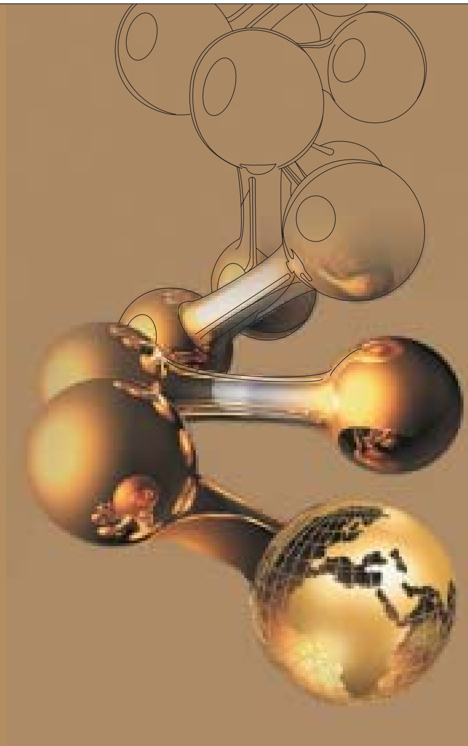


Financial statements

Profitability enables us
not only to reward our shareholders
but to reinvest earnings in our future growth.

Report of the independent auditors

to the Members of Randgold Resources Limited

We have audited the accompanying financial statements of Randgold Resources Limited (the 'company') which comprise the standalone balance sheet of the company and consolidated balance sheet of the company and its subsidiaries (the 'group') as of 31 December 2006 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of Companies (Jersey) Law 1991. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company and the group as of 31 December 2006, and of the financial performance and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and with the requirements of Companies (Jersey) Law 1991.

EMPHASIS OF MATTER

Without qualifying our opinion we draw attention to note 24 to the financial statements. The recovery of a US$12.1 million loan to MDM Ferroman (Pty) Ltd ("MDM") (in liquidation), the main contractor responsible for construction of the Loulo mine until the construction contract was taken back on 30 December 2005, is dependent on the amount which can be recovered from various performance bonds, personal guarantees and other assets provided as security and, if this proves to be insufficient, the outcome of the liquidation of MDM. In addition, the directors believe the group is entitled to recover US$47.2 million from MDM in respect of additional costs incurred on the Loulo development project and damages arising from the delayed completion of the project. The ultimate outcome of these matters cannot presently be determined, and the financial statements do not reflect any provision that may be required if the US$12.1 million receivable cannot be recovered in full or any adjustments that may arise from the claim against MDM referred to above.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We also, at the request of the directors (because the company applies the Financial Services Authority Listing Rules as if it were a listed company in the United Kingdom), review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 Financial Reporting Council Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

PricewaterhouseCoopers LLP
Chartered Accountants

London, United Kingdom
13 March 2007

Consolidated income statement

for the year ended 31 December 2006

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005 (Restated)~
REVENUE			
Gold sales on spot		274 907	151 502
Loss on matured hedges		(12 190)	-
Non-cash loss on roll forward of hedges		(4 413)	-
Total revenue		258 304	151 502
OTHER INCOME			
Interest income		7 384	2 064
Other income		1 168	1 303
Total other income		8 552	3 367
Total income		266 856	154 869
COSTS AND EXPENSES			
Mining and processing costs	25	137 694	67 216~
Transport and refining costs		711	360
Royalties		16 979	10 273
Exploration and corporate expenditure	26	28 805	24 049
Other losses/(gains) - net		653	(45)
Exchange losses - net		970	2 074
Other expenses		705	801
Unwind of discount on provisions for environmental rehabilitation		541	254
Interest expense		5 825	1 861
Total costs and expenses		192 883	106 843~
PROFIT BEFORE INCOME TAX		73 973	48 026~
Income tax expense	4	(23 097)	(170)~
NET PROFIT		50 876	47 856~
Attributable to:			
Equity shareholders		47 564	45 507~
Minority shareholders		3 312	2 349
		50 876	47 856~
BASIC EARNINGS PER SHARE (US$)	5	0.70	0.74~
FULLY DILUTED EARNINGS PER SHARE (US$)	5	0.69	0.71~

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

The notes on pages 66 to 86 are an integral part of these consolidated financial statements.

Consolidated and company balance sheets

at 31 December 2006

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005 (Restated)~	Company 31 Dec 2006	Company 31 Dec 2005
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	9	241 300	202 636	-	-
Cost		297 839	236 331	-	-
Accumulated depreciation and amortisation		(56 539)	(33 695)	-	-
Deferred taxation	11	2 993	2 957~	-	-
Long term ore stockpiles	8	41 614	22 176~	-	-
Receivables	7	13 702	-	-	-
Investments in subsidiaries and joint venture	10	-	-	6 018	6 016
Loans to subsidiary and joint venture	10	-	-	150 753	112 912
TOTAL NON-CURRENT ASSETS		299 609	227 769~	156 771	118 928
CURRENT ASSETS					
Inventories and ore stockpiles	8	34 200	34 210~	-	-
Receivables	7	34 999	47 918	1 024	827
Cash and cash equivalents		143 356	152 452	134 761	140 359
TOTAL CURRENT ASSETS		212 555	234 580~	135 785	141 186
TOTAL ASSETS		512 164	462 349~	292 556	260 114
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital					
Authorised: 80 000 000 ordinary shares of 5 US cents each, for both years presented					
Issued: 68 763 561 ordinary shares (2005: 68 072 864)		3 440	3 404	3 440	3 404
Share premium		213 653	208 582	213 653	208 582
Accumulated profit		178 400	130 836~	69 359	42 369
Other reserves		(59 430)	(41 000)	3 052	2 135
Shareholders' equity		336 063	301 822~	289 504	256 490
Minority interest	15	4 707	1 395	-	-
TOTAL EQUITY		340 770	303 217~	289 504	256 490
NON-CURRENT LIABILITIES					
Long term borrowings	14	25 666	49 538	-	-
Loans from minority shareholders in subsidiaries	15	2 773	2 483	-	-
Financial liabilities - forward gold sales	16	39 969	34 151	-	-
Deferred taxation	11	462	-~	-	-
Provision for environmental rehabilitation	13	8 842	9 480	-	-
TOTAL NON-CURRENT LIABILITIES		77 712	95 652~	-	-
CURRENT LIABILITIES					
Financial liabilities - forward gold sales	16	27 525	8 939	-	-
Accounts payable and accrued liabilities	12	39 461	28 813	3 052	3 624
Taxation payable		1 878	2 737	-	-
Current portion of long term borrowings	14	24 818	22 991	-	-
TOTAL CURRENT LIABILITIES		93 682	63 480	3 052	3 624
TOTAL EQUITY AND LIABILITIES		512 164	462 349~	292 556	260 114

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

The notes on pages 66 to 86 are an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2006

US$000	Number of ordinary shares	Share capital	Share premium	Accum-ulated profit	Other reserves	Total	Minority interest	Total
	Attributable to equity shareholders							
BALANCE AT 31 DEC 04 (as previously reported)	59 226 694	2 961	102 342	100 213	(14 347)	191 169	(954)	190 215
Change in accounting policy	-	-	-	(14 884)~	-	(14 884)~	-	(14 884)~
BALANCE AT 31 DEC 04 (as restated)	**59 226 694**	**2 961**	**102 342**	**85 329~**	**(14 347)**	**176 285~**	**(954)**	**175 331~**
Net income	-	-	-	45 507~	-	45 507~	2 349	47 856~
Movement on cash flow hedges								
□ Transfer to income statement	-	-	-	-	(45)	(45)	-	(45)
□ Fair value movement on financial instruments					(27 422)	(27 422)	-	(27 422)
Total recognised income/(loss)	-	-	-	45 507~	(27 467)	18 040~	2 349	20 389~
Share-based payments	-	-	-	-	2 243	2 243	-	2 243
Exercise of employee stock options	617 260	31	1 838	-	-	1 869	-	1 869
Shares vested#	103 910	6	1 429	-	(1 429)	6	-	6
Capital raising	8 125 000	406	109 281	-	-	109 687	-	109 687
Costs associated with capital raising	-	-	(6 308)	-	-	(6 308)	-	(6 308)
BALANCE AT 31 DEC 05 (as previously reported)	68 072 864	3 404	208 582	138 751	(41 000)	309 737	1 395	311 132
Change in accounting policy	-	-	-	(7 915)~	-	(7 915)~	-	(7 915)~
BALANCE AT 31 DEC 05 (as restated)	**68 072 864**	**3 404**	**208 582**	**130 836~**	**(41 000)**	**301 822~**	**1 395**	**303 217~**
Net income	-	-	-	47 564	-	47 564	3 312	50 876
Movement on cash flow hedges								
□ Transfer to income statement	-	-	-	-	17 256	17 256	-	17 256
□ Fair value movement on financial instruments	-	-	-	-	(36 603)	(36 603)	-	(36 603)
Total recognised income/(loss)	-	-	-	47 564	(19 347)	28 217	3 312	31 529
Share-based payments	-	-	-	-	2 369	2 369	-	2 369
Exercise of employee stock options	633 867	34	3 619	-	-	3 653	-	3 653
Shares vested#	56 830	2	802	-	(802)	2	-	2
Exercise of options previously expensed under IFRS 2	-	-	650	-	(650)	-	-	-
BALANCE AT 31 DEC 06	**68 763 561**	**3 440**	**213 653**	**178 400**	**(59 430)**	**336 063**	**4 707**	**340 770**

Other reserves include the cumulative charge recognised under IFRS 2 in respect of share option schemes (net of amounts transferred to share capital and share premium) and the mark-to-market valuation of derivative financial instruments designated as cash flow hedges (refer note 20).

