumable stores and are valued at average cost after appropriate provision for 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.

FINANCIAL INSTRUMENTS : are initially measured at cost, including transaction costs. Subsequent to initial recognition these instruments 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 cost less any provisions for impairment in the financial statements of the Company. Dividends are accounted for when declared in respect of unlisted investments. 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 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, 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 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 designed 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.

RECEIVABLES : are recognised initially at fair value and subsequently 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 : include all highly liquid investments with a maturity of three months or less at the date of purchase.

REHABILITATION COSTS : The net present value of estimated future rehabilitation cost estimates is recognised and provided for in the financial statements and capitalised to mining assets on initial recognition. Initial recognition is at the time of the disturbance occurring and thereafter as and when additional environmental disturbances are created. 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 are charged to income and consist of finance costs relating to the change in present value of the provision and inflationary increases in the provision estimate. The present value of additional environmental disturbances created 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 : 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 INCOME AND MINING TAXES : Deferred income 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 deferred income tax arises from initial recognition of an asset or liability in a transaction other

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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 income 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 income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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 income tax is provided on temporary differences arising on investments in subsidiaries and associates, 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 November 7, 2002 is recognized 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 exericise of the options net of any directly attributable transaction costs are credited to equity. Refer to note 5.

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.

REVENUE RECOGNITION : The Company enters into contracts for the sale of gold. Revenue arising from gold sales under these contracts is recognized when the price is determinable, the product has been delivered in accordance with the terms of the contract, title has 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 turnover 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.

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 realized, ie. "probable." In evaluating if expenditures meet this criterion to be capitalized, the directors utilize several different sources of information depending on the level of exploration. While the criteria for concluding that an expenditure should be capitalized 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 capitalized 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 capitalized 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 mineralization of such mineral deposits, is capitalized 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

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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 it more likely than not the Group will obtain future economic benefit from the expenditures.

Costs relating to property acquisitions are also capitalized. These costs are capitalized within development costs.

Prior to 2004, all exploration and evaluation expenditure was expensed as incurred. This policy reflected the fact that all significant exploration and evaluation expenditure in prior years related to greenfields sites. However, during the year ended December 31, 2004 the Company incurred significant exploration and evaluation expenditure around an

existing mineral deposit for the first time. Accordingly, the policy wording has been expanded to allow for this new event by explaining the circumstances in which exploration and evaluation expenditure should be capitalized, being those where it is probable that a future economic benefit will be generated.

Under the policy described above, expenditure of US$3.9 million incurred during the year ended December 31, 2004 relating to the underground development study at Loulo has been capitalized. This expanded policy does not affect the treatment of exploration and evaluation expenditure incurred in prior years.

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. INCOME AND MINING TAXES

The Company is not subject to income tax in Jersey. Morila SA, benefits from a five year tax holiday in Mali. The tax holiday of Morila expires on November 14, 2005. The benefit of the tax holiday to the Group was to increase its net income by US$11.7 million, US$22.5 million and $31.7 million, due to not incurring its share of Morila's tax expense for the years ended December 31, 2004, 2003 and 2002 respectively.

Accordingly had the Group not benefited from the tax holiday in Mali, earnings per share would have been reduced by $0.20, $0.78 and $1.26 for the years ended December 31, 2004, 2003 and 2002 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.

Somilo SA also benefits from a five year tax holiday in Mali commencing from the date of first commercial production.

3.1 **CURRENT TAX**

No tax liability has accrued in the year ended December 31, 2004, 2003 and 2002 based on Malian tax law.

3.2 **DEFERRED INCOME AND MINING TAX LIABILITIES AND ASSETS ARE MADE UP AS FOLLOWS:**

	2004 $'000	2003 $'000	2002 $'000
Deferred income and mining tax liabilities			
depreciation and amortization	—	—	—
Gross deferred income and tax assets:			
assessable tax loss carry forwards	—	(126,141)	(125,057)
provisions including rehabilitation accruals	—	(2,600)	(2,600)
Gross deferrd income and mining tax assets	—	(128,741)	(127,657)
Deferred income and mining tax asset valuation			
Allowances	—	128,741	127,657

Net deferred income and mining tax assets	—	—	—
Net deferred income and mining tax liability	—	—	—

During 2004, the Group sold its share in Somisy to Resolute Mining. The Group, therefore, no longer has assessable non-capital tax losses and capital expenditure carry forwards related to Syama. Refer to note 22.

4. EARNINGS PER SHARE

	FOR THE YEAR ENDED DECEMBER 31, 2004		
	Income (Numerator) $000	Share (Denominator)	Per share amount $000
BASIC EARNINGS PER SHARE			
Shares outstanding January 1, 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			
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 adoption of IFRS2: Share-based payments

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	FOR THE YEAR ENDED DECEMBER 31, 2003		
	Income (Numerator) $000	Share (Denominator)	Per share amount $000
BASIC EARNINGS PER SHARE			
Shares outstanding January 1, 2003		55,327,480*	
Weighted number of shares issued		2,113,880*	
Income available to shareholders	47,526	57,441,360*	0.83
EFFECT OF DILUTIVE SECURITIES			
Stock options issued to employees		162,004*	
Fully diluted earnings per share	47,526	57,603,364*	0.83

	FOR THE YEAR ENDED DECEMBER 31, 2002		
	Income (Numerator)	Share (Denominator)	Per share amount

	$000		$000
BASIC EARNINGS PER SHARE			
Shares outstanding January 1, 2002		44,923,260*	
Weighted number of shares issued		5,372,380*	
Income available to shareholders	65,728	50,295,640*	1.31
EFFECT OF DILUTIVE SECURITIES			
Stock options issued to employees		521,826*	
Fully diluted earnings per share	65,728	50,817,466*	1.29

* Reflects adjustments resulting from the sub-division of shares

5. CHANGE IN ACCOUNTING POLICY

The Company adopted IFRS 2 "Share-based payment" ("IFRS 2") on January 1, 2005. The standard requires an entity to recognize share-based payment 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 November 7, 2002 and had not yet vested at the effective date of January 1, 2005. This change in accounting policy has been accounted for retrospectively, and the financial statements for 2004 and 2003 have been restated.

The effect of the change for the year ended June 30, 2004 is the recognition of share-based payment expense of $1.3 million. No share options were granted from November 7, 2002 to December 31, 2003.

6. RESTRICTED CASH

	2004 $'000	2003 $'000
Debt service reserve	—	3,882

The debt service reserve account relates to the N.M Rothschild & Son Limited debt service reserve account. This amount was held in escrow for partial repayment of the Morila project loan. The loan was repaid in 2004. Refer to note 13.1.

7. RECEIVABLES INCLUDING PREPAYMENTS

	2004 $'000	2003 $'000
Trade	4,057	4,944
Advances to contractors	893	—
Taxation debtor	12,356	5,851
Prepayments	5,348	2,819
Other	1.013	1,582
	23,667	15,196

8. INVENTORIES AND ORE STOCK PILES

	2004 $'000	2003 $'000
Consumable stores	6,091	8,385
Short-term portion of ore stockpiles	803	2,373
Gold in process	2,868	525
	9,762	11,283
Long-term portion of ore stockpiles...	12,054	5,882
	21,816	17,165

Included in ore stockpiles is an amount of US$ nil (2003: US$1.7 million) attributable for the high grade tailings stock at Morila, which is stated at its net realisable value. The attributable carrying value of this stock pile, before any provisions, is US$0.5 million (2003: US$ 1.7 million) but has been reduced to a zero value in 2004, due to uncertainty as to whether the material will be used in production.

Ore stockpiles have been split between long and short term based on current life of mine plan estimates. All ore stockpile inventory consists of unprocessed raw ore.

9. PROPERTY, PLANT AND EQUIPMENT

Mine properties, mine development costs, mine plant facilities and equipment.

	Notes	2004 $'000	2003 $'000
Cost			
At beginning of year		174,304	168,540
Additions		70,329	5,764
Disposal of Syama	22	(92,994)	—
		151,639	174,304
Accumulated depreciation			
At beginning of year		102,373	92,104
Charge for the year		8,738	10,269
Disposal of Syama	22	(89,326)	—
		21,785	102,373
NET BOOK VALUE		129,854	71,931

LONG-LIFE ASSETS

Included in property, plant and equipment are long-life assets which are amortized 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$111.1 million as at December 31, 2004 (2003: US$53.2 million).

SHORT LIFE ASSETS

Included in property, plant and equipment are short life assets which are amortized over their useful lives and are comprised of motor vehicles and other equipment. The net book value of these assets was US$9.1 million as at December 31, 2004 (2003: US$9.0 million).

UNDEVELOPED PROPERTY

Included in property, plant and equipment are undeveloped property costs of US$9.7 million (2003: US$9.7 million).

10. DEFERRED STRIPPING COSTS

	2004	2003
	$'000	$'000
Opening balance	10,885	7,402
Additions during the year	3,999	3,483
Short-term portion	(6,370)	—
Total	8,514	10,885

In addition to the above, pre-production stripping costs of $3 million was capitalized as part of mining assets.

The deferred stripping balances at the end of 2004 and 2003 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 those years. These costs will be released in the period where the actual stripping ratio decreases to below such expected pit life ratio. The change in the average stripping ratio was due to higher grades being accessed during the current financial year. As a result of the change in life-of-mine estimated stripping ratio in December 2004 compared to December 2003, US$0.7 million less mining costs were deferred. The expected pit life average stripping ratios used to calculate the deferred stripping were 4.36 in 2004 and 3.68 in 2003. These stripping ratios were calculated taking into account the actual strip ratios achieved of 3.98 and 4.77 for 2004 and 2003 respectively.

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
	$'000	$'000
Trade	10,540	4,162
Payroll and other compensation	532	3,129
Other	3,356	4,699
	14,428	11,990
Short-term portion of long-term loans	1,156	11,567
	15,584	23,557

12. PROVISION FOR ENVIRONMENTAL REHABILITATION

Notes

		2004	2003
		$'000	$'000
Opening balance		5,962	4,972
Disposal of Syama	22	(2,438)	—
Additions		177	990
		3,701	5,962

The provisions for close down and restoration costs include estimates for the effect of future inflation and have been discounted to their present value at 6% per annum, being an estimate of the cost of borrowing.

