RANDGOLD RESOURCES LTD
Form 20-F
June 29, 2005

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

FORM 20-F

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

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

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

For the transition period from to

Commission file number: 000-49888

RANDGOLD RESOURCES LIMITED

(Exact name of Registrant as specified in its charter
and translation of Registrant's name into English)

JERSEY, CHANNEL ISLANDS

(Jurisdiction of incorporation or organization)

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

(Address of principal executive offices)

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| None | |

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

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

(Title of Class)

American Depositary Shares

(Title of Class)

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

None

(Title of Class)

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

As of December 31, 2004, the Registrant had outstanding 59,226,694 ordinary shares, par value $0.05 per share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Item 17 Item 18

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

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

Yes No

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Glossary Of Mining Technical Terms

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GLOSSARY OF MINING TECHNICAL TERMS

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

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| Birrimian: | Geological time era, about 2.1 billion years ago. |
| Carbonate: | A mineral typically found in quartz veins and as a product of hydrothermal alteration of sedimentary rock. |
| Carbon-In-Leach (CIL): | A process similar to CIP (described below) except that the ore slurries are not leached with cyanide prior to carbon loading. Instead, the leaching and carbon loading occur simultaneously. |
| Chalcopyrite: | A mineral compound of copper, iron and sulphide. |
| Clastic: | Rocks built up of fragments of pre-existing rocks which have been produced by the processes of weathering and erosion. |
| Craton: | A part of the earth's crust that has attained stability and has been little deformed for a long time. |
| Cut-off grade: | The grade at which the total profit from mining the orebodies, under a specified set of mining parameters, is maximized. |
| Development: | Activities required to prepare for mining activities and maintain a planned production level and those costs to enable the conversion of mineralized material to reserves. |
| Dilution: | Mixing of ore grade material with non-ore grade/waste material in the mining process. |
| Disseminated: | |

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|---|---|
| | A term used to describe fine particles of the ore mineral dispersed through the enclosing rock. |
| Dyke: | A sheet-like body of igneous rock which is discordant to bedding or foliation. |
| EEP: | Exclusive exploration permit. |
| EP: | Exploration permit. |
| Exploration: | Activities associated with ascertaining the existence, location, extent or quality of mineralized material, including economic and technical evaluations of mineralized material. |
| Fault: | A fracture or a zone of fractures within a body of rock. |
| Feldspar: | An alumino-silicate mineral. |
| Fold: | A flexure of planar structures within the rocks. |
| Foliation: | A term used to describe planar arrangements of minerals or mineral bands within rocks. |
| Footwall: | The underlying side of a fault, orebody or stope. |



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| Fragmentation: | The breakage of rock during blasting in which explosive energy fractures the solid mass into pieces; the distribution of rock particle sizes after blasting. |
| g/t: | Gram of gold per metric tonne. |
| Gold reserves: | The gold contained within proven and probable reserves on the basis of recoverable material (reported as mill delivered tonnes and head grade). |
| Grade: | The quantity of metal per unit mass of ore expressed as a percentage or, for gold, as grams of gold per tonne of ore. |
| Greenstone: | A field term used to describe any slightly metamorphosed rock. |
| Greywacke: | Type of sedimentary rock. |
| Head grade: | The grade of the ore as delivered to the metallurgical plant. |
| Hydrothermal: | Pertaining to the action of hot aqueous solutions on rocks. |
| Igneous: | A rock or mineral that solidified from molten or partially molten material. |
| In situ: | In place or within unbroken rock or still in the ground. |
| Intrusive: | A rock produced by the emplacement and subsequent solidification of hot magma in pre-existing rock. |
| Kriging: | An interpolation method that minimizes the estimation error in the determination of reserves. |
| Landsat: | Spectral images of the Earth's surface. |
| Leaching: | Dissolution of gold from the crushed and milled material, including reclaimed slime, for absorption and concentration on to the activated carbon. |
| Lower proterozoic: | Era of geological time between 2.5 billion and 1.8 billion years before the present. |
| Measures: | |

Conversion factors from metric units to U.S. units are provided below:

| Metric Unit | | U.S. Equivalent |
|---|---|---|
| 1 tonne | = 1 t | = 1.10231 tons |
| 1 gram | = 1 g | = 0.03215 ounces |
| 1 gram per tonne | = 1 g/t | = 0.02917 ounces per ton |
| 1 kilogram per tonne | = 1 kg/t | = 29.16642 ounces per ton |
| 1 kilometer | = 1km | = 0.621371 miles |
| 1 meter | = 1m | = 3.28084 feet |
| 1 centimeter | = 1cm | = 3.937 inches |
| 1 millimeter | = 1mm | = 0.03937 inches |
| 1 square kilometer | = 1 sq km | = 0.3861 miles |



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| Metamorphism: | Alteration of rocks and minerals by a combination of heat, pressure and chemical processes over a long time period. |
| Metallurgical plant: | A processing plant used to treat ore and extract the contained gold. |
| Metallurgy: | In the context of this document, the science of extracting metals from ores and preparing them for sale. |
| Mill delivered tonnes: | A quantity, expressed in tonnes, of ore delivered to the metallurgical plant. |
| Milling/mill: | The comminution of the ore, although the term has come to cover the broad range of machinery inside the treatment plant where the gold is separated from the ore. |
| Mineable: | That portion of a mineralized deposit for which extraction is technically and economically feasible. |
| Mineralization: | The presence of a target mineral in a mass of host rock. |
| Mineralized material: | A mineralized body which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals to warrant further exploration.<br>A deposit of mineralized material does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility. |
| Moz: | Million troy ounces. |
| Mt: | Million metric tonnes. |
| Open pit: | Mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody. |
| Orebody: | |

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|---|---|
| | A continuous, well-defined mass of material containing sufficient minerals of economic value to make extraction economically feasible. |
| Orogenic: | Of or related to mountain building, such as when a belt of the Earth's crust is compressed by lateral forces to form a chain of mountains. |
| Ounce: | One troy ounce, which equals 31.1035 grams. |
| Oxide: | Soft, weathered rock. |
| Payshoot: | A defined zone of economically viable mineralization. |



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| Probable reserves: | Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation. |
| Prospect: | An area of land with insufficient data available on the mineralization to determine if it is economically recoverable, but warranting further investigation. |
| Prospecting license or permits: | An area for which permission to explore has been granted. |
| PL: | Prospecting License. |
| PLR: | Prospecting License (reconnaissance). |
| Proven reserves: | Reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established. |
| Pyrite: | A brassy-colored mineral of iron sulphide (compound of iron and sulfur). |
| Pyrrhotite: | A mineral compound of iron and sulphide. |
| Quartz: | A mineral compound of silicon and oxygen. |
| Quartzite: | Metamorphic rock with interlocking quartz grains displaying a mosaic texture. |
| Refining: | The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag. |
| Regolith: | Weathered products of fresh rock, such as soil, alluvium, colluvium, sands, and hardened oxidized materials. |
| Rehabilitation: | The process of restoring mined land to a condition approximating its original state. |
| Reserve: | That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve |

