

# RANDGOLD

RANDGOLD & EXPLORATION COMPANY LIMITED



ANNUAL REPORT 2009



## VISION & MISSION

The R&E board remains focused on the recovery of assets allegedly misappropriated whilst simultaneously protecting and growing the company's existing asset base.

## CONTENTS

Corporate information	2
Forward-looking statement	4
Group structure	5
Report of the chairman and CEO	6
Report of the chief financial officer	10
Corporate governance	14
Curricula vitae	18
Legal report	20
Prospecting rights	24
Annual financial statements	30
Shareholder analysis	63
Notice of annual general meeting	64
Form of proxy	69

**Company Secretary and registered office of  
Randgold & Exploration Company Limited (R&E)**

(Registration number: 1992/005642/06)

RP Pearcey FCIS

7th Floor, Fredman Towers, 13 Fredman Drive  
Sandown, Sandton, 2196

(PO Box 650905, Benmore, 2010)

Telephone: +27 11 676 2202

Facsimile: +27 11 783 9116

Website: [www.randgoldexp.co.za](http://www.randgoldexp.co.za)

**South African Attorneys to R&E**

Van Hulsteyns

3rd Floor Sandton City Office Tower, 158 5th Street  
Sandton, 2196

(PO Box 783436, Sandton, 2146)

Telephone: +27 11 523 5300

Facsimile: +27 11 523 5326

**United States Solicitors to R&E**

Paul, Hastings, Janofsky & Walker LLP

75 East 55th Street, First Floor, New York NY 10022

Telephone: +1 (212) 318 6000

Facsimile: +1 (212) 319 4090

**South African Transfer Secretaries to R&E**

Computershare Investor Services (Proprietary) Limited

(Registration number 2004/003647/07)

Ground Floor, 70 Marshall Street, Johannesburg, 2001

(PO Box 61051, Marshalltown, 2107)

Telephone: +27 861 100 950 or +27 11 370 5000

**United Kingdom Transfer Secretaries to R&E**

St James's Corporate Services Limited

6 St James's Place, London SW1A 1NP, United Kingdom

Telephone: +44 (20) 7499 3916 (overseas)

Facsimile: +44 (20) 7491 1989

**Communications for R&E**

Brian Gibson Issue Management

Brian Gibson

23 Sutherland Avenue, Craighall Park, 2196

(PO Box 406, Parklands, 2121)

Telephone: +27 11 880 1510

Facsimile: +27 11 880 1392

**European Solicitors to R&E**

Fox Williams LLP

Ten Dominion Street, London EC2M 2EE

Telephone: +44 (020) 7628 2000

Facsimile: +44 (020) 7628 2100

## CORPORATE INFORMATION

**Sponsor and Corporate Advisor to R&E**

PSG Capital (Proprietary) Limited  
 (Registration number 2006/015817/07)  
 1st Floor, Ou Kollege Building, 35 Kerk Street  
 Stellenbosch, 7600  
 (PO Box 7403, Stellenbosch, 7599)  
 Telephone: +27 21 887 9602  
 Facsimile: +27 21 887 9624

**and at**

1 Woodmead Drive, Woodmead, 2128  
 (PO Box 987, Parklands, 2121)  
 Telephone: +27 11 797 8400  
 Facsimile: +27 11 802 3689

**Auditors to R&E**

KPMG Inc.  
 (Registration number 1999/021543/21)  
 KPMG Crescent, 85 Empire Road, Parktown, 2193  
 (Private Bag 9, Parkview, 2122)  
 Telephone: +27 11 647 7111  
 Facsimile: +27 11 647 8000

**United Kingdom Registrars to R&E**

Capita Registrars Limited  
 The Registry  
 34 Beckenham Road, Beckenham, Kent BR3 4TU  
 United Kingdom  
 Telephone: +44 (20) 8639 2157 (overseas)  
 Telephone: 0870 162 3100 (local)  
 Facsimile: +44 (20) 8639 2342

**United States Depository*****In the United States***

Jason Paltrowitz  
 The Bank of New York, 101 Barclay Street, New York, NY 10286  
 Telephone: +1 212 815 2077 (overseas)

***In the United Kingdom***

Mark Lewis  
 The Bank of New York  
 41st Floor, 1 Canada Square, Canary Wharf, London, E14 5AL  
 Telephone: +44 (20) 7964 6089 (overseas)