Syama was sold during the year to Resolute Mining who have assumed the rehabilitation liability of Syama.

Although limited environmental rehabilitation regulations currently exist in Mali to govern the mines, management has based the environmental rehabilitation accrual 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. To ensure that it is adequately provided to do so, 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.

There are no unasserted claims reflected in the provisions for Morila.

While the ultimate clean-up costs may be uncertain, there are no uncertainties with respect to joint and several liability that may affect the magnitude of the contingency at Morila as the extent of these obligations are clearly defined in their respective mining conventions.

The total undiscounted cost of rehabilitation is estimated at $12.3 million, of which majority will only be spent after seven years.

There are no other potentially responsible parties to consider for cost sharing arrangements.

The Company carries insurance against pollution including cost of cleanup. At present, there are no losses and or claims outstanding.

As at the end of 2004, no rehabilitation liability was provided for by Somilo as the environmental disturbances was minimal, being earthworks and civils limited to a very small area.

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13. LONG-TERM LIABILITIES

	Notes	2004 $'000	2003 $'000
Morila project loan	13.1	—	7,200
Morila finance lease	13.2	5,787	6,730
Morila Air Liquide finance lease	13.3	1,045	1,201
N.M Rothschild loan	13.4	—	1,943

Rolls-Royce Power Ventures	13.5	—	1,325
Somilo project finance loan	13.6	35,042	—
		41,874	18,399
Less: Current portion disclosed under current liabilities		(1,156)	(11,567)
		40,718	6,832

All loans are secured and have variable interest rates.

13.1 Morila Project Loan

The loan was the original project finance loan with a consortium of commercial banks and was fully repaid in June 2004. The loan carried interest at US three month LIBOR plus 2% per annum. The weighted average interest rate for the year ended 31 December 2004 was 3.44% (2003: 3.29%).

13.2 Morila Finance Lease

Morila 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 2004 was approximately 20% per annum. The lease is collateralized by plant and equipment whose net book value at 31 December 2004 amounted to US$5.8 million (2003: US$6.8 million). Average lease payments of US$1.5 million are payable in installments over the term of the lease. The Company has together with AngloGold Ashanti jointly guaranteed the repayment of this lease.

13.3 Morila Air Liquide Finance Lease

Morila Air Liquide 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 2004 was approximately 3.09% per annum. The lease is collateralized by the production units whose net book value at 31 December 2004 amounted to US$1.0 million (2003 : US$1.1 million).

13.4 N.M. Rothschild Loan

On 28 August 2002 the Syama hedge transactions were closed through a cancellation agreement with N.M. Rothschild & Sons Limited. On that date the Company agreed to buy sold call options to offset existing positions with N.M. Rothschild & Sons Limited comprising gold call options of 148 500 oz at US$353/oz totaling US$1 805 760. In lieu of the existing premium due, N.M. Rothschild & Son Limited agreed to lend to the Company the sum of US$1 805 760 on a pre-agreed repayment schedule to repay the loan monthly through the 2004 financial year. The loan interest was accrued and fixed at the prevailing Libor rate plus 3% per annum.

13.5 Rolls-Royce Power Ventures

The Rolls-Royce Power Ventures loan related to a settlement reached in respect of the Syama Power Supply Contract. The liability was taken over by Resolute Mining as part of the sale of Syama.

13.6 Somilo Project Finance Loan

The US$ 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 US$ 35 million was drawn against the loan in December 2004. The loan is collateralized over the assets of the Loulo Project. 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 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 4.17%.

Under the term 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 :

Hedging arrangements reasonably acceptable to N M Rothschild & Sons Limited will remain in place. The Company will continue to provide evidence to the effect that Somilo SA or Randgold Resources Limited has 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 ratio's ;

Limitations on material asset disposals and acquisitions;

Restrictions with regards to the repayment of inter-company 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;

Limitations on additional indebtedness by any Group company;

Certain financial ratios need to be adhered to throughout the loan agreement.

13.7 MATURITIES

The long-term liabilities mature over the following periods:

	2004	2003
	$'000	$'000
Year ending December 31, 2004		
Not later than 1 year	1,156	11,567
Later than 1 year and not later than 5 years	39,434	4,434
Later than 5 years	1,284	2,398

	41,874	18,399

14. LOANS FROM MINORITY SHAREHOLDERS IN SUBSIDIARIES

	2004 $'000	2003 $'000
SOMISY 14.1		
Government of Mali – principal amount	—	4,345
	—	4,345
Government of Mali – deferred interest	—	3,221
	—	3,221
Loans	—	7,566
Accumulated losses	—	(7,566)
SOMILO 14.2		
Government of Mali – principal amount	632	454
Government of Mali – deferred interest	1,943	1,458
Loans	2,575	1,912
Accumulated losses	(954)	(954)
Total loans	2,575	9,478
Total losses	(954)	(8,520)

14.1 Somisy

The Group sold its share in Somisy to Resolute Mining in 2004. The Group received net proceeds of $8.6 million and the loans were taken over by Resolute Mining.

14.2 Somilo

The Government of Mali loan to Somilo is uncollateralized and bears interest at the base rate of the Central Bank of West African States plus 2%. The loan is repayable from cash flows of the Loulo mine after repayment of all other loans. Losses of Somilo have been 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.

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15. DEFERRED FINANCIAL LIABILITIES

	Notes	2004 $'000	2003 $'000
Mark-to-market of speculative financial instruments	15.1	—	1,085
Mark-to-market of hedge financial instruments	15.2	15,668	7,403
		15,668	8,488

15.1 This reflects the mark-to-market adjustment on those derivative instruments which do not, under the Group's accounting policy, qualify for hedge accounting. These derivative instruments are

further detailed in note 18.

15.2 The financial instrument liability relates to the Loulo derivative instruments which qualify for hedge accounting. These derivative instruments are further detailed in note 18.

16. PENSION AND PROVIDENT FUNDS

The Company 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 Company'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 Company for the years ended December 31, 2004 and December 31, 2003 amounted to $0.2 million and $0.3 million respectively.

17. SEGMENTAL 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.

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2004

	GROUP'S 40% SHARE OF MORILA MINE	SYAMA	LOULO	CORPORATE AND EXPLORATION	TOTAL
	$'000	$'000	$'000	$'000	$'000
PROFIT AND LOSS					
Gold sales	73,330	—	—	—	73,330
Mine production costs	(32,176)	—	—	—	(32,176)
Mining operating profit	41,154	—	—	—	41,154
Royalties	(5,304)	—	—	—	(5,304)
Interest expense	(1,569)	—	—	(54)	(1,623)
Interest received	17	—	—	1,016	1,033
Depreciation and amortisation	(7,386)	—	—	(1,352)	(8,738)
Gain on financial instruments	—	—	—	2,232	2,232
Other (expenses)/income	(1,179)	(658)	—	1,656	(181)

Profit on sale of Syama	—	—	—	7,070	7,070
Exploration and corporate expenditure	(571)	—	—	(14,958)	(15,529)
Share-based payments	—	—	—	(1,321)	(1,321)
Income/(loss) before tax and minority interest	25,162	(658)	—	(5,711)	18,793**
Tax and minority interest	—	—	—	—	—
Net income/(loss)	25,162	(658)	—	(5,711)	18,793**
CAPITAL EXPENDITURE	(1,766)	—	(67,552)	(120)	(69,438)
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 EQUIVALENTS	(2,419)	(658)	(32,552)	8,394	(27,235)
NUMBERS OF EMPLOYEES	—	—	149	151	300

** Reflects adoption of IFRS 2: Share-based payments.

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2003

	GROUP'S 40% SHARE OF MORILA MINE	SYAMA (MALI)	LOULO	CORPORATE AND EXPLORATION	TOTAL
	$'000	$'000	$'000	$'000	$'000
PROFIT AND LOSS					
Gold sales	109,573	—	—	—	109,573

Mine production costs	(23,989)	—	—	—	(23,989)
Mining operating profit/(loss)	85,584	—	—	—	85,584
Royalties	(7,648)	—	—	—	(7,648)
Interest expense	(1,793)	—	—	(102)	(1,895)
Interest received	117	—	—	882	999
Depreciation and amortisation	(10,269)	—	—	—	(10,269)
Gain/(loss) on financial instruments	499	—	—	(2,232)	(1,733)
Other income/(expenses)	(1,387)	(2,069)	—	2,600	(856)
Exploration and corporate expenditure	(752)	—	(1,757)	(14,498)	(17,007)
Income/(loss) before tax and minority interest	64,351	(2,069)	(1,757)	(13,350)	47,175
Tax and minority interest		—	—	351	351
Net income/(loss)	64,351	(2,069)	(1,757)	(12,999)	47,526
CAPITAL EXPENDITURE	4,568	—	—	2,087	6,655
TOTAL ASSETS	92,657	7,465	7,587	117,716	225,425
TOTAL EXTERNAL LIABILITIES	31,619	6,095	2,736	5,939	46,389
DIVIDENDS (PAID)/RECEIVED	(69,600)	—	—	69,600	—
NET CASH FLOWS GENERATED BY/(UTILISED IN) OPERATIONS	68,531	(1,003)	—	(16,190)	51,338
NET CASH FLOWS GENERATED BY/(UTILISED IN) INVESTING ACTIVITIES	(7,755)	—	—	1,744	(6,011)
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(8,059)	595	—	7,981	517
NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS	(16,883)	(408)	—	63,135	45,844
NUMBERS OF EMPLOYEES	—	18	—	92	110