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|---|---|
| | determination. |
| Reverse circulation (RC) drilling: | A drilling method. |
| Rotary Air Blast (RAB) drilling: | A drilling method. |
| Sampling: | Taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content). |



| | |
|---|---|
| Sedimentary: | Sourced from erosion of other rocks. |
| Shear zone: | An elongated area of structural deformation. |
| Silica: | A naturally occurring dioxide of silicon. |
| Stockpile: | A store of unprocessed ore. |
| Stope: | The underground excavation within the orebody where the main gold production takes place. |
| Stripping: | The process of removing overburden to expose ore. |
| Stripping ratio: | Ratio of waste material to ore material needed to be moved in an open pit mine. |
| Sulphide: | A mineral characterized by the linkages of sulfur with a metal or semi-metal, such as pyrite or iron sulphide. Also a zone in which sulfide minerals occur. |
| Tailings: | Finely ground rock from which valuable minerals have been extracted by milling. |
| Tectonic: | Deformation related to orogenic events. |
| Tonalite: | A type of igneous rock. |
| Tonnage: | Quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled. |
| Tonne: | One tonne is equal to 1,000 kilograms (also known as a "metric" ton). |
| Total cash costs: | Total cash costs, as defined in the Gold Institute standard, include mine production, transport and refinery costs, general and administrative costs, movement in production inventories and ore stockpiles, transfers to and from deferred stripping and royalties. |
| Trenching: | Making elongated open-air excavations for the purposes of mapping and sampling. |
| Trend: | The arrangement of a group of ore deposits or a geological feature or zone of similar grade occurring in a linear pattern. |
| Waste: | Rock mined with an insufficient gold content to justify processing. |
| Weathered: | Rock broken down by erosion. |

Statements in this Annual Report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are "forward-looking statements" as that term is defined under the United States federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under Item 3. Key Information—D. Risk Factors in this Annual Report as well as those discussed elsewhere in this Annual Report and in our other filings with the Securities and Exchange Commission.

We are incorporated under the laws of Jersey, Channel Islands with the majority of our operations located in West Africa. Our books of account are maintained in U.S. dollars and our annual and interim financial statements are prepared on a historical cost basis in accordance with International Financial Reporting Standards, or IFRS. IFRS differs in significant respects from generally accepted accounting principles in the United States, or U.S. GAAP. This Annual Report includes a discussion of the relevant differences between IFRS and U.S. GAAP, and Note 24 to our consolidated financial statements included in this Annual Report sets forth a reconciliation from IFRS to U.S. GAAP of net income and shareholders' equity. We have also included in this Annual Report the audited financial information for the years ended December 31, 2004 and 2003 and 2002 of Société des Mines de Morila SA, or Morila SA. The financial information included in this Annual Report has been prepared in accordance with IFRS, and except where otherwise indicated, is presented in U.S. dollars. For a definition of cash costs, please see Item 3. Key Information—A. Selected Financial Data.

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

PART 1

Item 1. Identity of Directors, Senior Management and Advisers

Not applicable.

Item 2. Offer Statistics and Expected Timetable

Not applicable.

Item 3. Key Information

A. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data have been derived from, and should be read in conjunction with the more detailed information and financial statements, including our audited consolidated financial statements for the years ended December 31, 2004, 2003, and 2002 and as at December 31, 2004 and 2003 which appear elsewhere in this Annual Report. The historical consolidated financial data as at December 31, 2001 and 2000 have been derived from our audited consolidated financial statements not included in this Annual Report.

The financial data have been prepared in accordance with IFRS, unless otherwise noted. In Note 24 to our audited consolidated financial statements, we present the principal differences between IFRS and U.S. GAAP and a reconciliation of our net income and shareholders' equity to U.S. GAAP.

| | Year Ended December 31, 2004 | Year Ended December 31, 2003 | Year Ended December 31, 2002 | Year Ended December 31, 2001 | Year Ended December 31, 2000 |
|---|---|---|---|---|---|
| STATEMENT OF OPERATIONS DATA: | | (In thousands, except per share and per ounce data) | | | |
| **Amounts in accordance with IFRS** | | | | | |
| Revenues | $ 83,743 | $ 116,505 | $ 134,651 | $ 87,507 | $ 201,385 |
| Operating income | 35,850 | 77,936 | 100,021 | 31,999 | 1,885 |
| Net income | 20,114 | 47,526 | 65,728 | 17,759 | 24,361 |
| Basic earnings/(loss) per share ($) | 0.34 | 0.83** | 1.31** | 0.29** | 0.37** |
| Fully diluted earnings per share ($) | 0.34 | 0.83** | 1.30** | 0.29** | 0.37** |
| Weighted average number of shares used in computation of basic earnings per share (3) | 58,870,632 | 57,441,360** | 50,295,640** | 61,035,295** | 66,124,418** |
| Weighted average number of shares used in computation of fully diluted earnings per share (3) | 59,996,257 | 57,603,364** | 50,817,466** | 61,523,810** | 66,588,904** |
| **Amounts in accordance with U.S. GAAP (2)** | | | | | |
| Revenues | — | — | — | 16,723 | 48,613 |
| Loss from operations before joint venture | (8,274) | (24,621) | (31,081) | (16,703) | (15,179) |
| Equity income of Morila joint venture | 25,162 | 67,230 | 90,522 | 32,482 | 7,908 |
| Net income | 16,888 | 42,960 | 59,661 | 16,435 | 24,323 |
| Basic earnings per share ($) | 0.29 | 0.75** | 1.19** | 0.27** | 0.37** |
| Fully diluted earnings per share ($) | 0.29 | 0.74** | 1.17** | 0.27** | 0.37** |
| Weighted average number of shares used in computation of basic earnings per share (3) | 58,870,632 | 57,441,360** | 50,295,640** | 61,035,295** | 66,124,418** |
| Weighted average number of shares used in computation of fully diluted earnings per share (3) | 59,996,257 | 57,603,364** | 50,817,466** | 61,523,810** | 66,588,904** |
| **Amounts in accordance with IFRS** | | | | | |
| Total cash costs ($ per ounce) (1) | 184 | 100 | 74 | 153 | 260 |

*Reflects adjustments resulting from the sub-division of shares

| | At December 31, 2004 | At December 31, 2003 | At December 31, 2002 | At December 31, 2001 | At December 31, 2000 |
|---|---|---|---|---|---|
| BALANCE SHEET AMOUNTS IN ACCORDANCE WITH IFRS | | | | | |
| Total assets | $ 268,461 | $ 224,534 | $ 173,858 | $ 119,554 | $ 178,471 |
| Long-term loans | 40,718 | 6,832 | 19,307 | 57,147 | 44,071 |
| Share capital | 2,961 | 2,926 | 2,766 | 2,246 | 3,307 |
| Additional paid-in capital | 102,342 | 200,244 | 190,618 | 161,830 | 240,742 |
| Accumulated profit/(loss) | 101,534 | (18,580) | (66,106) | (131,834) | (149,593) |

| | | | | | |
|---|---|---|---|---|---|
| Other reserves | (15,668) | (7,403) | (8,293) | (1,745) | 2,388 |
| Shareholders' equity | 191,169 | 177,187 | 118,985 | 30,497 | 96,844 |
| | | | | | |
| AMOUNTS IN ACCORDANCE WITH U.S. GAAP (2) | | | | | |
| Total assets | 245,026 | 193,458 | 136,789 | 78,107 | 132,587 |
| Long-term debt | 40,718 | 6,832 | 19,307 | 57,147 | 44,071 |
| Shareholders' equity | 187,253 | 177,187 | 118,771 | 30,359 | 93,903 |