\# *Restricted shares were issued to directors as remuneration. Of these shares, 56 830 (2005: 103 910) have vested, while the remainder of the shares, 9 760 (2005: 57 825) are still held by the company as treasury shares. The transfer between "other reserves" and "share premium" in respect of the shares vested represents the cost calculated in accordance with IFRS 2.*

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

The notes on pages 66 to 86 are an integral part of these consolidated financial statements.

Statement of consolidated cash flows

for the year ended 31 December 2006

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005 (Restated)~
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after tax		50 876	47 856
Income tax expense		23 097	170
Profit before income tax		73 973	48 026~
Net interest received		(1 559)	(203)
Depreciation and amortisation		22 844	11 910
Other losses/(gains) - net		653	(45)
Effect of roll forward of hedges		4 413	-
Unwind of discount on provisions for environmental rehabilitation		541	254
Share-based payments		2 369	2 243
		103 234	62 185~
Effects of changes in operating working capital items:			
□ receivables		(9 640)	(12 101)
□ inventories and ore stockpiles		(19 428)	(34 569)~
□ accounts payable and accrued liabilities		9 469	14 408
Cash generated from operations before interest and tax		83 635	29 923
Interest received		7 384	2 064
Interest paid		(5 825)	(1 861)
Income tax paid		(14 784)	(390)
Net cash generated from operating activities		70 410	29 736
CASH FLOW FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment*		(61 508)	(73 217)
Repayments from/(financing of) contractors	24	105	(11 276)
Net cash used by investing activities		(61 403)	(84 493)
CASH FLOW FROM FINANCING ACTIVITIES			
Ordinary shares issued		3 653	105 248
Long term loans repaid		(21 756)	(1 156)
Long term loans received*		-	24 877
Cash (used by)/generated from financing activities		(18 103)	128 969
NET (DECREASE)/INCREASE IN CASH AND EQUIVALENTS		(9 096)	74 212
CASH AND EQUIVALENTS AT BEGINNING OF YEAR		152 452	78 240
CASH AND CASH EQUIVALENTS AT END OF YEAR		143 356	152 452
Cash at bank and in hand		10 948	15 353
Short term bank deposits		132 408	137 099
		143 356	152 452

The effective interest rate on short term bank deposits was 4.82% (2005: 2.77%). These deposits have an average maturity of 30 days.

* *Excluded from the comparatives is the Loulo power plant acquired in 2005 under a finance lease agreement of US$6.8 million.*
~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

The notes on pages 66 to 86 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2006

1 NATURE OF OPERATIONS

The company and its subsidiaries (the "group") together with its joint ventures carry out gold mining activities and exploration. Currently there are two operating mines in Mali, West Africa: the Morila gold mine, which commenced production in October 2000, and the Loulo mine, which commenced production in November 2005. The group also has a portfolio of exploration projects in West and East Africa. The interests of the group in its operating mines are held through Morila SA ("Morila") which owns the Morila mine and Somilo SA ("Somilo") which owns the Loulo mine. Randgold Resources holds an effective 40% interest in Morila, following the sale to AngloGold Ashanti Limited on 3 July 2000 of one half of Randgold Resources' wholly owned subsidiary, Morila Limited. Management of Morila Limited, the 80% shareholder of Morila, is effected through a joint venture committee, with Randgold Resources and AngloGold Ashanti each appointing one half of the members of the committee. AngloGold Services Mali SA ("Anser"), a subsidiary of AngloGold Ashanti, is the operator of Morila. Randgold Resources holds an effective 80% interest in Loulo. The remaining 20% interest is held by the Malian government. Randgold Resources is the operator of Loulo. The group has various exploration programmes ranging from advanced to early stage in Mali West, around Morila and in Senegal, Tanzania, Burkina Faso, Côte d'Ivoire and Ghana. An updated prefeasibility study and an extensive drilling programme has been completed for the Tongon project in Côte d'Ivoire with the final feasibility study planned to commence in 2007.

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The company changed its accounting policy on stripping costs in 2006. Refer to note 6.

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

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

- IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2009)
  The objective of this IFRS is to require entities to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. The company will apply IFRS 8 from 1 January 2009, but it is not expected to have any impact on the accounts of the company or group.
- IFRS 7 Financial Instruments Disclosure (effective for annual periods beginning on or after 1 January 2007)
  The objective of this IFRS is to require entities to provide disclosures in their financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position; and the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the reporting date, and how the entity manages those risks. The effect of the adoption of the standard is currently being assessed; however a significant impact on disclosures is expected.
- IFRIC Interpretation 8 Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006)
  The interpretation determines whether IFRS 2 applies to transactions in which the entity cannot identify specifically some or all of the goods or services received. The company will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the accounts of the company or group.
- IFRIC Interpretation 9 Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006)
  The interpretation applies to all embedded derivatives under IAS 39 'Financial Instruments: Recognition and Measurement' and clarifies certain aspects of their treatment. The company will apply IFRIC 9 from 1 January 2007, but it is not expected to have any impact on the accounts of the company or group.
- IFRIC Interpretation 10 Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006)
  An entity is required to assess goodwill for impairment at every reporting date, to assess investments in equity instruments and in financial assets carried at cost for impairment at every balance sheet date and, if required, to recognise an impairment loss at that date in accordance with IAS 36 and IAS 39. However, at a subsequent reporting or balance sheet date, conditions may have so changed that the impairment loss would have been reduced or avoided had the impairment assessment been made only at that date. This Interpretation provides guidance on whether such impairment losses should ever be reversed. The company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the accounts of the company or group.
- IFRIC Interpretation 11 IFRS 2 Share-based Payment - Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007)
  This interpretation addresses the classification of a share-based payment transaction (as equity- or cash-settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving

the services. The company will apply IFRIC 11 from 1 January 2008, but it is not expected to have any impact on the accounts of the company or group.

- IFRIC Interpretation 12 Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008)

  This interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public to private service concession arrangements. The company will apply IFRIC 12 from 1 January 2008, but it is not expected to have any impact on the accounts of the company or group.

The following standards are not relevant to the group and had no impact on adoption:

- IFRIC Interpretation 6 Liabilities arising from participation in a specific market - waste electrical and electrical equipment (effective for annual periods beginning on or after 1 December 2005)
- IFRIC Interpretation 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006)

The group has adopted the following standards and interpretations which are effective for the first time this year without any significant impact:

- IAS 19 Amendment - Actuarial gains and losses and disclosures (January 2006)
- IFRIC Interpretation 4 - Determining whether an arrangement contains a lease (effective 1 January 2006)
- IFRIC Interpretation 5 - Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective 1 January 2006)

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

SUBSIDIARIES: Subsidiaries are entities over which the group has the power to govern the financial and operating policies, generally accompanying an interest of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired (including mineral property interests) and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

JOINT VENTURES: Joint ventures are those entities in which the group holds a long term interest and which are jointly controlled by the group and one or more venturers under a contractual arrangement. The group's interest in such jointly controlled entities is accounted for by proportionate consolidation. Under this method the group includes its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line by line basis with similar items in the group's financial statements. Inter company accounts and transactions are eliminated on consolidation. The group recognises the portion of gains or losses on the sale of assets by the group to the joint venture that is attributable to the other venturers. The group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the group from the joint venture until it resells the assets to an independent party. However, if a loss on the transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss, the loss is recognised immediately. The results of joint ventures are included from the effective dates of acquisition and up to the effective dates of disposal.