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

YEAR ENDED DECEMBER 31, 2002

	GROUP'S 40%	SYAMA (MALI)	LOULO	CORPORATE AND	TOTAL

	SHARE OF MORILA MINE $'000	$'000	$'000	EXPLORATION $'000	$'000
PROFIT AND LOSS					
Gold sales	131,440	—	—	—	131,440
Mine production costs	(22,234)	—	—	—	(22,234)
Mining operating profit	109,206	—	—	—	109,206
Royalties	(9,185)	—	—	—	(9,185)
Interest expense	(2,631)	—	—	(1,055)	(3,6861)
Interest received	195	—	—	30	225
Depreciation and amortization	(8,578)	—	—	(187)	(8,765)
Gain in financial instruments	429	(775)	—	—	(346)
Other income/(expenses)	295	(4,777)	—	(773)	(5,255)
Exploration and corporate expenditure	(575)	—	(1,120)	(14,991)	(16,686)
Income/(loss) before tax and minority interest	89,156	(5,552)	(1,120)	(16,976)	65,508
Tax and minority interest	—	—		220	220
Net income/(loss)	89,156	(5,552)	(1,120)	(16,756)	65,728
CAPITAL EXPENDITURE	5,464	—		—	5,464
TOTAL ASSETS	116,720	8,571	5,597	42,970	173,858
TOTAL EXTERNAL LIABILITIES	44,213	8,375	2,560	(275)	54,873
DIVIDENDS (PAID)/RECEIVED	(56,800)	—		56,800	—
NET CASH FLOWS GENERATED BY/(UTILIZED IN) OPERATIONS	88,112	(5,012)	—	(12,467)	70,633
NET CASH FLOWS UTILIZED IN INVESTING ACTIVITIES	(5,538)	—	—	(22)	(5,516)
NET CASH (UTILIZED IN)/ GENERATED FROM FINANCING ACTIVITIES	(10,663)	5,559	—	(7,065)	(12,169)
NET INCREASE IN CASH AND EQUIVALENTS	15,111	547	—	37,290	52,948
NUMBERS OF EMPLOYEES	—	19	—	101	120

18. FAIR VALUE AND RISKS OF FINANCIAL INSTRUMENTS

The Company's financial instruments are set out in note 19.

In the normal course of its operations, the group is exposed to commodity price, currency, interest, liquidity and credit risk. In order to manage these risks, the group enters into derivative financial instruments. All derivative financial instruments are initially recognized at cost and subsequently measured at their fair value on the balance sheet.

18.1 Concentration of Credit Risk

The group's financial instruments do not represent a concentration of credit risk because the Group sells its gold to and deals with a variety of major financial institutions. Its receivables and loans are regularly monitored and assessed and an adequate level of provision for doubtful debts

is maintained.

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RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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$12.4 million (2003: US$5.9 million) relating to indirect taxes owing to Morila by the State of Mali, which is denominated in FCFA.

18.2 Foreign Currency and Commodity Price Risk

In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily Euro and Communaute Financiere Africaine Franc). As a result, the group is subject to transaction exposure from fluctuations in foreign currency exchange rates.

Generally the group does not hedge its exposure to gold price fluctuation risk and sells at market spot prices. These prices are 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 secures a floor price through simple forward contracts and options whilst maintaining significant exposure to spot prices.

18.3 Interest Rates and Liquidity Risk

Fluctuation in interest rates impact on the value of short-term cash investments and 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. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimizing risks. The group has been able to in the past actively source financing through public offerings, shareholders loans and third party loans.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the group's financial instruments outstanding at December 31, 2004 and 2003. 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.

	2004		2003	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Financial assets				
Cash and equivalents	78,240	78,240	105,475	105,475
Restricted cash	—	—	3,882	3,882
Receivables	23,667	23,667	15,196	15,196
Financial liabilities				
Accounts payable	15,584	15,584	23,557	23,557
Bank overdraft	—	—	1,550	1,550
	40,718	40,718	6,832	6,832

Long-term debt (excluding loans from outside shareholders)				
Liabilities on financial instruments	15,668	15,668	8,488	8,488

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RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FINANCIAL INSTRUMENTS

Details of the group's on balance sheet gold derivative contracts as at 31 December, 2004:

	HEDGING INSTRUMENTS	
	Forward Sales	
Maturity Dates	Ounces	US$/oz
Loulo		
December 31, 2005	12,504	430
December 31, 2006	93,498	431
December 31, 2007	103,500	435
December 31, 2008	80,498	431
December 31, 2009	75,000	430
Total	365,000	432

The total fair value (mark-to-market) of the above financial instruments as at December 31, 2004 was US$15,668 million negative.
The figures shown above are the financial instruments taken out as part of the Loulo project financing.
The Loulo price protection was initially done on a short dated spot deferred basis. 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. Prior to this, the Loulo instruments were deemed speculative for accounting purposes.
The Morila hedge book was fully utilised in 2004.
Details of on balance sheet gold derivative contracts as at December 31, 2003 :

	HEDGING INSTRUMENTS		UNMATCHED INSTRUMENTS					
							Fixed 4 year gold lease rate agreements	
MATURITY DATES	Forward sales Ounces	US$/oz	Purchased Calls Ounces	US$/oz	Forward Sales Ounces	US$/oz	Ounces	Fixed Rate
MORILA (attributable portion)								

December 31, 2004								
CORPORATE	51,941	275	18,384	360	—	—	—	—
(for Loulo)								
30 June 2004	—	—	—	—	150,000	402	—	—
30 June 2004	—	—	—	—	50,000	410	—	—
30 June 2004	—	—	—	—	—	—	200,000	1.64%

Estimation of Fair Values

Receivables, restricted cash, accounts payable, bank overdrafts and cash and 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 and option contracts has been determined by reference to quoted market rates at year-end balance sheet dates.

20. COMMITMENTS AND CONTINGENT LIABILITIES

20.1 Capital Expenditure

	2004 $'000	2003 $'000
Contracts for capital expenditure	17,119	320
Authorized but not contracted for	8,011	148
	25,130	468

21. RELATED PARTY TRANSACTIONS

The service agreement between the company and Randgold & Exploration Company Limited 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 ("Seven Bridges"), a 100 percent 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 company plus 50 percent.

In terms of the Operator Agreement between Morila SA and AngloGold Services Mali SA, a

management fee, calculated as 1% of the total sales of Morila, is payable to AngloGold Services Mali SA quarterly in arrears. The attributable management fees for the year ended December 31, 2004 amounted to US$0.8 million (2003: $1.1 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 December 31, 2004 amounted to US$0.5 million (2003 : US$0.4 million).

22. SALE OF SYAMA

In April 2003, the Company entered into an option agreement with the Australian company Resolute Mining Limited, over its interest in the Syama Mine in Mali. In terms of the agreement, Resolute 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 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, 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$5 per ounce on the next three million ounces based on the attributable ounces acquired by Resolute. This has not been included in the profit attributable to the sale of Syama, as it is linked to a gold price of US$ 350 and the Syama mine is still on care and maintenance.

The assets and liabilities of Syama disposed of were as follows:

	December 31, 2004 US$000
Property, plant and equipment	3,668
Current assets	3,797
Total assets	7,465
Bank overdraft	(1,550)
Other liabilities	(4,351)
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

23. SUBSEQUENT EVENTS

No material subsequent events occurred.

24. RECONCILIATION TO U.S. GAAP

The Group's consolidated financial statements included in this annual report have been prepared in accordance with International Financial Reporting Standards ("IFRS"), which differs in certain significant respects from accounting principles generally accepted in the United States ("U.S.

GAAP"). The principal differences between IFRS and U.S. GAAP are presented below together with explanations that affect consolidated net income for each of the three years ended December 31, 2004, 2003 and 2002 and total shareholders' equity as at December 31, 2004 and 2003. For the convenience of understanding these adjustments, a consolidated income statement and consolidated balance sheet prepared in accordance with U.S. GAAP have been presented on page F-36 and F-37.

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RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Reconciliation of Net Income

	2004 $'000	2003 $'000	2002 $'000
Net income as reported under IFRS	18,793**	47,526	65,728
Share-based compensation	2,011	(4,780)	(5,991)
Provision for environmental rehabilitation	—	—	(76)
Exploration costs	(3,916)	—	—
Net income under U.S. GAAP before cumulative effect of change in accounting principle	16,888	42,746	59,661
Cumulative effect of change in accounting principle (adoption of FAS143)	—	214	—
Net income under U.S. GAAP	16,888	42,960	59,661
Movement in cash flow hedges during the period	(8,265)	890	(6,548)
Comprehensive income under U.S. GAAP	8,623	43,850	53,113
Basic earnings per share under U.S. GAAP ($)	0.29	0.75*	1.19*
*Weighted average number of shares used in the computation of basic earnings per share	58,870,632	57,441,360*	50,295,640*
Fully diluted earnings per share under U.S. GAAP ($)	0.29	0.74*	1.17*
*Weighted average number of shares used in the computation of fully diluted earnings per share	59,996,257	57,603,364*	50,817,466*

* Reflects adjustments arising from the subdivision of shares
** Reflects adoption of IFRS2: Share-based payments

Reconciliation of shareholders' equity

	2004	2003
	$'000	$'000
Shareholders' equity as reported under IFRS	191,169	177,187
Exploration costs	(3,916)	—
Shareholders' equity under U.S. GAAP	187,253	177,187

SHARE-BASED COMPENSATION

The Company has an employee share option scheme ("Randgold Resources Share Option Scheme" hereafter referred to as the RRSOR scheme) under which all employees may be granted options to purchase shares in RRL's authorized but unissued common stock. During 1998 the rules of RRSOR scheme were revised whereby up to 15% of the outstanding share capital of the Company may be reserved for the scheme. As at December 31, 2004 and December 31, 2003, 9,668,579 and 8,724,680 (adjusted for subdividion of shares) shares respectively, were available to be exercised in terms of the RRSOR scheme rules. Options currently expire no later than ten years from the grant date. Options granted to directors, officers and employees vest as follows: on either the first or the second anniversary of the grant date a third of the total option grant vests, and annually thereafter upon anniversary of the grant date a further third of the total option grant vests.