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The following table lists the components of cash costs for each of the periods set forth below:

| Costs | Year Ended December 31, 2004 | % | Year Ended December 31, 2003 | % | Year Ended December 31, 2002 | % | Year Ended December 31, 2001 | % | Year Ended December 31, 2000 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| Mine production costs | 37,468 | 99 | 26,195 | 85 | 22,706 | 72 | 37,349 | 72 | 43,823 | 71 |
| General and administration expenses | 6,986 | 19 | 6,108 | 20 | 4,128 | 13 | 11,262 | 22 | 9,332 | 15 |
| Transport and refinery costs | 233 | 1 | 408 | 1 | 588 | 2 | 547 | 1 | 237 | 0 |
| Royalties | 5,304 | 14 | 7,648 | 25 | 9,185 | 29 | 5,801 | 11 | 3,718 | 6 |
| Movement in production inventory and ore stockpiles | (8,512) | (23) | (6,229) | (20) | (145) | — | (813) | (2) | 5,153 | 9 |
| Transfer to deferred stripping costs | (3,999) | (10) | (3,484) | (11) | (5,043) | (16) | (1,991) | (4) | (367) | (1) |
| Total cash costs | 37,480 | 100 | 30,646 | 100 | 31,419 | 100 | 52,155 | 100 | 61,896 | 100 |

1. We have calculated total cash costs per ounce by dividing total cash costs, as determined using the Gold Institute industry standard, by gold ounces produced for all periods presented. The Gold Institute is a non-profit international association of miners, refiners, bullion suppliers and manufacturers of gold products, which has developed a uniform format for reporting production costs on a per ounce basis. The standard was first adopted in 1996 and revised in November 1999. Total cash costs, as defined in the Gold Institute standard, include mine production, transport and refinery costs, general and administrative costs, movement in production inventories and ore stockpiles, costs associated with transfers to and from deferred stripping and costs associated with royalties. We have calculated total cash costs on a consistent basis for all periods presented. Cash cost per ounce is not an IFRS or U.S. GAAP measure. Total cash costs per ounce should not be considered by investors as an alternative to operating profit, net profit attributable to shareholders, operating cash flows or any other measure of financial performance. While the Gold Institute has provided a definition for the calculation of total cash costs per ounce, the calculation of total cash costs

per ounce may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, we believe that total cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides an indication of a company's profitability and efficiency, the trends in costs as the company's operations mature, a measure of a company's gross margin per ounce, by comparison of total cash costs per ounce to the spot price of gold, and an internal benchmark of performance to allow for comparison against other companies.

2. Under IFRS, we account for our interest in Morila Limited using the proportionate consolidation method, whereby our proportionate share of Morila Limited's assets, liabilities, income, expenses and cash flows are incorporated in our consolidated financial statements under the appropriate headings. Under U.S. GAAP, we equity account for our interest in Morila Limited. This requires that we recognize our share of Morila Limited's net income as a separate line item in the statement of operations, equity income of Morila joint venture. In the balance sheet, we reflect as an investment our share of Morila Limited's net assets. While this results in significantly different financial statement presentation between IFRS and U.S. GAAP, it has no impact on our net income or our net asset value except for any difference between IFRS and U.S. GAAP which relates to Morila.

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

B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.



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C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

D. RISK FACTORS

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

Risks Relating to Our Business

Because we depend upon Société des Mines de Morila SA, and our interest in Morila Limited, for substantially all of our revenues and cash flow, our business will be harmed if Morila's revenues or its ability to pay dividends are adversely impacted.

We hold our ownership interest in Morila through our 50% ownership interest in Morila Limited, which in turn owns 80% of Société des Mines de Morila SA, the direct owner of Morila, or the Morila mine. During 2004, substantially all of our revenues and cash flows were derived solely from sales of gold mined at Morila, and we expect that this mine will continue to provide substantially all of our operating revenue and cash flows for at least the next twelve

months. As a result, our results of operations, cash flows and financial condition could be materially and adversely affected by any of the following factors:

- fluctuations in the price of gold realized by Morila;
- the failure of Morila to produce expected amounts of gold; and
- any disputes which may arise between us and AngloGold Ashanti Limited, or AngloGold Ashanti, with respect to the management of Morila Limited.

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

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

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

The volatility of gold prices is illustrated in the following table, which shows the quarterly high, low and average of the afternoon London Bullion Market fixing price of gold in U.S. dollars for the past two years and the first quarter of 2005.



| | | Price per ounce ($) | | |
|---|---|---|---|---|
| Year | | High | Low | Average |
| 2005 | First Quarter | 443.00 | 411.10 | 427.35 |
| 2004 | | | | |
| | Fourth Quarter | 454.20 | 411.25 | 433.77 |
| | Third Quarter | 415.65 | 391.40 | 401.30 |
| | Second Quarter | 427.25 | 375.15 | 393.27 |
| | First Quarter | 425.50 | 390.50 | 408.44 |
| 2003 | | | | |
| | Fourth Quarter | 416.25 | 370.25 | 391.92 |
| | Third Quarter | 390.70 | 342.50 | 363.24 |
| | Second Quarter | 371.40 | 319.90 | 346.74 |
| | First Quarter | 382.10 | 329.45 | 352.09 |

In addition, the current demand for, and supply of, gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has tended to retain its

value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions, and individuals hold large amounts of gold as a store of value, and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

If gold prices should fall below and remain below our cost of production for any sustained period, we may experience losses and may be forced to curtail or suspend some or all of our mining operations. In addition, we would also have to assess the economic impact of low gold prices on our ability to recover any losses we may incur during that period and on our ability to maintain adequate reserves. Our total cash cost of production per ounce of gold sold was $184 in the year ended December 31, 2004, $100 in the year ended December 31, 2003, and $74 in the year ended December 31, 2002. We expect that Morila's total cash costs will rise as the life of the mine advances, which will adversely affect our profitability in the absence of any mitigating factors.

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

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

To the extent these instruments protect us against low gold prices, they will only do so for a limited period of time. If the instrument cannot be sustained, the protection will be lost. Derivative transactions can even result in a reduction in possible revenue if the instrument price is less than the market price at the time of settlement. Moreover, our decision to enter into a given instrument is based upon market assumptions. If these assumptions are not met, significant losses or lost opportunities for significant gains may result. In all, the use of these instruments may result in significant losses or prevent us from realizing the positive impact of any subsequent increase in the price of gold on the portion of production covered by the instrument.

Because we depend upon Morila, and our interest in Morila Limited, for substantially all our revenues and cash flow, our business may be harmed if the Government of Mali fails to repay fuel duties.

Morila is responsible for paying to diesel suppliers the customs duties which are then paid to the Government of Mali. Morila can claim reimbursement of these duties from the Government of Mali on presentation of a certificate from Société Généralé de Surveillance. During the third quarter 2003, the Government of Mali began to reduce payments to all the mines in Mali due to irregularities



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involving certain small exploration companies. The Government of Mali has commenced repayment and during the first quarter 2005 the amount owing Morila was reduced from $17.6 million as of December 31, 2004 to $11.5 million as of March 31, 2005.

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

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

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

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

In connection with the development of the Loulo Project, we must build the necessary infrastructure facilities, the costs of which are substantial. As a new mining operation, Loulo may experience unexpected problems and delays during development, construction and mine-start-up. In addition, delays in the commencement of mineral production could occur, which could affect our results of operations and profitability.

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

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

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

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

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

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

We require substantial funding to develop our properties. For example, if we ultimately determine that our Tongon project would sustain profitable mining operations, our ability to build a mine at this

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

We may be required to seek funding from third parties to finance these activities. Our ability to obtain outside financing will depend upon the price of gold and the industry's perception of its future price, and other factors outside of our control. We may not be able to obtain funding on acceptable terms when required, or at all. Cash constraints and strategic considerations may also lead us to dispose of all or part of our interests in some of our projects or mineral rights or to seek out third parties to jointly develop one or more projects.