## FORWARD-LOOKING STATEMENT

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Certain statements in this document as well as oral statements that may be made by the officers, directors or employees of Randgold & Exploration Company Limited (“R&E” or “the company”) acting on its behalf relating to the information herein, contain “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. All statements, other than statements of historical facts, are “forward-looking statements”. These include, without limitation, those statements concerning the frauds and misappropriations which are alleged to have been perpetrated against R&E and/or any of its subsidiaries (the R&E group) and the time periods affected thereby; the ability of the R&E group to recover any assets and/or investments allegedly misappropriated from the R&E group; the outcome of any proceedings on behalf of, or against the R&E group; the time period for completing any forensic investigation(s); the amount of any claims R&E is or is not able to recover against others and the ultimate impact on the previously released financial statements and results, assets and investments of the R&E group including the business, operations, economic performance, financial condition, outlook and trading markets of R&E and/or any of the companies in which R&E has invested. Although R&E believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct, particularly in light of the extent of the frauds and misappropriations allegedly perpetrated against the R&E group and/or uncovered to date. Actual results could differ materially from those implied by or set out in the forward-looking statements.

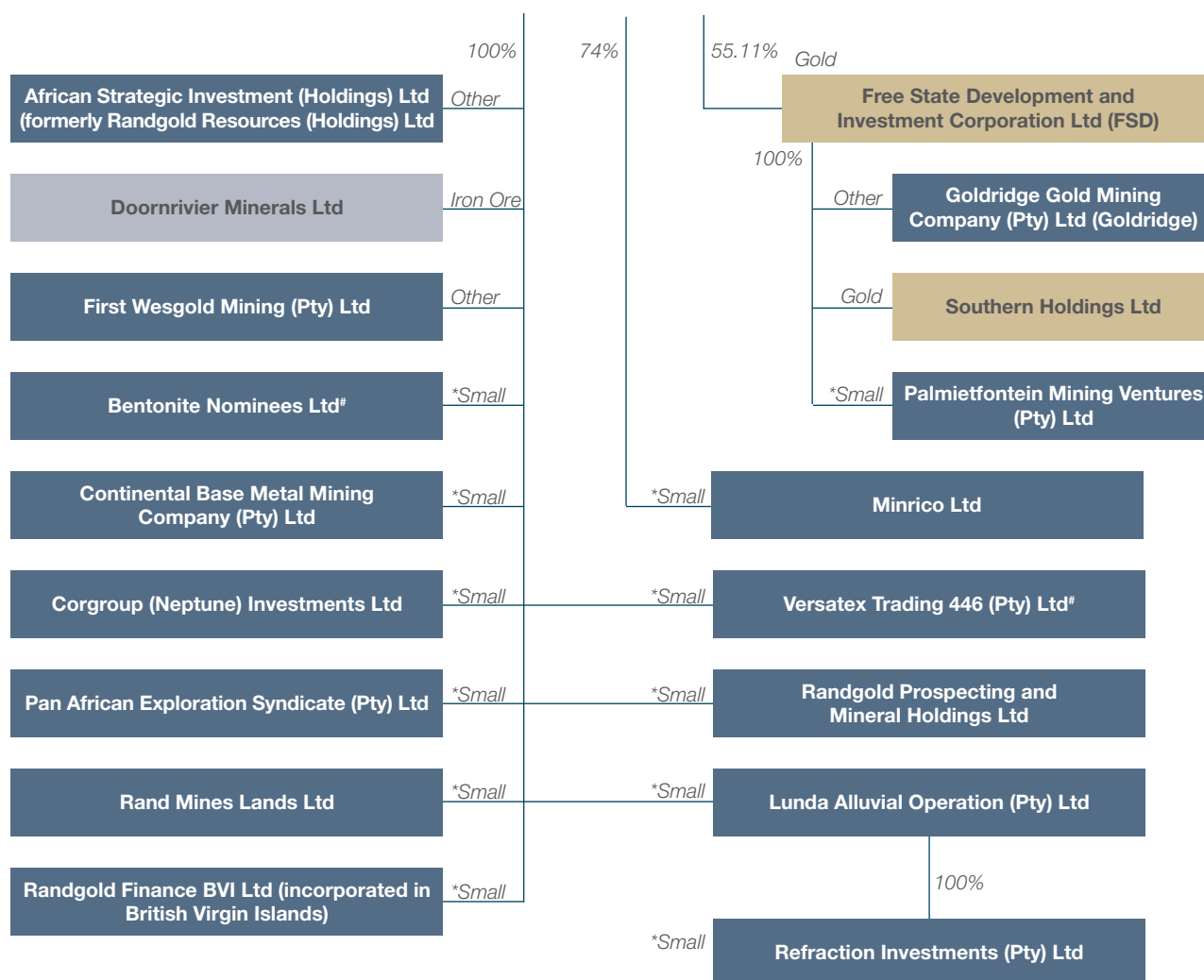
Among other factors, these include the extent, magnitude and scope of any frauds and misappropriations that may ultimately be determined to have occurred and the time periods and facts related thereto following the completion of any forensic investigation and any other investigations that may be