Share option activity was as follows (all figures are number of shares, except for average price per share data and have been adjusted for the share split):

	Available for grant	Number of shares	Average price per share ($)
BALANCE AT DECEMBER 31, 2001	1,079,180	3,693,134	—
Shares authorized during the year	1,500,000	—	—
Shares lapsed during the year	50,644	(50,644)	1.85
Shares granted during the year	(2,053,278)	2,053,278	3.24
Shares exercised during the year	—	(404,220)	1.81
BALANCE AT DECEMBER 31, 2002	576,546	5,291,548	2.46
Adjustment to balance following increase in share capital	479,018	—	—
Shares exercised during the year	—	(2,418,090)	—
Shares added back i.t.o. Rule 3.2 of RRSOR	775,200	(775,200)	—
Shares granted during the year	—	—	—
Shares lapsed during the year	110,862	(110,862)	1.74
BALANCE AT DECEMBER 31, 2003	1,941,626	1,987,396	3.14
Adjustment to balance following increase in share capital	979	—	—
Shares exercised during the year	—	(6,000)	—
Shares granted during the year	—	—	—
Shares lapsed during the year	—	—	—

Balance prior to share split	1,942,605	1,981,396	2.88
Adjustment to balance following increase in share capital	114,260	—	—
Shares exercised during the year	—	(702,925)	—
Shares granted during the year	(1,316,003)	1,316,003	8.05
Shares lapsed during the year	53,500	(53,500)	3.25
BALANCE AT DECEMBER 31, 2004	794,362	2,540,974	5.35

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below summarizes information about the options outstanding:

	OUTSTANDING OPTIONS		
	Number of Shares	Weighted Average Contractual life (in years)	Weighted Average Exercise Price ($)
Range of Exercise Price ($)			
AT DECEMBER 31, 2004			
1.25 – 2.13	233,566	5.95	1.80
2.50 – 3.50	855,862	7.42	3.22
5.00 – 8.25	247,546	2.43	7.80
8.05 – 8.05	1,204,000	9.59	8.05
	2,540,974	7.83	5.82
AT DECEMBER 31, 2003			
1.25 – 2.13*	326,920*	6.74	1.81*
2.50 – 3.50*	1,467,920*	7.53	3.21*
5.00 – 8.25*	192,556*	3.38	7.68*
	1,987,396*	7.00	3.42*

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

The table below summarizes the information about the RRSOR options that are exercisable:

	EXERCISABLE OPTIONS	
	Number of Shares	Weighted Average Exercise Average ($)
Exercise Price ($)		
AT DECEMBER 31, 2004		
1.25 – 2.13	217,566	1.78
2.50 – 3.50	288,200	3.25
5.00 – 8.25	192,556	7.68
8.05 – 8.05	—	—

	698,322	4.01
AT DECEMBER 31, 2003		
1.25 – 2.13*	270,920*	1.76*
2.50 – 3.50*	39,200*	3.27*
5.00 – 8.25*	192,552*	7.68*
	502,672*	4.14*

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

The Company adopted IFRS 2 "Accounting for Share-based Payments" ("IFRS 2") from January 1, 2005. As discussed in note 5, the Company applied IFRS 2 to share options that were granted after November 7, 2002 and had not yet vested at the effective date of January 1, 2005. The change in accounting policy under IFRS has been accounted for retrospectively, and the financial statements for 2004 has been restated. For options granted before November 7, 2002 there is no requirement to recognize compensation expense under IFRS. For U.S. GAAP purposes , the Company continues to account for its share option and share purchase plans under Accounting Principles Board Opinion No. 25 " Accounting for Stock Issued to Employees" ("APB 25") and related interpretations, as permitted by Statement of Financial Accounting Standards No, 123 "Accounting for Stock Based Compensation" ("FAS 123"). In

general, APB 25 requires that the intrinsic value of the options, defined as the market value of the share at grant date less the exercise price, be recognized as compensation expense prospectively, over the vesting period of the related options. In terms of the rules of the RRSOR scheme, the option purchase price is equal to fair market value at the date of grant, generally resulting in no compensation expense on the date of grant.

On January 29, 2001, 873,200 options granted to various employees at prices between $4.25 and $10.00 were cancelled and reissued at $3.30, the Company's share price at that date, which was lower than the grant price on the original grant date. Under U.S. GAAP, where a Company undertakes a share re-pricing whereby existing options are cancelled and reissued at a lower price, such options are mark-to-market with reference to the difference between the grant price and the Company stock price, with the difference recognized as stock compensation expense. Accordingly, the Company recorded compensation expense under U.S. GAAP of $4.8 million and $5.9 million during the year ended December 31, 2003 and 2002, respectively. Some of these options vested during the year ended December 31, 2004 and the Company recorded a reversal of $0.7 million (net) under U.S. GAAP in respect of compensation cost previously recognized.

The following table illustrates the effect on net income and earnings per share, as determined under U.S. GAAP as if the Company had applied the fair value recognition provisions of FAS 123, for share-based employee compensation (in thousands except for earnings per share information).

	2004 $'000	2003 $'000	2002 $'000
Net income as reported under U.S. GAAP	16,888	42,960	59,661
	(690)	4,780	5,991

Plus : Share-based compensation (benefit) expense recognized			
Less: Pro-forma share-based compensation expense determined under fair value based method of all awards	(1,940)	(1,219)	(1,707)
Pro-forma net income	14,258	46,521	63,945
Earnings per share:			
Basic – as reported ($)	0.29	0.75*	1.19*
Basic – pro forma ($)	0.24	0.81*	1.27*
Fully diluted – as reported ($)	0.29	0.74*	1.17*
Fully diluted – pro forma ($)	0.24	0.81*	1.26*

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

The impact on pro-forma net income and earnings per share in the table above may not be indicative of the effect in future years. The Company continues to grant share options to new employees. This policy may or may not continue. The fair value of options granted in the years ended December 31, 2004 and December 31, 2002, reported in the pro-forma table above has been estimated at the date of grant using a Black-Scholes option pricing model with the following weighted assumptions:

	January 1, 2004	August 5, 2004	Year ended December 31, 2002
Expected life (in years)	3	3	4
Risk free interest rate – RRSOR Scheme	2.27%	2.88%	1.9%
Volatility	21.07%	46.3%	84%
Dividend yield	0%	0%	0%

During the year ended December 31, 2004, the weighted average estimated fair value of employee stock options granted under the RRSOR Scheme was $13.87 per share for the options granted in January, 2004 and $2.72 per share for the options granted in August, 2004. During the fiscal years ended December 31, 2002, the weighted average estimated fair value of employee stock options granted under the RRSOR Scheme was $4.07. No options were granted in 2003.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in the opinion of management, the existing model does not

necessarily provide a reliable single measure of the fair value of its options.

PROVISION FOR ENVIRONMENTAL REHABILITATION

Currently under IFRS, full provision is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to balance sheet date. Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are shown separately in the statement of operations. Previously under U.S. GAAP, expenditure estimated to be incurred on long-term environmental obligations was provided over the remaining lives of the mines through charges in the statement of operations, principally by the units-of-production method based on estimated above infrastructure proven and probable reserves. The Company has adopted FAS 143 "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" ("FAS 143") effective January 1, 2003. FAS 143 applies to legal obligations associated with the retirement of a long-lived asset that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Under FAS 143 the Company records the fair value of a liability for an asset retirement obligation in the period in which it is incurred. When the liability is initially recorded, the Company capitalizes the cost by increasing the carrying value of the related long-lived asset. Over time, the liability is increased to reflect an interest element (accretion) considered in its initial measurement at fair value, and the capitalized cost is amortized over the useful life of the related asset. Upon settlement of the liability, the Company will record a gain or loss if the actual cost incurred is different than the liability recorded. Following the adoption of FAS 143, the Company's treatment of environmental rehabilitation under U.S. GAAP is now in line with IFRS.

EXPLORATION COSTS

During the year ended December 31, 2004, the Company has capitalized certain exploration and evaluation expenditure under its IFRS accounting policy because it is considered probable that a future economic benefit will be generated. Under this accounting policy, expenditure of US$3.9 million incurred during the year ended December 31, 2004 relating to the underground development study at Loulo has been capitalized. US GAAP is more restrictive regarding the

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capitalization of such costs, since the project involves a different mining method (underground mine as opposed to an open pit) which means that proven and probable reserves need to be established before expenditure can be capitalized. Therefore, since a final feasibility study had not yet been established, this expenditure was expensed as incurred under US GAAP.

PRESENTATION IN FINANCIAL STATEMENTS

Effective June 11, 2004, the Company undertook a split of its ordinary shares, which increased its issued share capital from 29,273,685 to 58,547,370 ordinary shares. Under U.S. GAAP, such changes in the capital structure would have been given retroactive effect in the Company's Consolidated Balance Sheets and Statements of Changes in Shareholders' Equity.

During 2004, the Company's Annual General Meeting passed a special resolution, which was also approved by the Court in Jersey, to extinguish accumulated losses by reducing the Company's share premium account by US$100 million in order to permit future dividend payments. The extinguishment was recorded under IFRS by reducing share premium and accumulated losses. Under U.S. GAAP, such reclassifications and elimination are generally not allowed unless all

requisite conditions for a quasi-reorganization are satisfied. Accordingly, under U.S. GAAP, the reclassification of share premium to accumulated losses would not be permitted.

Under IFRS the Company accounts for its interest in the incorporated Morila SA joint venture using the proportionate consolidation method. Under U.S. GAAP interests in incorporated joint ventures are accounted for under the equity method. Although this presentation under U.S. GAAP would have resulted in a significantly different balance sheet and income statement presentation to that currently presented under IFRS, it has no impact on the income and net asset value of the Company, except for any differences between IFRS and U.S. GAAP applicable to the joint venture.

The following is summarized audited financial information related to Morila S.A. prepared in accordance with U.S. GAAP for each of the three years ended December 31, 2004, 2003 and 2002, and as of December 31, 2004 and 2003.