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

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

- war and civil disturbance;
- expropriation or nationalization;
- changing regulatory and fiscal regimes;
- fluctuations in currency exchange rates;
- high rates of inflation;
- underdeveloped industrial and economic infrastructure; and
- unenforceability of contractual rights.

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

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

The conflict in Côte d'Ivoire resulted in us suspending work in the country pending a peaceful solution. As a result, the progress of the Tongon feasibility study has been delayed. We anticipate starting the next phase of the project after the elections in October 2005.

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

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



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

If we are required to change how we account for our interest in Morila Limited in the future to the equity method, any resulting confusion in the investor community could cause persons not to invest in our securities.

Our financial statements have been prepared in accordance with IFRS since our inception as an international company, under which we employ joint venture accounting and proportionately consolidate our interest in Morila Limited's assets, liabilities, income, expenses and cash flows. If we are not permitted to utilize joint venture accounting under IFRS in the future, we would be required to utilize the equity method to account for our interest in Morila Limited, which could cause confusion in the investor community and adversely affect a prospective investor's willingness to invest in our securities. The most likely circumstance under which we would be prohibited from using proportionate consolidation would be if existing accounting policies under IFRS were changed to prohibit proportionate consolidation for joint ventures of this type. Under the equity method of accounting, which is mandatory under U.S. GAAP, we would recognize our share of the company's net income as a separate line item in our income statement and would reflect as an investment our share of Morila Limited's net assets on our balance sheet.

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

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

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

We may become subject to liabilities, including liabilities for pollution or other hazards, against which we have not insured adequately or at all or cannot insure. Our insurance policies contain exclusions and limitations on coverage. Our current insurance policies provide worldwide indemnity of $100 million in relation to legal liability incurred as a result of death, injury, disease of persons and/or loss of or damage to property. Main exclusions under this insurance policy, which relates to our industry, include war, nuclear risks, silicosis, asbestosis or other fibrosis of the lungs or diseases of the respiratory system with regard to employees, and gradual pollution. In addition, our insurance policies may not continue to be available at economically acceptable premiums. As a result, in the future our insurance coverage may not cover the extent of claims against us.

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

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



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

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

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

Risks Relating to Our Industry

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

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

- encountering unusual or unexpected formations;
- environmental pollution;

- personal injury and flooding; and
- decrease in reserves due to a lower gold price.

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

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

If management determines that capitalized costs associated with any of our gold interests are not likely to be recovered, we would incur a write-down on our investment in that interest. All of these factors may result in losses in relation to amounts spent which are not recoverable.



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

Title to our properties may be challenged or impugned, and title insurance is generally not available. Each sovereign state is the sole authority able to grant mineral property rights, and our ability to ensure that we have obtained secure title to individual mineral properties or mining concessions may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

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

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

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

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

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

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

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

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

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

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

The incidence of AIDS in Mali, which has been forecasted to increase over the next decade, poses risks to us in terms of potentially reduced productivity and increased medical and insurance



costs. The exact extent to which our workforce is infected is not known at present. The prevalence of AIDS could become significant. Significant increases in the incidence of AIDS infection and AIDS-related diseases among members of our workforce in the future could adversely impact our operations and financial condition.



Item 4. Information on the Company

A. HISTORY AND DEVELOPMENT OF THE COMPANY

Randgold Resources Limited was incorporated under the laws of Jersey, Channel Islands in August 1995, to engage in

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

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

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

In April 2001, we acquired an additional 29% of Société des Mines de Loulo, or Somilo, under a sale of shares and loan claims agreement with Normandy LaSource SAS for a purchase price of $2 million, which brought our share of Somilo to 80%. Also under this agreement, we acquired loan claims regarding cash advanced to Somilo by Normandy LaSource to fund exploration activities.

We now conduct our operations through:

- a 50% interest in Morila Limited; and
- a controlling interest in Somilo, which conducts exploration and mine development activities over the Loulo permit, which contains the Yalea and Loulo 0 deposits. We discovered the Yalea deposit in 1997.

In July 2002, we completed an initial public offering of 5,000,000 of our ordinary shares, including American Depositary Shares, or ADSs, resulting in gross proceeds to us of $32.5 million. These proceeds were used to repay a syndicated term loan and revolving credit facility in November 2002 and for feasibility studies and development activities. In connection with this offering, we listed our ADSs on the Nasdaq National Market.

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

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

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

On June 13, 2003, Randgold & Exploration sold 1 million of our ordinary shares reducing its percentage ownership in us to approximately 43% as of that date. Randgold & Exploration's current ownership is described under "Item 7 – Major Shareholders and Related Party Transactions – Major Shareholders."

Recent Developments

In February 2004 we announced that we would develop a new mine at Loulo in western Mali. Construction continued through 2004 and into 2005 and it remains anticipated that the new mine would commence production from open-pit operations during the third quarter of 2005. In addition, the development study on the underground potential to extend the life of the proposed Loulo operation was extended to July 2005 to accommodate the positive drilling results which were obtained from the underground drilling. Our board agreed to increase the drilling budget by $7 million to progress the development study.

In April 2004, Resolute exercised their option to acquire the Syama mine. Resolute has subsequently paid us $6 million in cash and has assumed liabilities of $7 million, of which $4 million owing to ourselves has been settled. The agreement entered into in June 2004 between the parties makes provision for the payment of a royalty by Resolute. At a gold price of more than $350 per ounce, we would receive a royalty on Syama's production of $10 per ounce on the first million of ounces attributable to Resolute and $5 per ounce on the next three million of attributable ounces entered. This royalty payment is capped at $25 million. The Syama mine is still under care and maintenance while Resolute carry out a feasibility study. Accordingly, we did not receive any royalties during the year ended December 31, 2004.

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

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

Principal Capital Expenditures

Capital expenditures incurred for the year ended December 31, 2004 totaled $69.4 million compared to $6.7 million for the year ended December 31, 2003. As of December 31, 2004, our capital commitments amounted to $25 million, principally for the Loulo Project. This relates to capital expenditures which had been committed and contracted of $17 million and committed but not yet contracted of $8 million. The capital expenditures will be financed out of internal funds and a $60 million project finance loan from a consortium of banks.

B. BUSINESS OVERVIEW

Overview

We engage in gold mining, exploration and related activities. Our activities are focused on West and East Africa, some of the most promising areas for gold discovery in the world. In Mali, we own one half of Morila Limited, which in turn owns 80% of Morila SA, the owner of the Morila mine. We also have a mine in the construction phase in Mali, the Loulo mine, and a feasibility stage project in the neighboring country of Côte d'Ivoire, as well as exploration permits covering additional areas in Mali, Côte d'Ivoire, Burkina Faso, Ghana and Senegal and exploration licenses in Tanzania. As of December 31, 2004, we had declared proven and probable reserves of approximately 2.51 million

ounces attributable to our percentage ownership interest in our assets.

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



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The focus of Morila SA's exploration activities is on extending the existing orebody and discovering new deposits which can be processed using the Morila plant. Several areas around the current pit with the potential to yield continuous flat lying mineralization have been targeted for further drilling.

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

In February 2004 we announced that we would develop a new mine at Loulo in western Mali. Construction is in progress and it is anticipated that the new mine would commence open-pit operations in the third quarter of 2005. In addition, a development study has commenced on the underground potential to extend the life of the proposed new Loulo operation. It is anticipated that the underground development study will be completed by July 2005.

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

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

Ownership of Mines and Subsidiaries

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

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

At March 31, 2005, Morila had been in production for 54 months and in that time had produced approximately 3.3 million ounces at a total cash cost of less than $110 per ounce.