commenced and the ultimate outcome of such investigations; the ability of R&E to successfully assert any claim(s) it may have against other parties for alleged fraud and/or misappropriation of the R&E group’s assets or otherwise and the solvency of any of such parties; the ability of any alleged perpetrators or any other party which has been sued by the R&E group to successfully countersue R&E and/or join JCI Limited (JCI) in any of the litigation in which the R&E group is engaged at any stage; the acceptance of any statement and opinion by the shareholders of R&E; the ability of R&E to successfully defend any counterclaim(s) or proceedings against the R&E group; the ability of R&E and/or the forensic investigators to obtain the necessary information with respect to the transactions, assets, investments, subsidiaries and associated entities of R&E so as to complete the forensic investigation or any aspect thereof or which may require further investigation; the willingness and ability of the forensic investigators to issue any final opinions with respect thereto; the ability of R&E to implement improved systems; the JSE Limited’s (JSE) willingness to lift the company’s suspension of the trading of R&E’s securities on that exchange; changes in economic and market conditions; fluctuations in commodity prices and exchange rates; the success of any business and operating initiatives, including any prospecting or mining rights; changes in the regulatory environment and other government actions; business and operational risk management; other matters not yet known to R&E or not currently considered material by R&E; and the risks identified in R&E’s press releases and other filings and submissions previously made with the United States Securities and Exchange Commission.

All forward-looking statements attributable to R&E, or persons acting on its behalf, are qualified in their entirety by these cautionary statements. R&E expressly disclaims any obligation to release publicly any update or revisions to any forward-looking statements to reflect any changes in expectations, or any change in events or circumstances on which those statements are based, unless otherwise required by law.

**GROUP STRUCTURE**  
for the year ended 31 December 2009

**Randgold & Exploration Company Ltd**



<sup>#</sup> Deregistered in the reporting period

\* Small – These entities do not make significant contributions to the R&E group



**David Kovarsky (Chairman)**

**“We are also excited that R&E now has the ability to deliver significant value.”**

## **REPORT OF THE CHAIRMAN AND CEO**

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### **DEAR SHAREHOLDER**

The R&E board presents this year's annual report to our shareholders with a mixed sense of relief and high expectation. Our relief relates to the agreement reached with JCI and JCIF to settle our longstanding dispute with the JCI group as announced at the annual general meeting (AGM) on 21 January 2010. This achievement follows failed attempts, including various settlement and merger proposals, to give effect to the Mediation and Arbitration Agreement entered into with JCI on 7 April 2006.

Our expectation at the time of publishing this report is that the proposed settlement will indeed be finalised at the respective meetings of JCI and R&E shareholders expected to be held before June 2010. All the major shareholders of both companies have given their irrevocable support to vote in favour of the proposed settlement agreement.

We are also excited that R&E now has the ability to deliver significant value in both the short and long term. R&E is likely to distribute approximately R12.90 per share to shareholders on implementation of the proposed settlement agreement, while retaining assets of about R6.80 per share for further development or distribution over the medium and longer term.

### **PROPOSED SETTLEMENT AGREEMENTS**

In terms of the proposed settlement, R&E shareholders will receive 8.1 Gold Fields Limited (GFI) shares for every 100 shares invested in R&E. In addition, JCI shares consisting of 52% of the ordinary share capital of JCI will be unbundled and distributed to R&E shareholders – effectively transferring control of JCI to the R&E shareholder base.

Quantifying the above distribution is dependent on the market value of Gold Fields and JCI shares. Should one assume a value for GFI of, say, R100 per ordinary share and for JCI of, say, R0.19 per share, the distribution would represent a very substantial R12.90 per R&E share, or a total of R905 million.

As shareholders are aware, GFI is a highly liquid gold share with significant potential upside in the current global economic environment. Unfortunately, JCI is currently still suspended from trading on the JSE. We urge JCI management to take the necessary steps to remedy its current illiquid status. We refer you to the statements made in this regard in the JCI circular to shareholders which will be published in the near future and its 31 December 2009 NAV statement published in February 2010.