	2004 $'000	2003 $'000	2002 $'000
Revenues	189,740	273,931	328,652
Costs and expenses	(126,178)	(112,071)	(102,347)
Income before change in accounting policy	63,562	161,860	226,305
Change in accounting policy	—	—	—
Net income	63,562	161,860	226,305

	2004 $'000	2003 $'000
Current assets	97,110	81,184
Non-current assets	168,719	153,958
Current liabilities	(25,355)	(38,871)
Non-current liabilities	(26,811)	(57,678)
Shareholders' equity	213,663	138,593

To provide a better understanding of the differences in accounting standards, the table below presents the consolidated income statements under U.S. GAAP in a format consistent with the presentation of U.S. GAAP consolidated income statements, as if the results of operations and financial position of the Morila SA joint venture been accounted for under the equity method, and after processing the other differences between IFRS and U.S. GAAP described above.

A) INCOME STATEMENT

For the years ended December 31,

	2004 $'000	2003 $'000	2002 $'000

Revenues from product sales	—	—	—
Production costs	—	—	—
Operating profit/(loss)	—	—	—
Interest received	1,016	883	30
Interest expense	(54)	(152)	(1,055)
Royalties	—	—	—
Depreciation and amortization	(1,352)	(1,957)	(1,651)
Exploration and corporate expenditure	(14,958)	(16,255)	(16,111)
Profit/(Loss) on financial instruments	2,232	(2,232)	(775)
Profit on sale of Syama	7,070	—	—
Share-based compensation	690	(4,780)	(5,991)
Other expenses	(2,918)	(128)	(5,528)
Loss before taxes	(8,274)	(24,621)	(31,081)
Income tax expense	—	—	—
Loss before equity income and minority interests	(8,274)	(24,621)	(31,081)
Equity income of joint venture	25,162	67,016	90,522
Minority interest	—	351	220
Net income before change in accounting principle	16,888	42,746	59,661
Cumulative effect of change in accounting principle (adoption of FAS 143)	—	214	—
Net income	16,888	42,960	59,661

RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

B) BALANCE SHEET
As at December 31,

	2004 $'000	2003 $'000
ASSETS		
CURRENT ASSETS		
Cash and equivalents	77,424	101,574
Receivables	3,490	6,327
Inventories	—	2,836
Total current assets	80,914	110,737
NON-CURRENT ASSETS		
Property, plant and equipment	68,404	15,577
Investment in joint venture	95,708	67,144
TOTAL ASSETS	245,026	193,458
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	5,442	8,009

Bank Overdraft	—	1,550
TOTAL CURRENT LIABILITIES	5,442	9,559
NON-CURRENT LIABILITIES		
Provision for environmental rehabilitation	—	2,623
Long-term liabilities	35,042	890
Loans from outside shareholders in subsidiaries	1,621	958
Liabilities on financial instruments	15,668	2,232
TOTAL NON-CURRENT LIABILITIES	52,331	6,712
SHAREHOLDERS' EQUITY		
Share capital	2,961	2,926
Additional paid-in capital	218,078	212,754
Accumulated losses	(18,118)	(31,090)
Other reserves	(15,668)	(7,403)
TOTAL SHAREHOLDERS' EQUITY	187,253	177,187
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	245,026	193,458

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RANDGOLD RESOURCES LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(C) SUMMARISED CASH FLOW STATEMENT
For the years ended December 31,

	2004	2003	2002
	$'000	$'000	$'000
Cash flow utilized in operating activities	(7,791)	(10,331)	(19,436)
Cash flow (utilized in)/generated by investing activities	(53,192)	(3,871)	21
Cash flow generated/(utilized in) financing activities	36,833	76,285	57,252
Net (decrease)/increase in cash equivalents	(24,150)	62,083	37,837

RECENT ACCOUNTING PRONOUNCEMENTS

IFRS

IFRS 3 – Business Combinations

All business combinations within the scope of IFRS 3 must be accounted for using the purchase method. The pooling of interests method is prohibited. Costs expected to be incurred to restructure an acquired entity's (or the acquirer's) activities must be treated as post-combination costs, unless the acquired entity has a pre-existing liability for restructuring its activities. Intangible items acquired in a business combination must be recognized as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal

rights, and their faire value can be measure reliably. Identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be initially measured at faire value. Amortisation of goodwill and intangible assets with indefinite useful lives is prohibited. Instead they must be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment.

Effective for the financial year commencing January 1, 2005

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 requires assets that are expected to be sold and meet specific criteria to be measured at the lower of carrying amount and fair value less costs to sell. Such assets should not be depreciated and should be presented separately in the balance sheet. It also requires operations that form a major line of business or area of geographical operations to be classified as discontinued when the assets in the operations are classified as held for sale. These requirements relating to assets held for sale and the timing of the classification of discontinued operations are substantially the same as the equivalent requirements in U.S. GAAP. The type of operation that can be classified as discontinued is narrower than under U.S. GAAP.

Effective for the financial year commencing January 1, 2005

Other developments - IASB

14 IAS standards were improved (1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33, 36, 40) and IAS 15 withdrawn. The changes have removed accounting choices and are expected to result in better reporting. New guidelines and significantly enhanced disclosures have been introduced. Limited revisions were also made to IAS 32 and 39.

The improvements and amendments are effective for periods beginning on or after January 1, 2005. Earlier adoption is encouraged.

All changes to each individual standard must be implemented at a point – selective application is prohibited.

IFRIC Interpretations

IFRIC Interpretation 1 – Changes in Existing Decommissioning, Restoration and Similar Liabilities

This Interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for :

a) a change in the estimated outflow of resources embodying economic benefits (eg cash flows) required to settle the obligation;
b) a change in the current market-based discount rate as defined in paragraph 47 of IAS 37 (this includes changes in the time value of money and the risks specific to the liability); and

c) an increase that reflects the passage of time (also referred to as the unwinding of the discount).
Effective for financial periods beginning on or after January 1, 2005.

U.S. GAAP

In December 2004, the Financial Accounting Standards Board, or the FASB, issued Statement of Financial Accounting Standards No. 123R "Share-Based Payment", or FAS 123R. FAS 123R revised FAS 123 and supersedes APB 25 and its related implementation guidance. FAS 123R requires measurement and recording to the financial statements the costs of employee services received in exchange for a 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 service in exchange for such award. The Company will adopt the provisions of FAS 123R on January 1, 2006 and anticipate using the modified prospective application. Accordingly, compensation expense will be recognized for all newly granted awards and awards modified, repurchased, or cancelled after July 1, 2005. Compensation costs for the unvested portion of awards that are outstanding as of July 1, 2005 will be recognized ratably over the remaining vesting period. The compensation costs for the unvested portion of awards will be based on the fair value at date of grant as calculated for our pro forma disclosure under FAS 123. The effect on net income and earnings per share in the periods following adoption of FAS 123R are expected to be consistent with the pro forma disclosure under FAS 123, except that estimated forfeitures will be considered in the calculation of compensation expense under FAS 123R. Additionally, the actual effect on net income and earnings per share will vary depending upon the number and fair value of options granted in 2005 compared to prior years.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Cots – an amendment of ARB NO. 43, Chapter 4," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material as current period costs. It also requires that allocations of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Statement applies to inventory costs incurred in the first fiscal year beginning after June 15, 2005. The Company is determining the impact, if any, on its financial position and results from operations.

During 2004, a committee of the EITF began discussing the accounting treatment for stripping costs incurred during the production phase of a mine. In March 2005, the EITF reached a consensus (ratified by the FASB) 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. The Company is currently evaluating the impact of this EITF on its financial position and results of operations under U.S. GAAP.

REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of and Shareholders of Société des Mines de Morila S.A.

We have audited the accompanying financial statements of Société des Mines de Morila S.A. (the "Company") as of December 31, 2004 and 2003, and the related statements of income, cash flows and changes in shareholders' equity for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and of the results of its operations, its cash flows and its changes in shareholders' equity for each of the three years in the period ended December 31, 2004, in conformity with International Financial Reporting Standards.

International Financial Reporting Standards vary in certain significant respects from accounting principles generally accepted in the United States. Information relating to the nature and effect of such differences is presented in note 23 to the financial statements.

PricewaterhouseCoopers Inc.
Chartered Accountants (SA)
Registered Accountants and Auditors
Sunninghill, South Africa
May 3, 2005

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SOCIÉTÉ DES MINES DE MORILA S.A.
STATEMENT OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31,

	Note	2004 $'000	2003 $'000	2002 $'000
Revenue	14	189,740	273,931	328,652
Operating costs		(119,612)	(101,835)	(97,784)
Operating profit	15	70,128	172,096	230,868
Other expenditure – net		(6,566)	(10,771)	(4,372)
– interest received		92	291	487
– finance charges		(4,252)	(5,113)	(6,574)
– other (expenses) / income, net		(2,406)	(5,949)	1,715
Profit before taxation		63,562	161,325	226,496
Taxation	16	—	—	—
Net profit		63,562	161,325	226,496

See notes to the financial statements

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SOCIÉTÉ DES MINES DE MORILA S.A.
BALANCE SHEET
FOR THE YEARS ENDED DECEMBER 31,

	Note	2004 $'000	2003 $'000
Non current assets		168,719	171,508
Mining assets	8	117,754	130,505
Deferred stripping	9	20,830	26,298
Long-term ore stockpiles	10	30,135	14,705
Current assets		97,110	69,347
Deferred stripping	9	15,925	—
Inventories	10	25,332	21,117
Accounts receivable	11	44,891	24,599
Prepaid expenses		8,922	1,306
Derivative financial instruments	7	—	2,868
Cash and equivalents		2,040	9,752
Restricted cash	12	—	9,705
Total assets		265,829	240,855
Capital and reserves			
Share capital	3	16	16
Distributable reserves		213,647	138,577
Other reserves		—	(18,508)
Retained income		213,647	157,085
Shareholder's equity		213,663	138,593
Non-current liabilities		26,811	44,883
Shareholders' subordinated loans	4	3,369	18,993
Environmental rehabilitation provision	5	9,252	8,809
Long term liabilities	6	14,190	17,081
Current liabilities		25,355	57,379
Accounts payable	13	22,464	18,123
Derivative financial instruments	7	—	18,508
Short term portion of long term liabilities	6	2,891	20,748
Total shareholders' equity and liabilities		265,829	240,855