The Loulo Project is owned by a Malian company, Somilo SA, which in turn is owned 80% by Randgold Resources (Somilo) Limited, our wholly-owned subsidiary, and 20% by the State of Mali. Randgold Resources is the operator of the Loulo mine and is managing the construction project.

Geology

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

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



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

Reserves

Only those reserves which qualify as proven and probable reserves for purposes of the SEC's industry guide number 7 are presented in this Annual Report. The reserves are calculated at an average gold price of $375 per ounce over the life of the mine or project.

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

Total reserves as of December 31, 2004, amounted to 40.97 million tonnes at an average grade of 3.36 g/t, giving 4.42 million ounces of gold of which 2.51 million ounces are attributable to us. In calculating proven and probable reserves, current industry standard estimation methods are used. The reserves were calculated using classical geostatistical techniques, following geological modeling of the borehole information. The sampling and assaying is done to internationally acceptable standards and routine quality control procedures are in place.

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

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

The following table summarizes our declared reserves as of December 31, 2004:

| | Proven Reserves | | | Probable Reserves | | | | Total Reserves | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Operation/ Project | Tonnes (Mt) | Grade (G/T) | Gold (Moz) | Tonnes (Mt) | Grade (G/T) | Gold (Moz) | | Tonnes (Mt) | Grade (G/T) | Gold (Moz) |
| Morila mine | 11.92 | 3.39 | 1.30 | 13.87 | 2.87 | 1.28 | Our 40% share | 10.32 | 3.11 | 1.03 |
| Loulo Project | 13.63 | 3.71 | 1.62 | 1.54 | 4.44 | 0.22 | Our 80% share | 12.14 | 3.78 | 1.47 |

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

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Results of Operations

The following chart details the operating and production results from operations for the years ended December 31, 2004, 2003 and 2002:

| | Morila Attributable 40% | Morila Total |
|---|---|---|
| **2004** | | |
| Mined tonnes (million tonnes) | 10.64 | 26.6 |
| Ore tonnes mined (million tonnes) | 2.12 | 5.3 |
| Gold grade (g/t) | 4.32 | 4.3 |
| Ore tonnes milled (million tonnes) | 1.4 | 3.5 |
| Head grade (g/t) | 5.2 | 5.2 |
| Ounces production (oz) | 204,194 | 510,485 |
| **2003** | | |
| Mined tonnes (million tonnes) | 9.39 | 23.47 |
| Ore tonnes mined (million tonnes) | 1.62 | 4.05 |
| Gold grade (g/t) | 6.77 | 6.77 |
| Ore tonnes milled (million tonnes) | 1.31 | 3.27 |
| Head grade (g/t) | 8.33 | 8.33 |
| Ounces production (oz) | 317,597 | 793,992 |
| **2002** | | |
| Mined tonnes (million tonnes) | 10.53 | 26.32 |
| Ore tonnes mined (million tonnes) | 1.29 | 3.23 |

| | | |
|---|---|---|
| Gold grade (g/t) | 15.59 | 15.59 |
| Ore tonnes milled (million tonnes) | 1.09 | 2.74 |
| Head grade (g/t) | 13.39 | 13.39 |
| Ounces production (oz) | 421,126 | 1,052,816 |

Mining Operations - Morila

Introduction

The Morila mine struggled for much of the year before the commissioning of the plant expansion in September 2004 but completed the year with a very good fourth quarter.

In the first three quarters of the year, gold production decreased due to expected lower grades and the failure to increase tonnage throughput as a result of the delay in commissioning the plant expansion project. Despite this delay, the mine still produced 510,485 ounces at a total cash cost of $184 per ounce. Profit margins decreased from 2003 as a result of increased costs and the production difficulties, but by year-end substantial profits were again being made as higher grade was being accessed in the pit and the plant was functioning to design specification.

We were forced to intervene to assist the operator to identify the problems hampering production and, with our joint venture partner, developed a technical action plan. The implementation of this plan was closely monitored and by the end of the third quarter was starting to achieve the return to design production levels. Following our ongoing dissatisfaction with the way the mine was being operated, a management change was agreed to by the partners whereby the mine would in future be under the direct day-to-day management of a jointly appointed, independent managing director.

During the final quarter of the year, the mine's production exceeded the milestone of 3 million ounces of gold produced since inception and by year-end the mine had produced 3.13 million ounces of gold at a total cash cost of $105 per ounce.

Total cash profit for the year was $89.6 million and dividends of $2.8 million to shareholders were made. The total distribution by Morila to us, including the repayment of our shareholder loans during



the year, amounted to $11 million. The remaining project debt was paid back during the year to the consortium of lending banks as were the remaining shareholder loans. The original gold hedge financial instruments taken out as a funding requirement was also finally delivered into and Morila's production is now totally unhedged and will benefit fully from the gold spot price. At year-end there was an outstanding amount of some $30.9 million to be recovered from the State of Mali in the form of value-added tax repayments and reimbursable fuel duties of which $12.4 million is attributable to ourselves.

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

| | Year Ended December 31, | | |
|---|---|---|---|
| Morila production and financial statistics | 2004 | 2003 | 2002 |
| Mined tonnes (million tonnes) | 26.6 | 23.5 | 26.3 |
| Ore tonnes (million tonnes) | 5.3 | 4.1 | 3.2 |
| Mined gold grade (g/t) | 4.3 | 6.8 | 15.6 |
| Ore tonnes milled (million tonnes) | 3.5 | 3.3 | 2.7 |
| Head grade (g/t) | 5.2 | 8.3 | 13.4 |
| Recovery (%) | 87.9 | 91.0 | 89.3 |
| Ounces produced (oz) | 510,485 | 793,992 | 1,052,816 |
| Average gold price received ($/oz) | $ 382 | $ 345 | $ 308 |
| Cash operating cost (excluding royalty) ($/oz) | $ 158 | $ 76 | $ 52 |
| Total cash cost ($/oz) [(1)] | $ 184 | $ 100 | $ 74 |
| Cash profit ($ million) | $ 89.8 | $ 194.8 | $ 250.1 |

[(1)]For a definition of cash costs, please see "Item 3. key information – A. Selected Financial Data."

During the year ended December 31, 2004, an amount of some $17 million was paid to the Malian government in payroll taxes, duties, royalties and dividends and a further amount of approximately $76 million was paid to Malian businesses for goods and services rendered.

Geology, exploration and orebody definition

The Morila permit is situated in the northern portion of the West African craton and is underlain by lower proterozoic (birrimian) meta-sedimentary sequences and large granitoid intrusions. The deposit is located west of a major regional structure known as the Banifin shear zone. The gold mineralization is hydrothermal in origin, is contained within metamorphosed sediments close to a contact with an intrusive tonalite and is hosted within a shallow dipping shear zone referred to as the Morila shear zone (MSZ). The alteration envelope is dominantly characterized by silica-feldspar flooding and the sulfide mineralization consists of arsenopyrite, pyrrhotite, pyrite and trace chalcopyrite. Coarse gold is common.

Exploration efforts at Morila to further define the orebody as well as find new mineralized zones were concentrated in several areas this year:

- Exploration of the area peripheral to the north west of the existing pit (MSZ West);
- Drilling of the Samacline target;
- Infill drilling of fringe areas; and
- Exploration of the 200 square kilometers mining lease based on the development of a structurally controlled mineralization model.

A significant expansion of the mineralized material base was achieved. As a result of the success of the drilling program in the MSZ West area, mineralized material increased by some 750,000 ounces.