In addition to the settlement agreement with JCI, R&E also entered into an additional litigation settlement agreement with JCI, Investec and various entities related to Mr. Monty Koppel, which was also announced at our 21 January 2010 AGM. (The settlement agreement was subsequently approved by JCI shareholders at a special meeting held on 8 March 2010.) One of the main objectives of this agreement was to resolve the complex litigation surrounding JCI's Investec facility, effectively unlocking JCI's assets from the Investec security pool. Following JCI's assets being released from the Investec security pool, JCI will be in a position to discharge its obligations under the proposed settlement agreement with R&E.

As part of the arrangements to give effect to the litigation settlement agreement, R&E has upon its implementation agreed to its claims against Investec and its related entities being settled. We refer shareholders to page 20 of this annual report for a more detailed account of the terms and conditions attached to the two settlement agreements.

Somewhat surprisingly, the developments which culminated in the proposed settlement agreement with JCI took place against the backdrop of JCI initiating a court challenge against the validity of the Mediation and Arbitration Agreement which has engaged us for more than four years. R&E obviously intends to oppose the court application. The parties have agreed to defer the matter pending finalisation of the current settlement agreement.



**Marais Steyn (Chief Executive Officer)**

**“The R&E board has overseen the recovery of R190.5 million to date, with the prospect of an additional R905 million and R23.6 million as a result of the settlement agreement with JCI and others.”**

## REPORT OF THE CHAIRMAN AND CEO (CONTINUED)

### NET ASSET VALUE (NAV)

Prior to the proposed settlement distributions referred to above, R&E had a substantially liquid NAV, as illustrated in the following table:

The unaudited NAV as at 31 December 2009 (pre settlement of the JCI dispute)

<b>ASSETS</b>	<b>R'000</b>
<b>Listed investments</b>	<b>405 677</b>
Gold Fields Limited	215 271
JCI	190 406
<b>Other assets</b>	<b>416 799</b>
Prospecting rights	261
Loan receivable from JCI Gold	207 543
Trade receivables including settlements	46 477
Cash and cash equivalents	162 518
<b>TOTAL ASSETS</b>	<b>822 476</b>
<b>LIABILITIES</b>	
<b>Other liabilities</b>	<b>(170 337)</b>
Post-retirement medical benefit obligation	(34 575)
Income tax payable	(8 756)
Trade and other payables	(127 006)
<b>NET ASSETS</b>	<b>652 139</b>
<b>ISSUED SHARES (adjusted for treasury shares)</b>	<b>71 813 128</b>
<b>NAV per share – Rand</b>	<b>9.08</b>

**Notes:**

1. The Gold Fields shares were valued using the volume weighted average price for the month of December 2009 being R106.11.
2. The JCI shares were valued based on their published NAV as at 31 December 2009, adjusted for Randgold's updated 31 December 2009 NAV, being 61.99 cents per share.
3. The prospecting rights were valued at cost which is consistent with the IFRS treatment in the financials. This value will only be adjusted if management is virtually certain that an increased value will be realised. This is a change from previously published NAV statements where prospecting rights were shown at the competent persons' report (CPR) value.

Some 26% of the total assets included in R&E's historical NAV is exposed to the gold market through its investment in Gold Fields Limited and R&E's gold-related prospecting rights. Most of the balance of the NAV is comprised of JCI shares, cash and secured loans to the JCI group, making the company extremely liquid. Should the proposed JCI settlement be implemented, the JCI shares, valued at R190 million (reduced to approximately R60 million post-settlement), will also be unbundled and distributed to shareholders.

**OTHER SETTLEMENTS AND ASSET RECOVERIES**

Shareholders need no reminding of the extent to which R&E has allegedly been the victim of wide-scale fraud and theft. An update in regard to certain legal actions instituted by the group against third parties in its bid to recover R&E's assets is contained on page 20 of this report. Further details of the claims are to be found in R&E's legal statement in the settlement circular.

The R&E board has overseen the recovery of some R190,5 million to date through, among other things, various liquidated estates and settlements. Of particular significance

is the recovery of R41 million from Brett Kebble's estate. In addition, R14 million was paid by Tlotlisa Securities (Pty) Limited and R5 million by Société Générale (Johannesburg) (SocGen) in terms of their respective settlement agreements.

Over and above the R905 million likely to materialise from the proposed JCI settlement, a further R23,6 million will be recovered as a direct result of the implementation of the litigation settlement agreement referred to in the legal report on page 21.