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

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

FOREIGN CURRENCY TRANSLATION:

(a) Functional and presentation currency

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

Notes to the consolidated financial statements

for the year ended 31 December 2006 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Transactions and balances

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

PROPERTY, PLANT AND EQUIPMENT:

a) Undeveloped properties

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

b) Development costs and mine plant facilities

Development costs and mine plant facilities are initially recorded at cost. Where relevant the estimated cost of dismantling the asset and remediating the site is included in the cost of property, plant and equipment. Subsequently they are measured at cost less accumulated amortisation and impairment. Development costs and mine plant facilities relating to existing and new mines are capitalised. Development costs consist primarily of direct expenditure incurred to establish or expand productive capacity, and are capitalised until saleable minerals are extracted from the orebody at which point the costs are depreciated over the life of the mine.

c) Non-mining assets

Non-mining assets are shown at cost less accumulated depreciation and impairment.

d) Depreciation and amortisation

Long-lived assets include mining properties, such as freehold land, metallurgical plant, tailings and raw water dams, power plant and mine infrastructure, as well as mine development costs. Depreciation and amortisation are charged over the life of the mine (or over the remaining useful life of the asset, if shorter) based on estimated ore tonnes contained in proved and probable reserves, to reduce the cost to estimated residual values. Proved and probable ore reserves reflect estimated quantities of economically recoverable reserves, which can be recovered in the future from known mineral deposits. Total proved and probable reserves are used in the depreciation calculation. The remaining useful lives for Morila and Loulo are estimated at six and a minimum of eighteen years respectively. Any changes to the expected life of the mine (or asset) are applied prospectively in calculating depreciation and amortisation charges. Short-lived assets which include motor vehicles, office equipment and computer equipment, are depreciated over estimated useful lives of between two to five years but limited to the remaining mine life.

e) Mining property valuations

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

STRIPPING COSTS: All stripping costs incurred during the production phase of a mine are treated as variable production costs and as a result are included in the cost of inventory produced during the period that the stripping costs are incurred. Refer to note 6.

INVENTORIES: Include ore stockpiles, gold in process and supplies and spares, and are stated at the lower of cost and net realisable value. The cost of ore stockpiles and gold produced is determined principally by the weighted average cost method using related production costs. Costs of gold inventories include all costs incurred up until production of an ounce of gold such as milling costs, mining costs and directly attributable mine general and administration costs but exclude transport costs, refining costs and royalties. Net realisable value is determined with reference to current market prices. Stockpiles consist of two types of ore, high grade and medium grade ore, which will be processed through the processing plant. In the case of Morila, high grade ore is defined as ore above 4g/t and medium grade is defined as ore above 1.6g/t. For Loulo, high grade ore is defined as ore above 3.7g/t and medium grade is defined as ore above 1.5g/t. Both high and medium grade stockpiles

are currently being processed and all ore is expected to be fully processed. The processing of ore in stockpiles occurs in accordance with the life of mine processing plan that has been optimised based on the known mineral reserves, current plant capacity and mine design. Stores and materials consist of consumable stores and are valued at weighted average cost after appropriate impairment of redundant and slow moving items.

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

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

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

DERIVATIVES: Derivatives are initially recognised at fair value plus transaction costs on the date a derivative contract is entered into (trade date) and are subsequently remeasured at their fair value, unless they meet the criteria for the "normal purchases normal sales" exemption. On the date a derivative contract is entered into, the group normally designates the derivative for accounting purposes as either a hedge of the fair value of a recognised asset or liability (fair value hedge) or a hedge of a forecast transaction (cash flow hedge) - although certain derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of a derivative that is highly effective in offsetting changes in the cash flow of the hedged item, and that is designated and qualifies as a cash flow hedge, are recognised directly in equity. Amounts deferred in equity are included in the income statement in the same periods during which the hedged forecast transaction affects net profit or loss. This applies even if the derivative is rolled forward on maturity and designated as a hedge of a different forecast transaction so that gains/losses relating to the original forecast transaction are recognised in the income statement when that transaction affects net profit or loss. Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised in the income statement. The group formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The group formally assesses, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair value or cash flows of the hedged item. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement. The group does not have any fair value hedges. Derivatives are derecognised when the right to receive or the obligation to pay cash has expired or has been transferred and the group has transferred substantially all risks and rewards of ownership.

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

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

REHABILITATION COSTS: The net present value of estimated future rehabilitation costs is provided for in the financial statements and capitalised within mining assets on initial recognition. Rehabilitation will generally occur on closure or after closure of a mine. Initial recognition is at the time of the disturbance occurring and thereafter as and when additional disturbances take place. The estimates are reviewed annually to take into account the effects of inflation and changes in estimates and are discounted using rates that reflect the time value of money. Annual increases in the provision due to the unwinding of the discount are recognised in the income statement as a finance cost. The present value of additional disturbances and changes in the estimate of the rehabilitation liability are capitalised to mining assets against an increase in the rehabilitation provision. The rehabilitation asset is amortised as noted previously. Rehabilitation projects undertaken, included in the estimates, are charged to the provision as incurred.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

Deferred tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

EMPLOYEE BENEFITS:

a) Pension obligations

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

b) Termination benefits

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

c) Profit sharing and bonus plans

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

d) Share-based payments

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

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

OPERATING LEASES: Determining whether an arrangement is an operating lease is based on the substance of the arrangement and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset

or assets and whether the arrangement conveys a right to use the asset. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

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

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

a) Exploration and evaluation expenditure on greenfield sites, being those where the group does not have any mineral deposits which are already being mined or developed, is expensed as incurred until a final feasibility study has been completed, after which the expenditure is capitalised within development costs if the final feasibility study demonstrates that future economic benefits are probable.
b) Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the directors are able to demonstrate that future economic benefits are probable through the completion of a prefeasibility study, after which the expenditure is capitalised as a mine development cost. A "prefeasibility study" consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The prefeasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allow the directors to conclude that it is more likely than not that the group will obtain future economic benefit from the expenditures.
c) Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralisation of such mineral deposits, is capitalised as a mine development cost following the completion of an economic evaluation equivalent to a prefeasibility study. This economic evaluation is distinguished from a prefeasibility study in that some of the information that would normally be determined in a prefeasibility study is instead obtained from the existing mine or development. This information, when combined with existing knowledge of the mineral property already being mined or developed, allows the directors to conclude that it is more likely than not the group will obtain future economic benefit from the expenditures. Costs relating to property acquisitions are also capitalised. These costs are capitalised within development costs.

DIVIDEND DISTRIBUTION: Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividend is declared by the board of directors.

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

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Future rehabilitation obligations

The net present value of current rehabilitation estimates have been discounted to their present value at 6% per annum (2005: 6%) for Morila, being an estimate of the cost of borrowings. A 6.5% (2005: 5.5%) discount rate was used for Loulo. Expenditure is expected to be incurred at the end of the respective mine lives.

Determination of ore reserves

There are numerous uncertainties inherent in estimating ore reserves and assumptions that are valid at the time of estimation may change significantly when new information becomes available. Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated.

Notes to the consolidated financial statements

for the year ended 31 December 2006 (continued)

	2006	2005

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Gold price assumptions

The following gold prices were used in the mineral reserves optimisation calculations:

	2006	2005
Morila	US$475	US$425
Loulo: Openpit	US$475	US$390
Loulo: Underground	US$475	US$420

Uncertainties relating to transactions with a contractor

As explained in note 24 to the financial statements, there are uncertainties relating to the recoverability of advances to a contractor and also a claim relating to the Loulo development. The financial statements reflect the directors' best estimate of the amount that will be recovered in respect of the advances. No amounts have been recognised in respect of the rest of the claim against the contractor.

Exploration and evaluation expenditure

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

Indirect taxes receivable

Given their slow moving nature, the group has had to apply judgement in determining when amounts will be recovered with respect to indirect taxes owing to Morila and Loulo by the Mali Government. The amounts reflected in the financial statements are based on the directors' best estimate of the timing of the recovery of these amounts.

Depreciation

There are several methods for calculating depreciation, i.e. the straight-line method, the units of production method using ounces produced and the units of production method using tonnes milled. The directors believe that the tonnes milled method is the best indication of plant and infrastructure usage.

Derivative valuation

The company uses valuations obtained from banks for the mark-to-market valuation of the hedge book. The banks used the following key inputs in the valuations:

	31 Dec 2006	31 Dec 2005
□ LIBOR rates	5.32 - 5.33%	4.39 - 4.84%
□ Spot gold prices	US$635.70	US$513.00
□ Gold lease rates	0.09 - 0.17%	0.10 - 0.14%

Share-based payments

Refer to note 17 for the key assumptions used in determining the value of share-based payments.