Grade control

A sophisticated grade control and management system is in use to ensure effective selective mining, minimum ore losses and the attainment of the desired feed grade.

Close-spaced reverse circulation (RC) drilling programs have replaced the use of blast hole sampling for grade control wherever possible. The initial RC drill spacing is 20 meters by 20 meters closing up to a grid of 10 meters by 10 meters in areas where ore grade is highly variable.

In order to increase mining efficiencies the grade control and mine planning departments have worked more closely with the mining contractor and have been able to increase mining efficiencies, thus reducing costs.

Ore is selectively stockpiled near the crusher and the planned ore feed grade to the plant is achieved by blending the stockpile ore with directly tipped ore ex-pit.

Mine planning and reserves

The 2003 mine plan was updated during the year. During the first half of the year the Phase 2 pit, which had been developed to optimally exploit the high-grade payshoot to the north-east, was completed and mining carried on exclusively on the Phase 3 pit. Considerable effort was put into mining this pit as quickly as possible to access the high-grade zone which was achieved by the fourth quarter.

Phase 4 pit development has commenced with waste stripping of near surface weathered ore.

Estimated mineable reserves amount to 25.79 million tonnes at a grade of 3.11g/t containing 2.58 million ounces of gold as tabulated below:

| Morila Ore Reserves | Tonnes (Mt) | | Grade (g/t) | | Gold (Moz) | | Attributable Gold (Moz) |
|---|---|---|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 | 2004 | 2003 | |
| Proven | 11.92 | 11.01 | 3.39 | 3.55 | 1.30 | 1.26 | |
| Probable | 13.87 | 14.73 | 2.87 | 3.88 | 1.28 | 1.84 | 40% |
| Sub-total | 25.79 | 25.74 | 3.11 | 3.70 | 2.58 | 3.10 | 1.03 |

- Reserves are reported at a gold price of $375/oz (2003: $350/oz).
- Dilution of 10% and ore loss of 5% are incorporated into the calculation of reserves.
- Cut-off grade of 1.4g/t.
- Stockpiled ore included.

While the gold price at which pit optimization has been run has increased from $350/oz to $375/oz, this has been offset by substantial increases in costs mainly related to increased transport, power and mining costs.

The orebody model has changed as a result of additional drilling in fringe areas and changes in interpretation/methodology. New mineralized material outlined in the MSZ West extension has been converted to reserves and further drilling is planned to bring more into the reserve category. The increased density of drilling has led to the proportion of reserves in the higher-confidence proven category to increase from 41% to 50%.

Based on the current reserves it is estimated that mining activities will cease during 2008 with processing of stockpiles continuing until 2011.

Mining

Mining operations are carried out under contract by Somadex, which is a subsidiary of DTP Terrassement, the mining arm of the French construction company Bouygues. Following the negotiation of a partnership agreement which incorporates the principle of sharing the potential savings achieved by the contractor using agreed productivity assumptions and allowing for an agreed return, the mine management played a more direct role in the management of the open pit operation. After a settling down period this partnership started to take effect and by the second half of the year productivities had improved substantially and started to approach what we consider acceptable.



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During the year additional fleet comprising 9 CAT 769 35-tonne trucks were brought to site as well as additional excavation equipment in order to assist with waste stripping requirements.

Again following previous attempts, further attention has been given to the optimization of blasting with a view to improving the blast fragmentation and therefore the "mine to mill" project continued with the powder factor being optimized and leading to better fragmentation. The emphasis in mining will now turn to improvements to be made in blast patterns and blast initiation.

Ore processing and metallurgy

The performance of the Morila metallurgical plant was very disappointing in 2004. Not only was the commissioning of the plant expansion delayed until the fourth quarter, but other operational inefficiencies were also not dealt with in a timely manner.

Issues that impacted on production were:

- Unstable milling performance which led to coarser than planned grind;
- CIL tank downtime which shortened residence times leading to lower recoveries;
- Poor plant availability caused by unscheduled shut-downs of the pre-CIL circuit;
- Downtime related to tie-ins of the new sections of the plant with the old sections; and
- Poor maintenance.

After intervention by us and by AngloGold Ashanti's senior management, a technical action plan was developed along with a timetable to correct the operational inefficiencies and return the mine to planned performance levels. This plan was implemented by the mine management and closely monitored by the partners resulting in daily tonnages and grades reaching design levels by the end of the third quarter. Completion testing was carried out at the beginning of October with a target rate of more than 500 tonnes per hour at 91% gold recovery. At the end of a nine-day continuous period the plant had successfully achieved an 81.4% grind passing 75 microns at a throughput rate of 516 tonnes per hour and a plant recovery of 92%.

The average milling rate per month for the fourth quarter was 337,000 tonnes per month which is just short of design capacity of the expanded plant. Total tonnage milled in 2004 therefore exceeded that for 2003.

Plant expansion

The plant expansion project commenced in the first quarter of 2003 and was designed to increase the plant throughput from its original nameplate 250,000 tonnes per month to as much as 350,000 tonnes per month with the intention of allowing the processing of lower grade ore through reduced costs as a result of economies of scale. This is aimed at

ameliorating the increase in unit costs resulting from the forecast grade drop in the later years of the mine life.

After an initial delay in the original planned completion, the project was originally expected to be completed in the first quarter of 2004. However difficulties encountered in the management of the contractor, as well as contributory tie-in problems with the existing plant delayed completion of the project until the third quarter of the year.

The new facilities include a secondary crusher circuit, which allows optimum control of the mill feed size in order to maximize mill circuit throughput. Other facilities to cater for the increase in production include four additional leach tanks, each with 2,500$m^3$ capacity which provide the necessary residence time for maintaining the current high gold recovery levels.

A new cyclone cluster is also being installed to ensure adequate classification at the higher production levels.

The tailings stream is being passed through a new thickener which will reduce discharge cyanide levels.



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Human resources

Manning levels related to permanent and temporary Morila and contractor employees on the mine are as follows:

| Morila Employees | |
|---|---|
| National permanent | 406 |
| Temporary | 44 |
| Expatriate | 50 |
| Total | 500 |

Contractor employees

Contractor employees numbers increased during the year with the start of the plant expansion project in March 2003. The recruitment of labor for the project was controlled for the contractor by the mine using a Malian labor broker. The community development committee assisted with recruitment to ensure access to job opportunities created (195) for local villagers and a fair distribution between villages. The major contractors on the mine are the mining contractor (Somadex), construction contractor (MDM), security contractors (AMM) and catering contractors (ESS).

| Morila Contractor Employees | |
|---|---|
| Nationals | 850 |
| Expatriates | 87 |
| Total | 937 |

Personnel administration

Performance management, job evaluation and housing systems are operating successfully following implementation. Training courses have been undertaken to ensure these are fully comprehended by the workforce.

Training and development

The Malianization program is now fully integrated with the manpower plan and training and development strategy. The program was enhanced by the introduction of a university scholarship scheme during the year. This scheme is designed to send four Malian students to South African universities to study for undergraduate degrees. Assistance in selecting students to be awarded scholarships was provided by the Ministry of Education and the University of Mali. Three members of staff attended a management development program and three attended the intermediate management development program held in South Africa.

Four expatriate posts were Malianized during 2003 and we are encouraging the mine to accelerate this process as competency based training and development courses are completed.

US AID assisted the mine with a series of cultural diversity courses attended by over 100 employees.

Community relations

Continued support has been given to schools and clinics in the area, the well-established HIV/AIDS awareness and mosquito control campaigns have been enhanced and the irrigated gardens set up in the villages have been added to by the start-up of a rice-growing project at Morila and Fingola villages.