See notes to the financial statements

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SOCIÉTÉ DES MINES DE MORILA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

FOR THE YEARS ENDED DECEMBER 31,

	Share capital $'000	Retained income $'000	Other Reserves $'000	Total $'000
Balance at January 1, 2002	16	85,264	(4,362)	80,918
Net profit for the year	—	226,496	—	226,496
Movement in cash flow hedges	—	—	(16,371)	(16,371)
Dividends declared and paid	—	(142,000)	—	(142,000)
Balance at December 31, 2002	16	169,760	(20,733)	149,043
Net profit for the year	—	161,325	—	161,325
Movement in cash flow hedges	—	—	2,225	2,225
Dividends declared and paid	—	(174,000)	—	(174,000)
Balance at December 31, 2003	16	157,085	(18,508)	138,593
Net profit for the year	—	63,562	—	63,562
Movement in cash flow hedges	—	—	18,508	18,508
Dividends declared and paid	—	(7,000)	—	(7,000)
Balance at December 31, 2004	16	213,647	—	213,663

See notes to the financial statements

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SOCIÉTÉ DES MINES DE MORILA S.A.
CASH FLOW STATEMENT
FOR THE YEARS ENDED DECEMBER 31,

	Note	2004 $'000	2003 $'000	2002 $'000
Cash flows from operating activities				
Cash generated by operating activities before changes in working capital	17.1	83,690	177,264	236,664
Cash utilized by changes in working capital	17.2	(48,847)	(8,244)	(9,949)
Cash generated from operations		34,753	169,020	226,715
Interest paid –net		(3,451)	(4,223)	(6,088)
Net cash flows generated by operating activities		31,302	164,797	220,627
Cash flows from investing activities				
Decrease in restricted cash		9,705	1,610	(131)
Additions to mining assets		(4,640)	(11,907)	(13,715)
Dividends paid		(7,000)	(174,000)	(142,000)
		(1,935)	(184,297)	(155,846)

Net cash flows utilized in investing activities			
Cash flows from financing activities			
Long term liabilities repaid	(20,748)	(21,098)	(27,003)
Shareholder loan repaid	(16,331)	—	—
Net cash flows utilized in financing activities	(37,079)	(21,098)	(27,003)
Net decrease in cash and equivalents	(7,712)	(40,598)	37,778
Cash and equivalents at beginning of year	9,752	50,350	12,572
Cash and equivalents at end of year	2,040	9,752	50,350

See notes to the consolidated financial statements

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SOCIÉTÉ DES MINES DE MORILA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Nature Of Operations

Société des Mines de Morila S.A. (the "Company") owns the Morila gold mine in Mali. The Company is owned 80% by Morila Limited and 20% by the State of Mali. Randgold Resources Limited and AngloGold Ashanti Limited (formerly AngloGold Limited) each own 50% of Morila Limited. The Company is engaged in gold mining and related activities, including exploration, extraction, processing and smelting. Gold bullion, the Company's principal product, is currently produced and sold in Mali.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the accounting policy for development costs and mine plant facilities. This accounting policy has been changed to clarify the treatment of costs relating to the definition of mineralization in existing orebodies or the expansion of the productive capacity of existing operating mines.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments), which are carried at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

2.2 General

The financial statements are measured and presented in US dollars, as it is the primary measurement currency in which transactions are undertaken. Monetary assets and liabilities in foreign currencies are translated to US dollars at rates of exchange ruling at the end of the financial period. Translation gains and losses arising at period-end, as well as those arising on the translation of settled transactions occurring in currencies other than the functional currency, are included in net income.

2.3 Foreign Currency Translation

(a) Measurement and presentation currency

The consolidated financial statements are presented in United States Dollars, which is the Company's measurement and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the dates of the transactions. 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 recognized in the income statement.

2.4 Property, Plant And Equipment

(a) Undeveloped properties

Undeveloped properties upon which the Company has not performed sufficient exploration work to determine whether significant mineralization exists, are carried at original 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

Mine development costs and mine plant facilities are initially recorded at cost, whereafter it is measured at cost less accumulated depreciation and impairment. Development costs and mine plant facilities relating to existing and new mines are capitalized. Development costs consist primarily of direct expenditure incurred to evaluate and develop new orebodies, to define mineralization in existing orebodies and to establish or expand productive capacity, and is capitalized until commercial levels of production are achieved, at which point the costs are depreciated over the life of the mine. Ongoing costs to maintain production are expensed as incurred.

(c) Non-mining fixed assets

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

(d) Depreciation and amortization

Long life assets include mining properties, mine development costs and mine plant facilities. These assets have useful economic lives which exceed that of the life of the mine. Depreciation and amortization are therefore charged over the life of the mine based on estimated ore tons contained in proven and probable reserves. Proven and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in the future from known mineral deposits. Short life 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 evaluations

The carrying amount of the long-lived assets of the Company are annually compared to the recoverable amount of the assets, or 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 the Company's weighted average cost of capital. An impairment is recognized in the income statement to the extent that the carrying amount exceeds the assets' recoverable amount. The revised carrying amounts are depreciated in line with accounting policies.

A previously recognized 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 recognized in the income statement and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized in prior years.

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.

2.5 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, at our open pit mines, which have diverse grades and waste-to-ore ratios over the mine, we defer the costs of waste stripping in excess of the expected pit life average stripping ratio. 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 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, 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 Morila mine, resulting in lower earnings in future periods.

This method of accounting has the effect of smoothing costs over the life of the project. We believe that the method we use is the same as the method used by many mining companies in the industry with open pit mines.

2.6 Inventories

Inventories, which include consumable stores, gold in process and ore stockpiled, are stated at the lower of cost or net realizable value. The cost of ore stockpiles and gold produced is determined principally by the weighted average cost method using related production costs.

Stockpiles consist of two types of ore, high grade and medium grade ore, which will be processed through the processing plant. Both high and medium grade stockpiles are currently being processed and all ore is expected to be fully processed within the life of mine. The processing of ore in stockpiles occurs in accordance with the life of mine processing plan that has been optimized based on the known mineral reserves, current plant capacity and mine design.

Consumable stores are valued at average cost after appropriate provision for redundant and slow moving items have been made.

2.7 Financial instruments

Financial instruments are initially measured at cost, including transaction costs. Subsequent to initial recognition these instruments are measured as set out below. Financial instruments carried on the balance sheet include cash and cash equivalents, receivables, accounts payable, borrowings and derivative financial instruments.

2.8 Derivatives

Derivatives are initially recognized at fair value on the date a derivative contract is entered into 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 Company designates the derivative for accounting purposes as either a hedge of the fair value of a recognized 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 Company's risk management policies, do not qualify for hedge accounting.

Changes in the fair value of a derivative that is highly effective, and that is designated and qualifies as a cash flow hedge, are recognized directly in equity. Amounts deferred in equity are included in the income statement in the same periods during which the hedged firm commitment or forecasted transaction affects net profit or loss.

Recognition of derivatives which meet the criteria for the normal purchases, normal sales exemption are deferred until settlement. Under these contracts the group must physically deliver a specified quantity of gold at a future date at a specified price to the contracted counter party.

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognized in the income statement.

The Company 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 designed as hedges to specific assets and liabilities or to specific firm commitments for forecasted transactions. The Company 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 recognized when the forecast transaction is ultimately recognized 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.

2.9 Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized 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 recognized in the income statement.

2.10 Cash and cash equivalents

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less at the date of purchase.

2.11 Rehabilitation costs

The net present value of estimated future rehabilitation cost estimates is recognized and provided for in the financial statements and capitalized to mining assets on initial recognition. Initial recognition is at the time of the disturbance occurring and thereafter as and when additional environmental disturbances are created. 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 are charged to income and consist of finance costs relating to the change in present value of the provision and inflationary increases in the provision estimate. The present value of additional environmental disturbances created are capitalized to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortized 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.

2.12 Provisions

Provisions are recognized when the Company 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.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.14 Accounts payable

Accounts payable are stated at cost adjusted for payments made to reflect the value of the anticipated economic outflow of resources.

2.15 Employee benefits

(a) Post retirement employee benefits

The company has a defined contribution plan. A defined contribution plan is a plan under which the company pays fixed contributions. The company 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.

Retirement benefits for employees of the Company are provided by the Mali state social security system to which the Company and its employees contribute a fixed percentage of payroll costs each month. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

(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 Company recognizes 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.

2.16 Finance Leases

Leases of plant and equipment where the Company assumes a significant portion of risks and rewards of ownership are classified as a finance lease. Finance leases are capitalized 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.

2.17 Revenue recognition

Revenue is recognized as follows:

(a) Gold sales – Revenue arising from gold sales is recognized when the risks and rewards of ownership and title pass to the buyer under the terms of the applicable contract and the pricing is fixed and determinable.
(b) Silver sales – Revenue arising from silver sales is recognized when the risks and rewards of ownership and title pass to the buyer under the terms of the applicable contract and the pricing is fixed and determinable.

(c) Interest income – Interest is recognized on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity.

2.18 Exploration costs

Exploration costs are expensed as incurred. Costs related to property acquisitions are capitalized.

3. Share capital

Share capital consists of the following authorized and issued ordinary par value shares with a nominal value of Communauté Financière Africaine franc ("CFA") 10 000 ($16.356) each:

	Number of shares authorized and issued	2004 $'000	2003 $'000
Morila Limited	800	13	13
Government of Mali	200	3	3
	1,000	16	16

4. Shareholder's loans

	2004	2003
	$'000	$'000
Government of Mali	3,369	3,248
Morila Limited	—	15,745
	3,369	18,993
Made up of:		
Principal	2,622	13,108
Deferred interest	747	5,885
	3,369	18,993

The shareholder loans are denominated in US dollars and interest accrues at a LIBOR dollar rate plus 2% per annum. These loans were subject to the conditions set out in the syndicated loan agreements. Under these agreements, these loans have been subordinated by the shareholders until such time as the Morila project loan (refer note 6) was repaid in full. The weighted average interest rate as at December 31, 2004 on the shareholders' subordinated loans was 4.19% (December 31, 2003: 3.23%). The loan owing to Morila Limited was paid in full during the 2004 financial year.