US$000	Note	Group 31 Dec 2006	Group 31 Dec 2005
4 INCOME AND MINING TAXES			
Current taxation		22 671	3 127
Deferred taxation	11	426	(2 957)~
		23 097	170~
The tax on the group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to the group's Malian operations.			
Profit before tax		73 973	48 026~
Tax calculated at tax rate of 35%		25 891	16 809
Reconciling items			
□ Income taxed at 0%		(3 290)	(370)
□ Expenses deductible at 0%		8 426	7 495
□ Mali tax holiday permanent differences		(9 125)	(22 553)
□ Other permanent differences		1 195	(1 211)
Taxation charge		23 097	170

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

4 INCOME AND MINING TAXES (CONTINUED)

The company is not subject to income tax in Jersey. Morila SA benefited from a five year tax holiday until 14 November 2005. Somilo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on 8 November 2005. The benefit of the tax holiday to the group was to increase its net profit by US$9.1 million (2005: US$22.6 million). Accordingly, had the group not benefited from the tax holiday in Mali, earnings per share would have been reduced by US$0.14 and US$0.37 for the years ended 31 December 2006 and 2005 respectively. Under Malian tax law, income tax is based on the greater of 35 per cent of taxable income or 0.75 per cent of gross revenue. The Morila and Loulo operations have no assessable capital expenditure carry forwards or assessable tax losses, as at 31 December 2006 and 2005 respectively, for deduction against future mining income.

5 EARNINGS AND DIVIDENDS PER SHARE

	Income (numerator) US$000	Shares (denominator)	Per share amount US$
FOR THE YEAR ENDED 31 DECEMBER 2006			
BASIC EARNINGS PER SHARE			
Shares outstanding 1 January 2006		68 072 864	
Weighted number of shares issued		318 928	
Income available to shareholders	47 564	68 391 792	0.70
EFFECT OF DILUTIVE SECURITIES			
Weighted stock options issued to employees	-	939 243	-
Fully diluted earnings per share	47 564	69 331 035	0.69
FOR THE YEAR ENDED 31 DECEMBER 2005			
BASIC EARNINGS PER SHARE			
Shares outstanding 1 January 2005		59 226 694	
Weighted number of shares issued		2 475 088	
Income available to shareholders	45 507~	61 701 782	0.74~
EFFECT OF DILUTIVE SECURITIES			
Weighted stock options issued to employees		2 127 214	
Fully diluted earnings per share	45 507~	63 828 996	0.71~

Although no dividend was recognised as a distribution to equity shareholders, US$6.9 million (US$0.10 per share) was declared on 5 February 2007 for distribution on 8 March 2007 (2005: nil). See note 27.

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

6 CHANGES IN ACCOUNTING POLICY

The company changed its accounting policy on stripping costs, under both IFRS and US GAAP, in the current year. Previously, costs of production stage waste stripping in excess of the expected pit life average stripping ratio were deferred and then charged to production when the actual stripping ratio was below the expected pit life average stripping ratio. Under the revised accounting policy, all stripping costs incurred during the production phase of a mine are treated as variable production costs and as a result are included in the cost of the inventory produced during the period that the stripping costs are incurred.

Under US GAAP, EITF 04-06 'Accounting for Stripping Costs Incurred during Production in the Mining Industry' is effective for reporting periods beginning after 15 December 2005. The consensus does not permit the deferral of any waste stripping costs during the production phase of a mine, but requires instead that they should be treated as variable production costs. The directors have decided to adopt the same treatment under IFRS which will ensure that the accounting policies applied under IFRS and US GAAP remain in line.

With regard to the conclusions reached by the EITF, the directors believe the revised policy will mean that the financial statements provide reliable and more relevant information about the group's financial position and its financial performance. In accordance with the requirements of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the change in the IFRS policy has been applied retrospectively and hence the 2005 comparatives have been restated.

US$000	Group 31 Dec 2006	Group 31 Dec 2005
6 CHANGES IN ACCOUNTING POLICY (CONTINUED)		
The change in the IFRS accounting policy has resulted in the following adjustments to the amounts reported under IFRS:		
Decrease in deferred stripping asset	2 115	3 687
Decrease in ore stockpiles	6 324	8 342
Decrease in gold in process	36	51
Decrease in deferred taxation liability	740	1 227
Increase in deferred taxation asset	2 966	2 938
Decrease in opening retained earnings	7 915	14 884
Increase in net profit	3 146	6 969
Increase in basic earnings per share (cents per share)	5	12
Increase in fully diluted earnings per share (cents per share)	5	11

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
7 RECEIVABLES					
Trade		12 545	11 770	-	-
Advances to contractors	7.1	12 064	12 169	-	-
Taxation debtor	7.2	20 322	20 623	-	-
Prepayments		5 018	4 637	589	663
Other		1 935	352	435	164
		51 884	49 551	1 024	827
Impairment provision		(3 183)	(1 633)	-	-
Total		48 701	47 918	1 024	827
Less: current portion		(34 999)	(47 918)	(1 024)	(827)
Long term portion		13 702	-	-	-

7.1 Advances to contractors comprise advances made to a contractor at Loulo, MDM Ferroman (Pty) Ltd (in liquidation) ("MDM"). MDM was the contractor responsible for construction of the Loulo mine until the main construction contract was taken back on 30 December 2005. Significant uncertainties exist relating to the recoverability of these advances. More detail is given in note 24 to the financial statements.

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

US$000	Group 31 Dec 2006	Group 31 Dec 2005
8 INVENTORIES AND ORE STOCKPILES		
Consumable stores	18 739	12 681
Short term portion of ore stockpiles	12 041	19 344~
Gold in process	3 420	2 185~
	34 200	34 210~
Long term portion of ore stockpiles	41 614	22 176~
	75 814	56 386~

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

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

US$000	Group 31 Dec 2006	Group 31 Dec 2005

9 PROPERTY, PLANT AND EQUIPMENT

Mine properties, mine development costs and mine plant facilities and equipment.		
Cost		
At the beginning of the year	236 331	151 639
Disposals	-	-
Additions	61 508	84 692
	297 839	236 331
Accumulated depreciation and amortisation		
At the beginning of the year	33 695	21 785
Disposals	-	-
Charge for the year	22 844	11 910
	56 539	33 695
NET BOOK VALUE	241 300	202 636

Long-lived assets

Included in property, plant and equipment are long-lived assets which are amortised over the life of the mine and comprise the metallurgical plant, tailings and raw water dams, power plant and mine infrastructure. The net book value of these assets was US$226.4 million as at 31 December 2006 (2005: US$188.7 million).

Short-lived assets

Included in property, plant and equipment are short-lived assets which are amortised over their useful lives and are comprised of motor vehicles and other equipment. The net book value of these assets was US$5.2 million as at 31 December 2006 (2005: US$4.2 million).

Undeveloped property

Included in property, plant and equipment are undeveloped property costs of US$9.7 million (2005: US$9.7 million).

Refer to note 14 for assets collateralised and under finance lease. No borrowing costs were capitalised as part of additions during the year (2005: US$3.2 million).

US$000	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005

10 INVESTMENTS AND LOANS IN SUBSIDIARIES AND JOINT VENTURE

	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
Investment in Somilo	-	-	5 745	5 745
Investment in Morila (joint venture)	-	-	271	271
Investment in Randgold Resources Mali SARL	-	-	2	-
	-	-	6 018	6 016
Loan - Morila (joint venture)	-	-	139	30
Loan - Somilo	-	-	145 424	112 738
Loan - Seven Bridges	-	-	(157)	144
Loan - Randgold Resources Mali SARL	-	-	5 347	-
	-	-	150 753	112 912
	-	-	156 771	118 928

The group's interest in the Morila joint venture was as follows:	Group 31 Dec 2006	Group 31 Dec 2005
Non-current assets	81 549	63 178~
Current assets	35 921	48 156~
Total assets	117 470	111 334~
Non-current liabilities	9 279	9 822~
Current liabilities	9 805	12 821
Total liabilities	19 084	22 643~

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

Refer to subsidiary and joint venture companies on page 87.

Notes to the consolidated financial statements

for the year ended 31 December 2006 (continued)

11 DEFERRED TAXATION

Deferred tax is calculated on temporary differences under the liability method using a tax rate of 35% (2005: 35%).