The Morila community development trust fund of $500,000 became operational early in 2004. The trust fund has as trustees members of the community, mine management and representatives from government ministries and aims to further assist communities close to the mine in the sustainable development of the area.



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Industrial relations

During 2004 negotiations took place between Morila management and the Morila union, assisted by the national union, on a demand from the union related to a productivity bonus (Prime de Rendement). While management was willing to implement a bonus scheme based on commercial and productivity criteria, the union's demand was viewed by management as unrelated to productivity and excessive to the point of being unrealistic. The negotiations led to a settlement of the issue in November 2004. Although negotiations were difficult and one three-day work stoppage, called by the national union, was experienced in June 2004, they took place in a calm atmosphere and good relations between the union and management were maintained throughout the year.

Negotiations on a mine level agreement to enhance understanding and regulate industrial relations on the mine have restarted at Morila following the settlement of the Prime de Rendement dispute. This agreement is designed to complement and clarify many of the "Rights" and "Interests" outlined in the existing National Mining Industry Collective Agreement that was written in 1985.

Development Projects — Loulo Project

Introduction

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

We own 80% of Société des Mines de Loulo SA (Somilo) and the other 20% is held by the State of Mali. Following an updated feasibility study on the Loulo project in 2003 and a rise in the gold price, our board and the board of Somilo SA approved the development of Loulo. Construction started in May 2004. The early completion of the bulk civil works ahead of the 2004 wet season and the maintenance of the access to site during the rains has facilitated the fast-track development approach to support early gold production in the third quarter of 2005.

Plant design and construction

The preferred comminution route at Loulo is crushing and ball milling, which is the most power-efficient option. The stage crushing circuit is also designed to facilitate much smoother commissioning. The plant layout has been revised to allow access to crushing facilities outside of the plant high security zone, which now only cordons off the milling, gravity, CIL, elution and gold recovery circuits. This set-up facilitates easier maintenance of the crusher plant and minimizes the number of personnel within the high security zone.

Early completion of the main plant civil construction has allowed us to maintain the fast-track development of the project. Production of the main construction supply materials, aggregate, sand and water have been secured for the program. All plant and infrastructure terracing is complete, along with the main civil construction for the first phase of gold production from the oxide material.

The skyline was broken with the erection of the site's three tower cranes. The main tower crane is the largest on the African continent in terms of its ability to carry load at span. The unit can carry a load of up to 15 tonnes at a span of 55 meters from the center of the crane.

Tailings storage facility

The design of the tailings disposal facility has been finalized and this is currently being constructed some six kilometers east of the process plant and site clearance has commenced.

Water supply

Construction of the additions to the natural weir across the Falémé River close to Loulo have been completed, providing sufficient storage capacity for mining operations. During the dry season the



weir was raised to a maximum of one meter across the 300 meter width of the river. The weir across the Falémé River downstream of the proposed mine water intake is to retain water in the river basin for use in the dry season when the flow of the river stops. The augmentation of the weir was authorized by Direction Nationale Hydraulique (DNH), the Malian water authority and the Senegal River Authority (OMVS), of which the Falémé is a tributary. The weir along with the Garra storage dam and the tailings storage facility are key to Loulo's water management strategy.

Mine infrastructure

Construction of the main mine housing estate is well advanced and occupation of some units has started. The mine administration offices are also nearing completion. Security at the site has been improved with the completion of the main perimeter fence, clearance of the mine perimeter area, the commencement of the mine security force patrol and access control operations.

A separate contractors' camp, which was erected at the start of construction, is still in use.

Access roads

Loulo is in a remote area where regional infrastructure is inadequate for the development of a mine. In 2004, the upgrading of the access roads to Loulo started. The supply route through Mali and Senegal from the port of Dakar to site is now in good condition. A 27 kilometer laterite-topped road was built from the mine to Kenieti using Somilo heavy equipment and employing local labor and vehicles to carry laterite from borrow pits. Waterway crossings, or drifts, were built with laterite boulders and concrete using local unskilled labor to excavate and pack the boulders into the drifts and to consolidate with a cement and river sand mixture. Two bridges with culvert pipes had to be built to allow access where crossing larger waterways was necessary.

A program to upgrade the 90 kilometers of national road from Sadiola to Kenieti was undertaken. Where trouble spots for the forthcoming wet season were identified, laterite drifts were built. Where necessary, the road was widened and water run-off trenches dug to allow better access for heavy vehicles. Five dams were constructed along this route for use by local villages and for water for further road improvements.

The upgraded and constructed roads remained open during the wet season and enabled the safe passage of vehicles to the mine delivering supplies and construction materials. They also serve to improve access to villages along the route. A five kilometer direct road was built between the mine and Loulo village for the transport of employees and for improved access to the village. This road incorporated one drift and one bridge. A dam was built at the village to retain a supply of water through the dry season. An agreement to recover expenditure on the upgrading and maintenance of the national route from Sadiola to Kenieti from a portion of the Government royalties has been finalized.

Power supply

The mine will own its power generation facility, which will be operated and maintained by Manutention Africaine, (the Malian Caterpillar affiliate). The generation facility will initially house 15 Caterpillar 3,512 units with a total rated capacity of 18 megawatts. The facility has been designed to accommodate a further six units to allow for expansion. Manutention Africaine is on site and is currently supplying construction power to the site.

Mine operations

Earthmoving

In July 2004, the Loulo contract for the mining works was awarded to BCM Mali SA, or BCM, a subsidiary of BCM International Ltd. BCM has extensive mining contracting experience in the West African region garnered since the start of their operations in Ghana in the early 1990s.

BCM started mobilizing their first infrastructure, equipment and personnel to site during October and November 2004. Construction of the workshop facility started in October and has been progressing well with the foundation and the steel construction in place by the end of December 2004. Five Caterpillar 777D trucks and one Caterpillar 5110B excavator were mobilized to site during November 2004 with additional and ancillary plant mobilized during the first quarter of 2005.

UEE, the explosive supplier, started with the construction of their magazine area during November and this work was completed by mid-December.

Clearing and grubbing activities started during the month of November, focusing on the ROM pad area and the Loulo 0 haul road to the ROM pad. Part of the Loulo 0 pit area was cleared in mid-December and after topsoil was removed the first bucket was dug on December 23, 2005, marking the official start of mining operations. The initial focus will be to build up the ROM pad with waste from Loulo 0. By March soft ore from Yalea will be mined and stockpiled to be used for commissioning of the plant in July 2005.

Exploration

Deep drilling programs carried out during the year as well as shallower infill drilling has lead to a remodeling of both the Loulo 0 and Yalea orebodies. The total mineralized material inventory at Loulo (including satellite pits) now stands at 8.04 million ounces, a significant increase over the 5.32 million ounces declared last year. Ore reserves estimates have been based on pit optimization at a spot price of $375 per ounce and incorporated our hedging structure. Ore reserves have increased from 1.42 million ounces announced last year and now stand at 1.85 million ounces. Proven ore reserves comprise 88% of the total. Reserves are tabulated below.

| Ore reserves | Tonnes (Mt) | Grade (g/t) | Gold (Moz) |
|---|---|---|---|
| Loulo 0 | | | |
| Proven | 7.37 | 3.63 | 0.86 |
| Probable | 0.35 | 2.65 | 0.03 |
| Sub-total | 7.72 | 3.58 | 0.89 |
| Yalea | | | |
| Proven | 6.26 | 3.80 | 0.76 |
| Probable | 1.19 | 4.97 | 0.19 |
| Sub-total | 7.45 | 3.98 | 0.95 |
| Loulo total | | | |
| Proven | 13.63 | 3.71 | 1.62 |
| Probable | 1.54 | 4.44 | 0.22 |
| Total | 15.18 | 3.78 | 1.85 |

Processing

The workforce will be introduced to plant operations in a training program at the Morila gold plant in the second quarter of 2005. In the selection of potential plant personnel (operation and maintenance) we prepared a list of people from local villages (Djidian-Kéniéba, Loulo, Baboto, Bolibanta, Sakola, Dabara, Sitakili) who were submitted for aptitude testing. These tests were conducted from 24 to 28 December 2004 by a professional agency. Selected personnel will undergo training on site at Loulo prior to further plant training at Morila.