5. Environmental Rehabilitation Provision

	2004	2003
	$'000	$'000
Opening balance	8,809	5,850
Accretion expense	443	2,475
Additions and changes in estimate	—	484
	9,252	8,809

The provisions for close down and restoration costs include estimates for the effect of future inflation and have been discounted to their present value at 6% per annum, being an estimate of the risk free pre-tax, cost of borrowing.

While the ultimate amount of rehabilitation costs to be incurred in the future is uncertain, the Company has estimated that the remaining costs for Morila, in current monetary terms, be $12.2 million (December 31, 2003: $12.2 million), the majority of which will only be expended over the life of mine.

Although limited environmental rehabilitation regulations currently exist in Mali to govern the mines, management has based the environmental rehabilitation provision 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 Company's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates.

The Company is committed to rehabilitation of its properties and to ensure that it is adequately provided to do so it makes use of independent environmental consultants to advise it. It also uses past experience in similar situations to ensure that the provisions for rehabilitation are adequate.

There are no unasserted claims reflected in the provision.

While the ultimate closure costs may be uncertain, there are no uncertainties with respect to joint and several liability that may affect the magnitude of the contingency as these are clearly defined in the Company's mining convention.

There are no other potentially responsible parties to consider for cost sharing arrangements.

The Company carries insurance against pollution including cost of cleanup. At present, there are no losses and or claims outstanding.

6. Long term liabilities

	2004 $'000	2003 $'000
(a) Morila project loan	—	18,000
(b) Morila finance lease	14,468	16,826
(c) Morila Air Liquide finance lease	2,613	3,003
	17,081	37,829
Less: Current portion of long term liabilities:		
(a) Morila Project loan	—	18,000
(b) Morila finance lease	2,489	2,358
(c) Morila Air Liquide finance lease	402	390
	14,190	17,081

(a) Morila Project Loan

The loan was the original project finance loan with a consortium of commercial banks and was fully repaid in June 2004. The loan carried interest at US three month LIBOR plus 2% per annum. The weighted average interest rate for the year ended December 2004, 31 was 3.44% (2003: 3.29%).

The repayment schedule according to the contract was as follows:

	2004 $'000	2003 $'000

Less than one year	—	18,000
Later than one year and not later than five years	—	—
Later than five years	—	—
	—	18,000

(b) Finance Leases

Morila finance lease relates to five generators leased from Rolls Royce. The lease is repayable over ten years commencing April 1, 2001 and bears interest at a variable rate of which as at December 31, 2004 was approximately 20% per annum based on the lease contract. The lease is collateralized by plant and equipment whose net book value at December 31, 2004 amounted to $14.5 million (2003: $17.0 million). Average lease payment of $3.8 million are payable in instalments over the term of the lease. Two of the Company's ultimate shareholders, being Randgold Resources Limited and AngloGold Ashanti Limited jointly guaranteed the repayment of the lease.

The estimated repayment schedule according to the contract is as follows:

	2004	2003
	$'000	$'000
Less than one year	2,488	2,358
Later than one year and not later than five years	9,240	11,728
Later than five years	2,740	2,740
	14,468	16,826

(c) Morila Air Liquide Finance Lease

Morila Air Liquide 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 December 31, 2004 was approximately 3.09% per annum. The lease is collateralized by the production units whose net book value at December 31, 2004 amounted to $2.5 million (2003: $2.8 million).

The estimated repayment schedule according to the contract is as follows:

	2004	2003
	$'000	$'000
Less than one year	402	390
Later than one year and not later than five years	1,741	1,688
Later than five years	470	925
	2,613	3,003

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7. Financial Instruments Asset And Liability

	2004 $'000	2003 $'000
Mark to market of speculative financial instruments	—	(2,868)
Mark to market of hedge financial instruments	—	18,508
	—	15,640

The hedge book was closed out at December 31, 2004.

7.1 This reflects the mark-to-market adjustment on those derivative financial instruments which do not, under the Company's accounting policy, qualify for hedge accounting. These derivative instruments are further discussed in note 19.

7.2 The financial instrument liability relates to the derivative financial instruments which qualify for hedge accounting. These derivative instruments are further discussed in note 19.

8. Mining Assets

	Year	Cost $'000	Accumulated depreciation $'000	Net book value $'000
Total mining assets	2004	194,187	76,433	117,754
Total mining assets	2003	188,185	57,680	130,505

Long Life Assets

Long life assets are those assets which are amortized over the life of the mine and are comprised of the metallurgical plant, tailings and raw water dams, power plant and mine infrastructure. The net book value of these assets was $95.7 million as at December 31, 2004 (2003: $107.9 million).

Short life assets

Short life assets are those assets which are amortized over their useful life and are comprised of motor vehicles and other equipment. The net book value of these assets was $22.1 million as at December 31, 2004 (2003: $22.6 million).

9. Deferred Stripping

	2004 $'000	2003 $'000
Opening balance	26,298	18,506
Additions during the year	10,457	7,792
Short-term portion	(15,925)	—
	20,830	26,298

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 later years. These costs will be 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 were 3.35 in 2004, 3.68 in 2003 and 3.68 in 2002. The change in the average stripping ratio was due to higher grades being accessed during the current financial year. As a result the change in life-of-mine estimated stripping ratio in December 2004 compared to December 2003, $1.8 million less mining costs were deferred. These stripping ratios were calculated taking into account the actual strip ratios achieved of 4.98 for 2004, 4.77 for 2003 and 7,15 in 2002.

In addition to the above, pre-production stripping costs of $8 million were capitalized as part of mining assets.

10. Inventories

	2004 $'000	2003 $'000
Consumables stores	14,778	13,872
Gold in process	3,629	1,313
Short-term portion of ore stockpiles	6,925	5,932
	25,332	21,117
Long-term portion of ore stockpiles	30,135	14,705
	55,467	35,822

Included in ore stockpiles as of December 31, 2004 is an amount $nil (2003: $4.2 million) for the high grade tailings stock of Morila, which is stated at its net realisable value. The carrying value of this stockpile is $1.3 million (2003 $4.2 million) but has been stated as zero in 2004, due to uncertainty as to whether the material will be used in production.

Ore stockpiles have been split between long and short term based on the current life of mine plan estimates.

11. Accounts receivable

	2004 $'000	2003 $'000
Related party receivables		
– Randgold Resources Limited	2	1
– AngloGold Ashanti Limited	22	88
– AngloGold Services Mali S.A.	111	—
– Societe d' Exploitation des Mines d'Or de Sadiola S.A.	95	—
– Boart Long Year Mali	2	—
– AngloGold Mines de Siquiri Guinea	176	—
Gold sales trade receivable	9,886	10,135

Value added tax	13,297	80
Custom duties receivable	16,695	12,483
Other	6,165	1,812
	46,451	24,599
Provision for doubtful debts	(1,560)	—
	44,891	24,599

12. Restricted Cash

	2004 $'000	2003 $'000
Debt service reserve	—	9,705

The debt service reserve account relates to the NM Rothschild & Son Limited debt service reserve account. This amount is held in escrow for partial repayment of the Morila Project Loan. The loan was repaid in 2004. Refer to Note 6(a).

SOCIÉTÉ DES MINES DE MORILA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Accounts Payable

	2004 $'000	2003 $'000
Related party payables		
– Randgold Resources Limited	32	—
– AngloGold Ashanti Limited	615	368
– AngloGold Services Mali S.A.	761	384
– Societe d'Exploitation des Mines d'Or de Sadiola S.A.	236	29
– Boart Long Year Mali	32	—
Trade creditors	4,170	4,068
Payroll cost accruals	5,003	4,959
Sundry accruals	11,615	8,315
	22,464	18,123

14. Revenue

	2004 $'000	2003 $'000	2002 $'000
Gold sales	189,287	273,385	328,508

Silver sales	453	546	144
	189,740	273,931	328,652

15. Operating Profit

	2004 $'000	2003 $'000	2002 $'000
Operating profit is arrived at after taking into account the following:			
Depreciation	18,753	21,562	17,788
Auditor's remuneration			
– audit fees	108	70	58
Royalties	11,584	16,387	19,699
Related party management fee (note 22)	2,045	2,733	3,263

16. Taxation

The Company benefits from a five year tax holiday in Mali which expires on November 14, 2005. The benefit of the tax holiday to the Company was to increase its net income by $29.3 million, $56.3 million and $79.3 million, due to not recording a tax expense for the taxable income generated by the Morila mine for the years ended December 31, 2004, 2003 and 2002, respectively. Under Malian tax law upon expiration of the tax holiday, the Company's income tax expense will be based on the greater of 35 per cent of taxable income or 0.75 per cent of gross revenue.

Major items causing the Company's actual income tax charge to differ from estimates at the standard charge of 35% of taxable income are as follows:

SOCIÉTÉ DES MINES DE MORILA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	2004 $'000	2003 $'000	2002 $'000
Tax at statutory rate	29,300	56,300	79,274
Morila tax holiday differences	(29,300)	(56,300)	(79,274)
Total income and mining taxes	—	—	—

The Morila operations have no assessable capital expenditure carry forwards or assessable tax losses, as at December 31, 2004, and 2003 respectively, for deduction against future mining income.

17. Notes To The Cash Flow Statement

	2004	2003	2002
	$'000	$'000	$'000
17.1 Cash generated by operating activities before changes in working capital			
Profit before taxation	63,562	161,325	226,496
Adjustments:			
– net finance charges	4,160	4,822	6,088
– depreciation	18,753	21,562	17,788
– environmental rehabilitation provision	443	2,475	—
– unrealized movements of financial instruments	2,865	(961)	(1,100)
– TSF gold in process provision	4,167	(4,167)	—
– Provision for bad debt	1,560	—	—
– deferred stripping costs capitalized	(10,457)	(7,792)	(12,608)
– other non cash movements	(1,453)	—	—
	83,600	177,264	236,664

	2004	2003	2002
	$'000	$'000	$'000
17.2 Cash utilized by changes in working capital			
– Increase in accounts receivable	(29,467)	(7,584)	(7,433)
– Increase in inventories	(23,812)	(10,246)	(4,354)
– Increase in accounts payable	4,432	9,586	1,838
	(48,847)	(8,244)	(9,949)

18. Financial Risk Management

In the normal course of its operations, the Company is exposed to commodity price, currency, interest, liquidity and credit risk. In order to manage these risks, the Company may enter into transactions which makes use of off-balance sheet financial instruments. They include mainly gold forward and gold option contracts.

