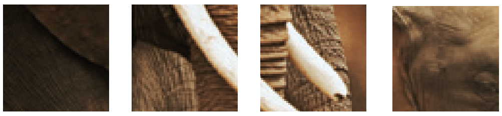

FINANCIAL REVIEW

FOR THE YEAR ENDED 31 DECEMBER 2004

Net profit for the year was US$20.1 million compared to US$47.5 million for 2003.

2004 was a year of consolidation with the main events being the Morila plant expansion and the commencement of the Loulo open pit construction. The purpose of the plant expansion was to increase throughput and partially compensate for the drop in grade towards the life-of-mine average grade. The grade at Morila was 8.3g/t in 2003 compared to 5.2g/t in 2004. The nine month delay in commissioning the plant and the lower grade were the main factors in the drop in profits year on year. Now that the plant expansion has been completed and mining is once again in a higher-grade part of the pit, Morila is forecasting higher levels of production for 2005. The forecast is for in excess of 600 000 ounces at cash costs of approximately US$200/oz.

Attributable production was down from 317 597 ounces in 2003 to 204 194. With the start-up of Loulo planned for mid 2005 and the increased production from Morila, attributable production is planned to rise from the 2004 level over the next two years.

The average realised gold price for 2004 was US$382/oz compared to US$345/oz for 2003 and US$308/oz for 2002. A rising dollar gold price has been beneficial, but there have also been cost pressures this year resulting from the weak dollar which have impacted on the industry in general. Morila's largest costs are diesel and the contract mining. As well as increases in the price of the mining contract, the weak US dollar has been a factor since the contract is denominated in euros. The security situation in Côte d'Ivoire has also impacted on costs since longer, alternative supply routes are now being used.

Roger Williams

Total cash costs were US$184/oz for the year compared to US$100/oz in 2003. The increase in costs was mainly the result of the lower grades which impacted on the level of production and absorption of fixed costs. The cost pressures mentioned above were another factor in the higher cost per ounce, although to a lesser extent. Nevertheless Morila continues to be a low cost producer with its average total cash cost still consistently below the estimated industry average of US$245/oz.

Expenditure on exploration and corporate costs was US$15 million, which is in line with our stated goal of investing US$10 million to US$15 million annually in exploration, new business and corporate opportunities. Exploration expenditure this year included extensive drilling particularly at the Loulo project in western Mali and on the company's exploration portfolio around Morila, in Burkina Faso, in Tanzania and Senegal.

The low tax rate was due to a five-year corporate profit tax holiday granted by the Morila convention, which will run until October 2005. Morila still paid a 6% royalty and other indirect taxes and dividends to the Malian government in this period which amounted to US$17.5 million. Loulo benefits from a similar tax structure in its convention, including exoneration from corporate profit tax for five years from date of first commercial production. The group's profits were boosted by US$7 million from the sale of Syama during the year to Resolute Mining.

The company's capital markets strategy has continued in the year with two initiatives taking place to increase liquidity and tradeability in the company's shares. In April, shareholders gave their approval to reconstitute the company's balance sheet so that accumulated losses could be expunged through the share premium account and hence clear the way for dividend payments to begin. This was subsequently approved by the Jersey Courts and the accounting entries have been effected. The company also carried out a sub-division of each ordinary share into two ordinary shares. The average daily trade since the beginning of May 2004 is 373 000 shares per day on Nasdaq and 47 320 per day in London which means that the entire share capital is traded approximately three times per year. In addition, there is no longer one shareholder with a significant block of shares since Randgold & Exploration have reduced their holding to 4 million shares in the year.

Earnings per share were 34 US cents, down from 83 US cents in 2003 (after adjusting for the subdivision of shares). Return on equity was below 20% for the first time in four years. 11% was achieved which was a reflection of the consolidation phase the company has been through.

The main movements on the balance sheet year on year reflect the construction of the Loulo open pit mine. The peak funding required is expected to be approximately US$89 million. This is being financed by US$60 million project finance with the balance being provided by the group's own internal funds. By the end of December, the group had spent US$67.6 million, including exploration, and had drawn down US$35 million of the project finance.

The other main balance sheet movement is an increase in receivables resulting from delays in reimbursement of fuel duties and value-added tax payable to Morila. The Morila project financing has been paid off and from end December 2004 Morila is completely unhedged.

Price protection has been put in place to support the development of Loulo. At the end of December 2004, 365 000 ounces had been sold forward at an average spot price of US$432/oz. The price protection mitigates capital and debt risk in developing the project and maintaining returns which pass the company's hurdle rates should the gold price move to significantly lower levels. The derivative programmes are all margin free. The counter-parties are a lending syndicate comprising SG Corporate and Investment Bank, Rothschild, HVB Group and Absa Bank.

The board considered the payment of a maiden dividend for the 2004 year. Given the growth opportunities the group has, it was decided not to recommend a dividend at this time. The board believes that funds are better spent on those value-enhancing projects, particularly the underground at Loulo, where we are budgeting US$7 million on the development study in 2005. The decision on dividends will be reviewed later in 2005.

As a foreign private issuer listed in the USA, the company has to comply with the requirements of the Sarbanes-Oxley Act. In particular, section 404 of the Act concerns management assessment of internal controls and imposes some onerous and significant obligations on SEC registrants. The essence of section 404 is that management must assess the effectiveness of internal controls over financial reporting and state the results of the assessment in the annual report, disclosing any material weaknesses. The external auditors must then attest to and report on management's assessment. Foreign private issuers such as Randgold Resources need to comply by the end of 2006.

Our section 404 project began in the middle of 2004. Key locations and account balances have been identified. Procedures and controls for those key streams have all been documented. In the first quarter of 2005, these controls will be tested by management and remediated if necessary. In addition, risk assessments are carried out and monitored on an annual basis.

The group's results are strictly and regularly measured against budgets and forecasts. Progress against the commitments of the executive management team are monitored on a weekly basis ensuring the company remains focused on delivery and measurement of performance.

R. A. W

Roger Williams
Finance director