Work is progressing on establishing the process accounting system and the plant operational control templates. Site operational staff are also conducting due diligence on the plant and construction work and a check is being done on the first fill (reagents and stores needed to fill the plant circuit at start-up) requirements as well as the operational spares needs.



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Engineering

Engineering staff on site are geared to monitor the construction process, (particularly with respect to the quality of the work) ensuring that agreed quality standards are maintained throughout the mine and infrastructure construction areas and that stringent safety standards are adhered to.

Work on the structuring and implementation of maintenance planning and working procedures is progressing satisfactorily and will be completed ahead of the startup of the process plant.

The requirements for strategic and capital spares have been analyzed and implemented and orders for some of the longer delivery items have been placed.

Maintenance of the mine construction fleet (roads and ancillaries) continues and improves as more facilities are established. Light vehicle maintenance procedures have been implemented and are working satisfactorily.

Environment

A report of water baseline quality data was received from Digby Wells and Associates. The overall quality of the groundwater and surface water is good and indicates that natural background concentrations do not exceed the recommended environmental target guidelines set out by the World Bank. Piezometer levels are checked weekly to provide historical baseline data for the operation.

The annual rainfall (January to December 2004) was 914 millimeters, which occurred over 63 days.

Human resources

All construction labor used by Somilo SA and MDM were employed by UPS, the site labor broker. UPS is the sole labor broker, having signed a labor supply contract with us. The policy of recruitment used by UPS is to give job priority to the local labor. The 2004 year ended with 660 workers split into 278 for UPS/Somilo and sub-contractors, and 382 for UPS/MDM Ferroman and sub-contractors.

Personnel of BCM (mining) and UEE (explosives) were mobilizing to site at the end of the year. Worker representatives were selected by MDM workforce to hold regular meetings with MDM site management. Despite this, wildcat work stoppages have occurred due to a number of issues. Regular meetings were held between MDM workforce representatives and management to solve these labor issues and the industrial relations climate on site remains stable.

The Loulo mine security contract was awarded to Agence Mali Management (AMM) and a site security force was put in place in early November 2004.

Community relations

At Loulo, water wells and pumps have been provided to the six villages surrounding the project. A demonstration irrigated vegetable garden has been established to train local farmers in the growing and marketing of vegetables to the project and local markets.

Medical treatment and medical evacuations to Bamako by air have been provided to local villagers throughout the year. Medical supplies have been provided to the Sitakili clinic, logistical needs and other assistance were provided by the project medical and transport teams to enable UNICEF to mount a vaccination campaign in all the villages of the Sitakili commune. The project has built and repaired infrastructure in the local villages and in Sitakili, the main village in the commune, such as septic tanks and water storage facilities for cattle.

Other resources were also applied in the form of a community development manager and a community development officer who were appointed at Loulo during the first quarter of 2004. Beneficial spin-offs accrued to the communities surrounding the Loulo project from the construction of infrastructure. The project has built roads in and around the area, erected a road bridge at Baboto and a weir across the Falémé River. This infrastructure has assisted villagers in many ways, for example to access markets and move their livestock to new pastures.



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Industrial relations

Industrial relations systems and procedures were drafted during the year in preparation for the start-up of operations during 2005. We give on-going assistance to the contractors building the Loulo mine, to ensure fair treatment and sound relationships are maintained with their employees and their representatives.

Financial

As at December 31, 2004 a total of $67.6 million had been spent on the Loulo project, in line with the build-up of construction. This total includes $49.4 million related to the MDM contract, $5.48 million on preliminary and general expenses related to us and associated site costs, $2.02 million on the construction of the weir across the Falémé River and the access roads from Sadiola to Loulo, plus $6.3 million on drilling costs.

Peak funding for the project is forecast to be approximately $89 million. The project is being funded by a $60 million project finance loan from a consortium of banks: Rothschild, SG Corporate and Investment Bank, Absa Bank and HVB Group. The funds are secured over the assets of the project. $35 million of the facility had been drawn at year-end. The balance of the funding is by way of shareholder loans. We are financing the government of Mali's twenty per cent contributory interest and will be reimbursed from cashflows from the operation.

Other contracts

ESS (Eurest Support Services) is established on site providing our catering and accommodation services.

SGS Analabs has been awarded the contract to provide the mine's analytical laboratory services. They are expected to mobilize to site in March 2005. Interim requirements will be met by the Kayes laboratory of SGS Analabs.

Timescale

With the commencement of construction early in 2004, the key production target is to pour first gold in the third quarter of 2005. The program remains dependent on maintaining access and the timely delivery of equipment to site.

The mine is planned to produce at an estimated average rate in excess of 200,000 ounces per annum from open pit operations.

Loulo underground prefeasibility and development study

The potential for the development of two long-life underground mines exploiting the deep extensions of the orebodies below the open pit reserves at Loulo 0 and Yalea was reinforced during the year. Following the return of good results from drill holes to depths of 500 meters below surface at Yalea and 400 meters below surface at Loulo 0, SRK Consulting completed a prefeasibility study. The results are summarized below:



| Loulo Underground Prefeasibility Study | Yalea | Loulo 0 |
|---|---|---|
| Mineralized material | 14.16 Mt @ 4.03g/t | 15.87 Mt @ 4.05g/t |
| (Underground only) | (1.84 Mozs) | (2.07 Mozs) |
| Mining rate - north | 55,000 tonnes per Month using sub-level open stopping (with or without fill) | 55,000 tonnes per month using sub-level open stopping (with or without fill) |
| Mining rate - south | 16,000 tonnes per month using ramp in stope mining method | |
| Opex North | $44.50/tonne | $43.50/tonne |
| South | $51.50/tonne | |
| Capex | $58 million (pre-production and ongoing capital) | $43 million (pre-production and ongoing capital) |
| Life of Mine | 18 years | 20 years |

Based on the above results SRK Consulting concluded that the project has the potential to yield positive results and have recommended that a definitive development study be undertaken. They specifically recommended that an infill drilling program be carried out at both deposits to provide more grade information as well as geotechnical, geohydrological and geothermal data. While several mining methods had been identified, these will be evaluated in more detail to ensure the best mining methods are applied to exploiting the orebody. Economic analysis indicates the sensitivity of the project returns to grade. The opportunity presented through accurately delineating high-grade payshoots will be pursued by the infill drilling program.

We commissioned SRK Consulting to lead a definitive underground development study on the project and this work has now started.

A multi-phase 30,000 meter drilling program has been started at Yalea and Loulo 0 which is aimed at better delineating the high-grade payshoots. The first phase comprising 12,000 meters of drilling has been completed and the orebody modeling has indicated a significant resource increase, most of it at depth and at significantly higher grade than previously modeled.

A budget of $7 million has been approved for 2005.