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005
The movement on deferred taxation is as follows:			
At the beginning of the year		(2 957)	-
Income statement charge/(credit)	4	426	(2 957)~
At the end of the year		(2 531)	(2 957)~
Deferred taxation assets and liabilities comprise the following:			
Decelerated tax depreciation		462	-
Deferred taxation liability		462	-
Ore stockpiles and gold-in-process		(2 966)	(2 938)~
Accelerated tax depreciation		(27)	(19)
Deferred taxation asset		(2 993)	(2 957)~
Net deferred taxation asset		(2 531)	(2 957)~

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

US$2.1 million is expected to be recovered after more than 12 months (2005: US$0.8 million). Temporary differences which are expected to be realised during the Loulo tax holiday are recognised at 0%.

US$000	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
12 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES				
Trade payables	15 410	16 776	34	383
Payroll and other compensation	3 301	2 887	2 514	2 578
Accruals	20 598	6 169	376	-
Other	152	2 981	128	663
	39 461	28 813	3 052	3 624
13 PROVISION FOR ENVIRONMENTAL REHABILITATION				
Opening balance	9 480	3 701	-	-
Unwinding of discount	541	254	-	-
Additional disturbances	-	5 525	-	-
Changes in estimates	(1 179)	-	-	-
	8 842	9 480	-	-

As at 31 December 2006, US$4.8 million of the provision relates to Loulo (31 December 2005: US$5.5 million) which is based on estimates provided by environmental consultants in connection with the Loulo feasibility study. The remaining US$4 million relates to Morila (31 December 2005: US$3.9 million). The net present value of estimated future rehabilitation costs is calculated using 6% (2005: 6%) per annum for Morila, being an estimate derived from the risk free rate. A 6.5% (2005: 5.5%) discount rate was used for Loulo. Limited environmental rehabilitation regulations currently exist in Mali to govern mines, so the directors have based the provisions for environmental rehabilitation on standards set by the World Bank, which require an environmental management plan, an annual environmental report, a closure plan, an up to date register of plans of the facility, preservation of public safety on closure, carrying out rehabilitation works and ensuring sufficient funds exist for the closure works. However, it is reasonably possible that the group's estimate of its ultimate rehabilitation liabilities could change as a result of changes in regulations or cost estimates. The group is committed to rehabilitation of its properties. It makes use of independent environmental consultants for advice and it also uses past experience in similar situations to ensure that the provisions for rehabilitation are adequate. Current Life of Mine plans envisage the expected outflow to occur at the end of the Life of Mine, which is 2013 for Morila and 2024 for Loulo.

US$000	Notes	Group 31 Dec 2006	Group 31 Dec 2005 (Restated)	Company 31 Dec 2006	Company 31 Dec 2005
14 BORROWINGS					
Morila power plant finance lease	14.1	3 828	4 792	-	-
Morila oxygen plant finance lease	14.2	718	884	-	-
Loulo project finance loan	14.3	40 800	60 010	-	-
Loulo CAT finance lease	14.4	5 138	6 843	-	-
		50 484	72 529	-	-
Less: current portion		(24 818)	(22 991)	-	-
		25 666	49 538	-	-

All loans are secured and have variable interest rates, except for the Loulo CAT finance lease which has a fixed rate.

14.1 Morila power plant finance lease

The Morila power plant finance lease relates to five generators leased from Rolls-Royce for Morila. The lease is repayable over ten years commencing 1 April 2001 and bears interest at a variable rate of interest which as at 31 December 2006 was approximately 21% (2005: 20%) per annum. The lease is collateralised by plant and equipment, the net book value of which at 31 December 2006 amounted to US$4.1 million (2005: US$4.8 million). Average annual lease payments of US$1.5 million are payable in instalments over the term of the lease. The company has guaranteed the repayment of this lease.

14.2 Morila oxygen plant finance lease

The Morila oxygen plant finance lease relates to three oxygen generating units leased from Air Liquide for Morila. The lease is payable over 10 years commencing 1 December 2000 and bears interest at a variable rate which as at 31 December 2006 was approximately 3.48% (2005: 3.09%) per annum. The lease is collateralised by the production units, the net book value of which at 31 December 2006 amounted to US$0.6 million (2005: US$0.8 million).

14.3 Loulo project finance loan

The Loulo project finance loan was arranged by N M Rothschild & Sons Limited and SG Corporate & Investment Banking, who have been joined in the facility by Absa Bank and HVB Group, and is repayable before September 2009 in bi-annual instalments of approximately US$10.6 million until 30 June 2008 and thereafter bi-annual instalments of approximately US$3 million. The loan is collateralised over the assets of the Loulo project with a carrying amount of US$209.9 million (2005: US$161.1 million). Additionally, the company has pledged its interest in Randgold Resources (Somilo) Limited and related assets, and Randgold Resources (Somilo) Limited has pledged its interest in Somilo and related assets to secure Somilo's obligations under this loan. The loan is guaranteed by Randgold Resources until economic completion of the project has been achieved, which is expected before 31 December 2007. The loan bears interest at LIBOR plus 1.75% pre-completion of the Loulo capital programme, or at any time when Randgold Resources continues to be a guarantor of the facility. Post completion until the fourth anniversary of signing facility documentation, the interest rate is LIBOR plus 2.10% and thereafter LIBOR plus 2.25%. The weighted average interest rate for the year amounted to 6.83% (2005: 5.14%). Under the terms of this loan, the company is required to enter into certain gold price forward sales (refer note 20). 298 075 ounces of gold have been sold forward over the financial years 2007 to 2009, at an average forward price of US$436 per ounce. The facilities are margin free.

Various debt covenants apply to the loan, including:

- Limitations on material asset disposals and acquisitions.
- Restrictions with regards to the repayment of intercompany debt or dividend payments by Somilo.
- Maintain insurance with reputable insurance companies.
- Establish a Notional Debt Service Reserve Account with the minimum credit balance on all dates equal to the aggregate principal amount of and interest accruing on the loan and the aggregate amount of premium accruing in connection with the Political Risk Insurance during the six month period commencing on such date.
- Certain financial ratios need to be adhered to throughout the loan agreement.

The group is in compliance with all these requirements.

14.4 Loulo CAT finance lease

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

Notes to the consolidated financial statements

for the year ended 31 December 2006 (continued)

US$000	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
14 BORROWINGS (CONTINUED)				
14.5 Maturities				
The borrowings mature over the following periods:				
Not later than one year	24 818	22 991	-	-
Later than one year and not later than five years	25 666	49 304	-	-
Later than five years	-	234	-	-
	50 484	72 529	-	-
14.6 Finance lease liabilities - minimum lease payments				
Balance of leases outstanding	12 405	16 320	-	-
Future finance charges on leases	(2 721)	(3 801)	-	-
Present value of finance lease liabilities	9 684	12 519	-	-

At the date of origination, there was no material fair value attributable to the guarantees issued by the company on behalf of group entities to third parties. Had the value been recognised, the depreciated carrying amount would have been insignificant.

US$000	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
15 LOANS FROM MINORITY SHAREHOLDERS IN SUBSIDIARIES				
Somilo				
Government of Mali - principal amount	614	551	-	-
Deferred interest	2 159	1 932	-	-
Loans	2 773	2 483	-	-
Minority interest in accumulated profits	4 707	1 395	-	-

The government of Mali loan to Somilo is uncollateralised and bears interest at the base rate of the Central Bank of West African States plus 2%. The accrual of interest ceased in the last quarter of 2005 per mutual agreement between shareholders. The loan is repayable from cash flows of the Loulo mine after repayment of all other loans. In the event of a liquidation of Somilo the shareholder loans and deferred interest are not guaranteed.

US$000	Group 31 Dec 2006	Group 31 Dec 2005	Company 31 Dec 2006	Company 31 Dec 2005
16 FINANCIAL LIABILITIES - FORWARD GOLD SALES				
Forward gold sales	67 494	43 090	-	-
Less: current portion	(27 525)	(8 939)	-	-
Non-current portion	39 969	34 151	-	-

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

17 EMPLOYMENT COST

The group contributes to several defined contribution provident funds. The provident funds are funded on the "money accumulative basis" with the contributions of members and company having been fixed in the constitutions of the funds. All the group's employees, other than those directly employed by West African subsidiary companies, are entitled to be covered by the abovementioned retirement benefit plans. Retirement benefits for employees employed by West African subsidiary companies are provided by the state social security system to which the company and employees contribute a fixed percentage of payroll costs each month.