18.1 Concentration of credit risk

The Company's financial instruments do not represent a concentration of credit risk because the Company sells its gold to and deals with a variety of major financial institutions. Its receivables and loans are regularly monitored and assessed and a provision for bad debts is maintained.

Gold bullion, the Company's principal product, is produced in Mali. The gold produced is sold to reputable gold refineries. Because of the international market for gold the Company believes that no concentration of credit risk exists with respect to the selected refineries to which the gold is sold.

Included in accounts receivable is $30.0 million (2003: $12.6 million) relating to indirect taxes owing to the Company by the State of Mali, which is denominated in Communauté Financière Africaine franc.

18.2 Foreign currency and commodity price risk

In the normal course of business, the Company enters into transactions denominated in foreign currencies (primarily US$). In addition, the Company enters into transactions in a number of different currencies (primarily Communauté Financière Africaine franc). As a result, the Company is subject to transaction exposure from fluctuations in foreign currency exchange rates.

Generally the Company does not hedge its exposure to gold price fluctuation risk and sells at market spot prices. These prices are in US dollars and do not expose the Company to any currency fluctuation risk. However, in periods of capital expenditure or loan finance, the Company secures a floor price through simple forward contracts and options whilst maintaining significant exposure to spot prices. Morila's hedge was wound up at the end of 2004.

18.3 Interest rates and liquidity risk

Fluctuation in interest rates impact on the value of income receivable from short-term cash investments and interest payment relating to financing activities (including long-term loans), giving rise to interest rate risk.

In the ordinary course of business, the Company receives cash from its operations and is required to fund working capital and capital expenditure requirements. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimizing risks. The Company has been able to in the past actively source financing through shareholders' and third party loans.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the Company's financial instruments outstanding at December 31, 2004 and 2003. 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.

	December 31, 2004		December 31, 2003	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and equivalents	2,040	2,040	9,752	9,752
Restricted cash	—	—	9,705	9,705
Accounts receivable	44,891	44,891	24,599	24,599
Prepaid expenses	8,922	8,922	1,306	1,306
Financial liabilities				
Accounts payable	22,464	22,464	18,123	18,123
Long-term liabilities (excluding loans from shareholders)	14,190	14,190	17,081	17,081
Short term portion of long term liabilities	2,891	2,891	20,748	20,748

Derivative financial instruments	—	—	18,508	18,508

SOCIÉTÉ DES MINES DE MORILA S.A.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Derivative Financial instruments

Details of on balance sheet gold derivative contracts as at December 31, 2003:

	Hedging instruments Forward sales		Unmatched instruments Purchased calls	
Maturity Dates	Ounces	US $/oz	Ounces	US $/oz
December 31, 2004	51,941	275	18,384	360

The total fair value of the above financial instruments as at December 31, 2003 was a net loss of $15.6 million. The hedge book was fully utilized during 2004.

Estimation of Fair Values

Receivables, restricted cash, accounts payable, bank overdrafts and cash and 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.

Gold Price Contracts

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

20. POST RETIREMENT EMPLOYEES BENEFITS

Retirement benefits for employees of the Company are provided by the Mali state social security system to which the Company and its employees contribute a fixed percentage of payroll costs each month. Fund contributions by the Company for the years ended December 31, 2004 and December 31, 2003 amounted to $2.7 million and $0.8 million, respectively.

21. COMMITMENTS — CAPITAL EXPENDITURE

	2004	2003
	$'000	$'000
Contracts for capital expenditure	96	778
Authorized but not contracted for	2,545	3,690
	2,641	4,468

22. RELATED PARTY TRANSACTIONS

Included in accounts payable and accounts receivable as at December 31, 2004 are amounts of $1.6 million (2003: $0.8 million) and $0.4 million (2003: $0.09 million) as detailed in notes 11 and 12 above, respectively.

In terms of the Operator Agreement between Morila SA and AngloGold Services Mali SA, a management fee, calculated as 1% of the total sales of Morila, is payable to AngloGold Service Mali SA quarterly in arrears.

The management fees for the year ended December 31, 2004 amounted to $2.0 million (2003: $2.7 million).

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23. RECONCILIATION TO U.S. GAAP

The Company's financial statements included in this registration statement have been prepared in accordance with International Financial Reporting Standards ("IFRS") which differs in certain respects from Generally Accepted Accounting Principles in the United States ("U.S. GAAP"). The effect of applying U.S. GAAP principles to net profit and shareholders' equity is set out below, together with an explanation of applicable differences between IFRS and U.S. GAAP.

Reconciliation of net profit

	Year ended December 31, 2004	Year ended December 31, 2003	Year ended December 31, 2002
	$'000	$'000	$'000
Net profit under IFRS	63,562	161,325	226,496
U.S. GAAP adjustments:			
Provision for environmental rehabilitation	—	—	(191)
Change in accounting principle, net of tax	—	535	—
Net profit under U.S. GAAP	63,562	161,860	226,305
Other comprehensive income:			
Change in fair value of cash flow hedges	18,508	2,225	(16,371)
Comprehensive income under U.S. GAAP	82,070	164,085	209,934

Reconciliation of shareholders' equity

	December, 31 2004 $'000	December, 31 2003 $'000
Total shareholders' equity under IFRS	213,663	138,593
U.S. GAAP adjustments		
Provision for environmental rehabilitation	—	—
Total shareholders' equity under U.S. GAAP	213,663	138,593

Provision For Environmental Rehabilitation And Change In Accounting Policy

Under IFRS, full provision for environmental rehabilitation is made based on the net present value of the estimated cost of restoring the environmental disturbance that has occurred up to balance sheet date. Annual increases in the provision relating to the change in the net present value of the provision and inflationary increases are shown separately in the statement of operations. Previously under U.S. GAAP, expenditure estimated to be incurred on long-term environmental obligations was provided over the remaining lives of the mines through charges in the statement of operations. On January 1, 2003 the Company adopted FAS 143 "Accounting for Obligations Associated with the Retirement of Long-Lived Assets" which eliminated this difference.

Recent accounting pronouncements

IFRS

IFRS 3 – Business Combinations

All business combinations within the scope of IFRS 3 must be accounted for using the purchase method. The pooling of interests method is prohibited. Costs expected to be incurred to restructure an

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acquired entity's (or the acquirer's) activities must be treated as post-combination costs, unless the acquired entity has a pre-existing liability for restructuring its activities. Intangible items acquired in a business combination must be recognized as assets separately from goodwill if they meet the definition of an asset, are either separable or arise from contractual or other legal rights, and their faire value can be measure reliably. Identifiable assets acquired, and liabilities and contingent liabilities incurred or assumed, must be initially measured at faire value. Amortisation of goodwill and intangible assets with indefinite useful lives is prohibited. Instead they must be tested for impairment annually, or more frequently if events or changes in circumstances indicate a possible impairment.

Effective for the financial year commencing January 1, 2005

IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations

IFRS 5 requires assets that are expected to be sold and meet specific criteria to be measured at the lower of carrying amount and fair value less costs to sell. Such assets should not be depreciated and should be presented separately in the balance sheet. It also requires operations that form a major line of business or area of geographical operations to be classified as discontinued when the assets in the operations are classified as held for sale. These requirements relating to assets held for sale and the timing of the classification of discontinued operations are substantially the same as the equivalent requirements in U.S. GAAP. The type of operation that can be classified as discontinued is narrower than under U.S. GAAP.

Effective for the financialyear commencing January 1, 2005

Other developments – IASB

14 IAS standards were improved (1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 31, 33, 36, 40) and IAS 15 withdrawn. The changes have removed accounting choices and are expected to result in better reporting. New guidelines and significantly enhanced disclosures have been introduced. Limited revisions were also made to IAS 32 and 39.

The improvements and amendments are effective for periods beginning on or after January 1, 2005. Earlier adoption is encouraged.

All changes to each individual standard must be implemented at a point – selective application is prohibited.

IFRIC Interpretations

IFRIC Interpretation 1 – Changes in Existing Decommissioning, Restoration and Similar Liabilities

This Interpretation addresses how the effect of the following events that change the measurement of an existing decommissioning, restoration or similar liability should be accounted for:

(a) a change in the estimated outflow of resources embodying economic benefits (eg cash flows) required to settle the obligation;
(b) a change in the current market-based discount rate as defined in paragraph 47 of IAS 37 (this includes changes in the time value of money and the risks specific to the liability); and
(c) an increase that reflects the passage of time (also referred to as the unwinding of the discount).

Effective for financial periods beginning on or after January 1, 2005.

U.S. GAAP

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151, "Inventory Costs – an amendment of ARB NO. 43, Chapter 4," which clarifies the accounting for

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abnormal amounts of idle facility expense, freight, handling costs and wasted material as current period costs. It also

requires that allocations of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The Statement applies to inventory costs incurred in the first fiscal year beginning after June 15, 2005. Weare currently determining the impact on our financial position and results from operations.

During 2004, a committee of the EITF began discussing the accounting treatment for stripping costs incurred during the production phase of a mine. In March 2005, the EITF reached a consensus (ratified by the FASB) that stripping costs incurred during the production phase of a mien 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 are currently evaluating the impact on our financial position and results of operations.

Exhibit Index

Exhibit No.	Exhibit
12.1	Certification by Chief Executive Officer pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
12.2	Certification by Financial Director pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002.
13.1	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification by Financial Director pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act 2002.
14.1	Consent of PricewaterhouseCoopers LLP.
14.2	Consent of PricewaterhouseCoopers Inc.