17 EMPLOYMENT COST (CONTINUED)

Total employee benefit cost was as follows:

US$000	Group 31 Dec 2006	Group 31 Dec 2005
Short term benefits	3 235	5 523
Pension contributions	237	200
Share based payments	2 369	2 243
Total	5 841	7 966

Share-based payments

The fair value of employee services received as consideration for equity instruments (equity settled) of the company is calculated using the Black-Scholes option pricing model. The key assumptions used in this model for options granted during the year were as follows:

	Note	Group 31 Dec 2006	Group 31 Dec 2005
Expected life		3 years	3 years
Volatility	17.1	48.96%	52.12%
Risk free interest rate		4.64%	3.72%
Dividend yield		0%	0%
Weighted average share price on grant and valuation date	17.2	US$22.50	US$12.78
Weighted average exercise price	17.3	US$22.50	US$12.78

17.1 Volatility is based on the three year historical volatility of the company's shares on each grant date.

17.2 Weighted average share price for the valuation is calculated taking into account the market price on all grant dates.

17.3 The weighted average exercise price is calculated taking into account the exercise price on each grant date. Please refer to page 59 for details provided on share options, including the number and weighted average exercise price of share options outstanding at the beginning and end of each period, options granted, exercised and lapsed during the period.

The table below summarises the information about the options outstanding:

OUTSTANDING OPTIONS	Number of shares	Weighted average contractual life (in years)	Weighted average exercise price (US$)
Range of exercise price (US$)			
AT 31 DECEMBER 2006			
1.25 - 2.13	89 456	4.08	1.81
2.50 - 3.50	43 302	4.34	3.24
5.00 - 8.25	116 556	0.61	8.25
8.05 - 8.05	974 633	7.59	8.05
12.78 - 16.15	219 000	8.56	13.98
22.50 - 22.50	192 000	9.92	22.50
	1 634 947	7.22	10.09
AT 31 DECEMBER 2005			
1.25 - 2.13	128 756	5.11	1.81
2.50 - 3.50	283 402	6.29	3.25
5.00 - 8.25	182 556	1.44	7.82
8.05 - 8.05	1 329 000	8.59	8.05
12.78 - 16.15	240 000	9.59	14.17
22.50 - 22.50	-	-	-
	2 163 714	7.59	7.71

Notes to the consolidated financial statements

for the year ended 31 December 2006 (continued)

18 SEGMENT INFORMATION

The group's mining and exploration activities are conducted in West and East Africa.
An analysis of the group's business segments, excluding intergroup transactions, is set out below.
The group undertakes exploration activities in East and West Africa which are included in the corporate and exploration segment.

A) YEAR ENDED 31 DECEMBER 2006

US$000	Group's 40% share of Morila Mine	Somilo	Corporate and exploration	Total
PROFIT AND LOSS				
Gold sales on spot	125 951	148 956	-	274 907
Loss on matured hedges	-	(12 190)	-	(12 190)
Non-cash loss on roll forward of hedges	-	(4 413)	-	(4 413)
Total revenue	125 951	132 353	-	258 304
Mining and processing costs excluding depreciation	(44 264)	(70 586)	-	(114 850)
Depreciation and amortisation	(6 233)	(16 611)	-	(22 844)
Mining and processing costs	(50 497)	(87 197)	-	(137 694)
Transport and refining costs	(244)	(467)	-	(711)
Royalties	(8 802)	(8 177)	-	(16 979)
Exploration and corporate expenditure	(2 643)	(2 886)	(23 276)	(28 805)
Other losses - net	-	(653)	-	(653)
Other income/(expenses), exchange gains/(losses) - net	169	(3 085)	2 409	(507)
Unwind of discount on provisions for environmental rehabilitation	(237)	(304)	-	(541)
Interest expense	(1 258)	(4 567)	-	(5 825)
Interest income	137	256	6 991	7 384
Profit before income tax	62 576	25 273	(13 876)	73 973
Income tax expense	(23 025)	27	(99)	(23 097)
Net profit	39 551	25 300	(13 975)	50 876
CAPITAL EXPENDITURE	(1 160)	(60 245)	(103)	(61 508)
TOTAL ASSETS	117 470	258 557	136 137	512 164
TOTAL EXTERNAL LIABILITIES	19 084	146 228	3 309	168 621
DIVIDENDS (PAID)/RECEIVED	(30 400)	-	30 400	-
NET CASH FLOWS GENERATED BY/(UTILISED IN) OPERATIONS	32 900	48 482	(10 972)	70 410
NET CASH FLOWS UTILISED IN INVESTING ACTIVITIES	(1 160)	(60 140)	(103)	(61 403)
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(1 130)	(20 626)	3 653	(18 103)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	30 610	(32 284)	(7 422)	(9 096)

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

18 SEGMENT INFORMATION (CONTINUED)

B) YEAR ENDED 31 DECEMBER 2005

US$000	Group's 40% share of Morila Mine	Somilo	Corporate and exploration	Total
PROFIT AND LOSS				
Total revenue	120 814	30 688	-	151 502
Mining and processing costs excluding depreciation	(46 048)~	(9 258)	-	(55 306)~
Depreciation and amortisation	(7 206)	(4 704)	-	(11 910)
Mining and processing costs	(53 254)~	(13 962)	-	(67 216)~
Transport and refining costs	(288)	(72)	-	(360)
Royalties	(8 398)	(1 875)	-	(10 273)
Exploration and corporate expenditure	(442)	(2 193)	(21 414)	(24 049)
Other gains - net	-	45	-	45
Other income/(expenses) exchange gains/(losses) - net	(740)	-	(832)	(1 572)
Unwind of discount on provisions for environmental rehabilitation	(254)	-	-	(254)
Interest expense	(1 180)	(681)	-	(1 861)
Interest income	174	-	1 890	2 064
Profit before income tax	56 432~	11 950	(20 356)	48 026~
Income tax expense	(170)~	-	-	(170)~
Net profit	56 262~	11 950	(20 356)	47 856~
CAPITAL EXPENDITURE	(1 742)	(82 950)	-	(84 692)
TOTAL ASSETS	111 959~	206 412	143 978	462 349~
TOTAL EXTERNAL LIABILITIES	22 456~	130 280	3 913	156 649~
DIVIDENDS (PAID)/RECEIVED	(35 880)	-	35 880	-
NET CASH FLOWS GENERATED BY/(UTILISED IN) OPERATIONS	33 712	9 510	(13 486)	29 736
NET CASH FLOWS UTILISED IN INVESTING ACTIVITIES	(1 742)	(82 751)	-	(84 493)
NET CASH (UTILISED IN)/GENERATED FROM FINANCING ACTIVITIES	(1 156)	24 877	105 248	128 969
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	30 814	(48 364)	91 762	74 212

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

19 FAIR VALUE AND RISKS OF FINANCIAL INSTRUMENTS

The group's financial instruments are set out in note 20. In the normal course of its operations, the group is exposed to commodity price, currency, interest, liquidity and credit risk. In managing some of these risks, the group enters into derivative financial instruments. All derivative financial instruments are initially recognised at fair value and subsequently measured at their fair value on the balance sheet.

19.1 Concentration of credit risk

The group's derivative financial instruments and cash balances do not give rise to a concentration of credit risk because it deals with a variety of major financial institutions. Its receivables and loans are regularly monitored and assessed. Receivables are impaired when it is probable that amounts outstanding are not recoverable. Gold bullion, the group's principal product, is produced in Mali. The gold produced is sold to a reputable gold refinery. The group is not exposed to significant credit risk, as cash is received within a few days of the sale taking place. Included in receivables is US$18.4 million net of a provision to reflect the time value of money (2005: US$20.0 million) relating to indirect taxes owing to Morila and Loulo by the State of Mali, which are denominated in FCFA. Receivables also include advances to a contractor totalling US$11.8 million net of a provision to reflect the time value of money (2005: US$12.2 million) (see note 24).

19.2 Foreign currency and commodity price risk

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

19 FAIR VALUE AND RISKS OF FINANCIAL INSTRUMENTS (CONTINUED)

19.3 Interest rate and liquidity risk

Fluctuations in interest rates impact on the value of short term cash investments and interest payable on financing activities (including long term loans), giving rise to interest rate risk. In the ordinary course of business, the group receives cash from its operations and is required to fund working capital and capital expenditure requirements. The group generally enters into variable interest bearing borrowings. This cash is managed to ensure surplus funds are invested in a manner to achieve maximum returns while minimising risks. The group has in the past been able to actively source financing through public offerings, shareholder loans and third party loans. A 1% change in interest rates on the group's net cash (cash and cash equivalents less borrowings) would result in a US$0.9 million (2005: US$0.6 million) impact on profit before tax. The group holds financial investments with an average maturity of 30 days to ensure adequate liquidity.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values of the group's financial instruments outstanding at 31 December 2006 and 2005. The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

US$000	Notes	Carrying amount 31 Dec 2006	Fair value 31 Dec 2006	Carrying amount 31 Dec 2005	Fair value 31 Dec 2005
Financial assets					
Cash and equivalents		143 356	143 356	152 452	152 452
Receivables		43 683	43 683	43 281	43 281
Financial liabilities					
Accounts payable		39 461	39 461	28 813	28 813
Current portion of long term borrowings		24 818	24 818	22 991	22 991
Long term borrowings (excluding loans from outside shareholders)		25 666	25 486	49 538	49 538
Liabilities on forward gold sales	16	67 494	67 494	43 090	43 090
Government of Mali loan		2 773	2 280	2 483	1 999

Hedging instruments	Carrying amount US$000	Forward sales ounces	Forward sales US$/oz
Financial instruments			
Details of the group's on balance sheet forward gold sale contracts as at 31 December 2006 *(all treated as cash flow hedges)*:			
Maturity dates			
Year ended 2007	27 525	132 583	438
Year ended 2008	19 062	80 496	431
Year ended 2009	20 907	84 996	437
Total	67 494	298 075	436
Financial instruments			
Details of the group's on balance sheet forward gold sale contracts as at 31 December 2005 *(all treated as cash flow hedges):*			
Maturity dates			
Loulo			
Year ended 2006	8 939	93 498	431
Year ended 2007	12 532	116 004	438
Year ended 2008	10 618	80 498	431
Year ended 2009	11 001	75 000	430
Total	43 090	365 000	433

These financial instruments were taken out as part of the Loulo project financing, but some of the contracts which matured in 2006 have been rolled forward.

20 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

For ounces delivered into hedges the net cash proceeds from the sales will be limited to the forward price per the contract as per the previous table. However, the revenue recognised under IFRS in respect of forecast sales hedging using forward contracts rolled forward in 2007 will be adjusted to exclude the non-cash profit/(loss) rolled forward. These profits/losses have already been recognised in the income statement, at the original designated delivery date (ie in 2006).

The hedge book liability as stated at present will realise as follows:

US$000	31 Dec 2006	31 Dec 2005
Amounts deferred in equity which will reduce/(increase) revenue in future periods:		
2006	-	8 984
2007	23 962	12 532
2008	19 062	10 618
2009	19 458	11 001
	62 482	43 135
The non-cash losses on rolled forward contracts for previously designated dates which have already been recognised in the income statement:		
2006	-	-
2007	3 078	-
2008	-	
2009	1 335	-
	4 413	-
The ineffective loss/(profit) portion of hedging contracts previously recognised	599	(45)
Total fair value	67 494	43 090

Movement in the hedging reserve

US$000	31 Dec 2006	31 Dec 2005
Opening balance	(43 135)	(15 668)
Movement on cash flow hedges		
□ Transfer to income statement	17 256	(45)
□ Fair value movement on financial instruments	(36 603)	(27 422)
Closing balance	(62 482)	(43 135)

Estimation of fair values

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

The carrying amounts are a reasonable estimate of the fair values because of the short maturity of such instruments. Long term receivables are discounted using the effective interest rate which approximates a market related rate.

Long term borrowings

The fair value of market-based floating rate long term debt is estimated using the expected future payments discounted at market interest rates.

The fair value for the loans from minority shareholders is based on estimated project cash flows which have been discounted 6.75% (2005: 6.5%).

Gold price contracts

The fair value of gold price forward sales contracts has been determined by reference to quoted market rates at year end balance sheet dates. See note 3.

US$000	Group 31 Dec 2006	Group 31 Dec 2005
21 COMMITMENTS AND CONTINGENT LIABILITIES		
Capital expenditure contracted for at balance sheet date but not yet incurred is:		
Property, plant and equipment	10 450	6 000

The group's capital commitments relating to the Morila joint venture, included above, amount to US$0.1 million (2005: US$0.5 million). There are no contingent liabilities for Morila. If the group were to early terminate its mining contract at Loulo, it would have to pay a lump sum compensation depending on the maturity of the contract. If the contract had been cancelled in 2006 then the payment would have been US$6.7 million (2005: US$8.3 million).

Operating lease commitments

The lease relates to the oxygen plant at Loulo leased from Maligaz.
The duration of the contract is 10 years and the contract is renewable for additional periods of five years thereafter.

The lease expenditure charged to the income statement during the year is disclosed in note 25.
The future aggregate minimum lease payments* under operating leases are as follows:

US$000	2006	2005
No later than one year	323	292
Later than one year and no later than five years	1 292	1 168
Later than five years	969	1 168
	2 584	2 628

* *These payments also include payments for non-lease elements in the arrangement.*

22 RELATED PARTY TRANSACTIONS

In terms of the operator agreement between Morila SA and AngloGold Ashanti Services Mali SA, a management fee, calculated as 1% of the total revenue of Morila, is payable to AngloGold Services Mali SA quarterly in arrears. The attributable management fees for the year ended 31 December 2006 amounted to US$1.3 million (2005: US$1.2 million). Purchasing and consultancy services are also provided by AngloGold Ashanti to the mine on a reimbursable basis. The attributable purchases and consultancy services for the year ended 31 December 2006 amounted to US$0.1 million (2005: US$0.4 million). There were no balances outstanding at year end.

Key management personnel compensation was as follows:

US$000	2006	2005
Short term employee benefits	4 863	3 853
Share-based payments	1 434	2 053
Total	6 297	5 906

This includes compensation for two executive directors, seven non-executive directors and nine executive management personnel.

23 NON GAAP INFORMATION

Total cash costs and cash cost per ounce are non GAAP measures. Total cash costs and total cash costs per ounce are calculated using guidance issued by the Gold Institute. The Gold Institute was a non profit industry association comprised of leading gold producers, refiners, bullion suppliers and manufacturers. This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and revised in November 1999. Total cash costs, as defined in the Gold Institute's guidance, include mine production, transport and refinery costs, general and administrative costs, movement in production inventories and ore stockpiles, transfers to and from deferred stripping where relevant, and royalties. Under the company's revised accounting policies, there are no transfers to and from deferred stripping.

23 NON GAAP INFORMATION (CONTINUED)

Total cash costs per ounce are calculated by dividing total cash costs, as determined using the Gold Institute guidance, by gold ounces produced for the periods presented. Total cash costs and total cash costs per ounce are calculated on a consistent basis for the periods presented. Total cash costs and total cash costs per ounce should not be considered by investors as an alternative to operating profit or net profit attributable to shareholders, as an alternative to other IFRS measures or an indicator of our performance. The data does not have a meaning prescribed by IFRS and therefore amounts presented may not be comparable to data presented by gold producers who do not follow the guidance provided by the Gold Institute. In particular depreciation, amortisation and share-based payments would be included in a measure of total costs of producing gold under IFRS, but are not included in total cash costs under the guidance provided by the Gold Institute. Furthermore, while the Gold Institute has provided a definition for the calculation of total cash costs and total cash costs per ounce, the calculation of these numbers may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, Randgold Resources believes that total cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides an indication of a company's profitability and efficiency, the trends in cash costs as the company's operations mature, and a benchmark of performance to allow for comparison against other companies.

Cash operating costs and cash operating cost per ounce are calculated by deducting royalties from total cash costs. Cash operating costs per ounce are calculated by dividing cash operating costs by gold ounces produced for the periods presented.

Gold sales and the average price received are non GAAP measures. Gold sales represents the sales of gold at spot and the gains/losses on hedge contacts which have been delivered into at the designated maturity date. It excludes gains/losses on hedge contracts which have been rolled forward to match future sales. This adjustment is considered appropriate because no cash is received/paid in respect of these contracts. Average price received is calculated by dividing gold sales by gold ounces sold. These measures do not have a meaning prescribed by IFRS and should not be regarded as an alternative to the revenue measures presented under IFRS.

Profit from mining activity is calculated by subtracting total cash costs from gold sales for all periods presented.

The following table reconciles gold sales, total cash costs and profit from mining activity, as non GAAP measures, to the information provided in the income statement, determined in accordance with IFRS, for each of the years set forth below:

US$0000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Gold sales on spot	274 907	151 502
Loss on matured hedges	(12 190)	-
Gold sales#	262 717	151 502
Mine production costs	115 217	66 612
Movement in production inventory and ore stock piles	(13 373)	(18 744)~
Transport and refining costs	711	360
Royalties	16 979	10 273
General and administration expenses	13 006	7 438
Total cash costs	132 540	65 939~
Profit from mining activity	130 177	85 563~
Depreciation and amortisation	(22 844)	(11 910)
Exploration and corporate expenditure	(28 805)	(24 049)
Interest and other income	8 552	3 367
Other (losses)/gains - net	(653)	45
Exchange losses/(gains) - net and other expenses	(2 216)	(3 129)
Interest expense	(5 825)	(1 861)
Non-cash loss on roll forward of hedges	(4 413)	-
Profit before income tax	73 973	48 026~

~ *Restated due to change in accounting policy relating to deferred stripping. Refer note 6.*

Gold sales does not include the non-cash loss on the rolled forward hedges amounting to US$4.4 million (2005: US$ nil).

24 SIGNIFICANT UNCERTAINTIES RELATING TO TRANSACTIONS WITH A CONTRACTOR

The directors believe that the group is entitled to recover US$59.3 million from MDM Ferroman (Pty) Ltd ("MDM") (in liquidation), the contractor which was responsible for construction of the Loulo mine ("the project") until the main construction contract was taken back on 30 December 2005. This comprises payments totalling US$32 million which have been capitalised as part of the cost of the project, US$15.2 million in respect of damages arising from the delayed completion of the project, and advances of US$12.1 million (2005: US$12.2 million) included in Receivables. Of this latter amount, US$7 million is secured by performance bonds and the remainder is secured by various personal guarantees and other assets.

As part of the group's efforts to recoup the monies owed, MDM was put into liquidation on 1 February 2006. This resulted in a South African Companies Act Section 417 investigation into the business and financial activities of MDM, its affiliated companies and their directors. This investigation is ongoing, and the liquidators are not expected to release a statement of MDM's assets and liabilities until it has been completed.

The directors believe that the group will be able to recover in full the US$12.1 million included in Receivables. However, this is dependent on the amounts which can be recovered from the performance bonds, personal guarantees and other assets provided as security. Any shortfall is expected to be recovered from any free residue accruing to the insolvent estate. The aggregate amount which will ultimately be recovered cannot presently be determined. The financial statements do not reflect any additional provision that may be required if the US$12.1 million cannot be recovered in full.

Recovery of the other US$47.2 million is dependent on the extent to which the group's claim is accepted by the liquidators and the amount in the free residue. The ultimate outcome of this claim cannot presently be determined. The financial statements do not reflect any adjustment to the cost of the Loulo development that may arise from this claim, or any additional income that may arise from the claim for damages, or any charge that may arise from MDM's inability to settle amounts that are determined to be payable by MDM to the group in respect of the Loulo development.

25 MINING AND PROCESSING COSTS AND OTHER DISCLOSABLE ITEMS

Mining and processing costs comprise:

US$000	Year ended 31 Dec 2006	Year ended 31 Dec 2005
Mine production costs	115 217	66 612
Movement in production inventory and ore stockpiles	(13 373)	(18 744)~
Depreciation and amortisation	22 844	11 910
General and administration expenses	13 006	7 438
	137 694	67 216~

~ *Restated due to change in accounting policy relating to stripping costs. Refer note 6.*

Operating lease payments	323	292
Impairment of receivables	1 550	1 009

26 EXPLORATION AND CORPORATE EXPENDITURE

Exploration and corporate expenditure comprise:

Exploration expenditure	13 959	8 723
Corporate expenditure	14 846	15 326
	28 805	24 049

27 POST BALANCE SHEET EVENTS

On 5 February 2007, the board of directors declared an annual dividend of 10 cents per share which will result in an aggregate dividend payment of US$6.9 million.

Subsidiary and joint venture companies

at 31 December 2006

	Issued share capital	Effective holding %	Shares 31 Dec 2006 US$000	Shares 31 Dec 2005 US$000	Indebtedness 31 Dec 2006 US$000	Indebtedness 31 Dec 2005 US$000
INTEREST OF RANDGOLD RESOURCES						
□ Mining Investments Jersey Limited+	2	100	-	-	-	-
□ Randgold Resources (Côte d'Ivoire) Limited+	2	100	-	-	-	-
□ Randgold Resources Côte d'Ivoire SARL***	835	100	-	-	-	-
□ Randgold Resources (Mali) Limited+	2	100	-	-	-	-
□ Randgold Resources Mali SARL**	2	100	2	-	5 347	-
□ Randgold Resources (Senegal) Limited+	2	100	-	-	-	-
□ Randgold Resources (Somilo) Limited+	2	100	-	-	-	-
□ Randgold Resources Tanzania (T) Limited§	2	100	-	-	-	-
□ Randgold Resources T1 Limited+	1	100	-	-	-	-
□ Randgold Resources T2 Limited+	1	100	-	-	-	-
□ Seven Bridges Trading 14 (Proprietary) Limited*	1 000	100	-	-	(157)	144
□ Somilo SA**	97 407	80	5 745	5 745	145 424	112 738
□ Joint Venture Oxford/ Randgold SARL#	100	65	-	-	-	-
□ Morila Limited#	2	50	-	-	-	-
□ Morila SA**	14 285	40	271	271	139	30

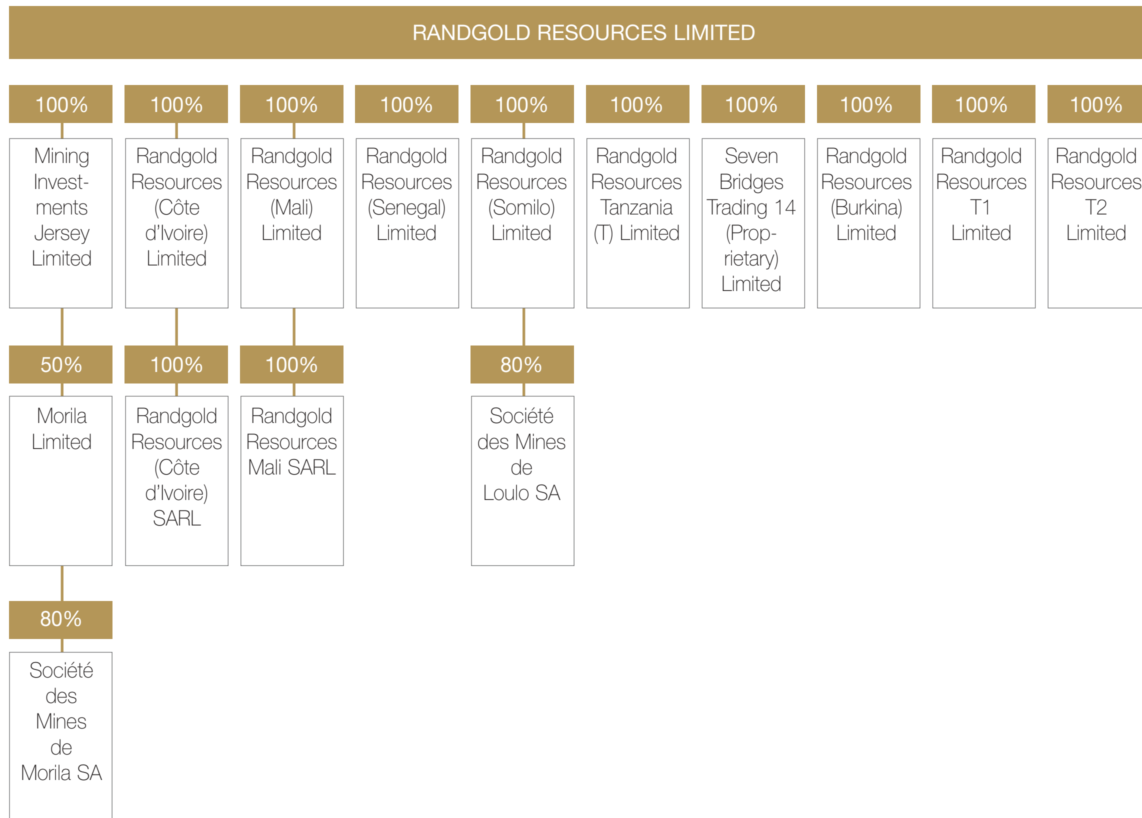
Aggregate after-tax profits for the year attributable to the company from its subsidiary and joint venture companies amount to US$27 million (2005: US$21.6 million).

Note:

+ *Companies incorporated in Jersey, Channel Islands*
* *Companies incorporated in South Africa*
** *Companies incorporated in Mali*
*** *Companies incorporated in Côte d'Ivoire*
§ *Companies incorporated in Tanzania*
# *Joint venture company*

Group structure

for the year ended 31 December 2006



Total shareholders' return vs HSBC global gold index