**THE FUTURE**

The remaining claims against various parties are strategically evaluated on an ongoing basis and shareholders are once again assured that the board will always adopt a commercial and pragmatic approach towards recoveries. R&E's board will also explore all reasonable opportunities to maximise the value of the company's assets post-distribution.

Now that the audited accounts for the 2009 financial year have been published, the re-listing of the company on the JSE is a real possibility. The settlement circular will be distributed to shareholders shortly after this annual report. It serves the dual purpose of seeking shareholder approval for the proposed settlement with JCI and, secondly, serves as a listing document, hopefully paving the way for the lifting of the suspension of the company's ordinary shares during the year.

**APPRECIATION**

We would like to pay tribute to our colleagues on the board and in the management of R&E, along with our sponsoring brokers, auditors and legal advisors, who have helped the company break out of the long period of frustration. We also want to thank our shareholders for their patience over the years, which we believe will now be finally rewarded.

**David Kovarsky**  
Non-executive Chairman

**Marais Steyn**  
Chief Executive Officer



**Van Zyl Botha**

**“Group results for the year was positive, showing net income of R64 million before tax.”**

## **REPORT OF THE CHIEF FINANCIAL OFFICER**

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R&E is pleased to present its third set of audited financial statements since the suspension of the company on the JSE on 1 August 2005, covering the results for the financial year ended 31 December 2009.

At R&E's AGM held on 21 January 2010, the shareholders approved *inter alia* the audited financial statements of the company for the financial years ended 31 December 2007 and 2008; and R&E's unaudited, disclaimed, consolidated financial statements for the years ended 31 December 2004, 2005 and 2006.

The publication of the first set of audited financial statements since the reconstitution of the board on 24 August 2005 was welcomed by the shareholders (some voted by proxy), 96% of whom voted to approve the statements.

During 2009, the R&E finance team focused on publishing its revised historical results and extracting value from its legal claims, with specific focus on the claims against JCI. The key tasks included:

- Publication of financial statements for 2004 to 2008;
- Publication of financial statements for 2009;
- Preparation of information required by the JSE to lift the suspension of R&E's shares, which is an ongoing process;
- Preparation of a settlement circular;
- Protection of the company's remaining assets and increasing their value to the fullest extent possible; and
- Recoupment of assets to the fullest extent practicable and pursuing legal actions against parties that have allegedly wronged the company.

We are pleased to report that despite enormous challenges, we substantially achieved our objectives. Excluding the proposed JCI settlement, we recovered substantial funds, which allowed the R&E group to fund its continued operations without impacting on the value of the company's remaining assets and net asset value.

The 2007 and 2008 results, along with the financial statements for the year ended 31 December 2009, will form the basis of an application to the JSE to re-list R&E or lift the suspension in the trading of its shares on the JSE.

Despite the cash flow demands of litigation, R&E continues to fund its operations from settlements reached and recoveries made without impacting on the company's net asset value.

Recoveries through litigation could continue to be a major source of additional value in the years ahead. Of course, litigation in South Africa and in the United Kingdom is time consuming and costly. Management will constantly review its position and pursue only commercially viable options. Solid foundations have been laid for future litigation and we are eagerly awaiting the hearings on these matters.

### THE INCOME STATEMENT

The group results for the 2009 year were positive, showing net income of R64 million before tax.

This is mainly as a result of recoveries made and finance income earned on funds invested and loans to the JCI group. Continued expenditure on consulting, forensic, legal, audit fees and tax advisors was necessary to achieve the desired outcomes. In this

regard, it is worth noting that R&E made additional recoveries of R60 million in the year under review.

The group also incurred substantial expenses in pursuit of the proposed merger with JCI and subsequent settlement negotiations. R&E shareholders approved the proposed merger with overwhelming support but the requisite majority of votes to give effect to the proposed merger was ultimately not obtained from JCI shareholders. The subsequent settlement with JCI was however successfully concluded, as discussed in the CEO's report, and will be reflected in the 2010 financial results, if implemented.

### THE BALANCE SHEET

The major assets of the R&E group as at 31 December 2009 consist of cash, secured loans and gold-related investments. The group's cash investments are safeguarded against risk and fluctuations, as the board has implemented a minimum risk approach in this regard. Loans to the JCI group have been adequately secured and have been repaid subsequent to the financial year ended 31 December 2009.

The value of the group's investment of 2 028 684 Gold Fields Limited (GFI) shares continues to fluctuate considerably. Between the beginning of 2008 and the end of 2009, the share price saw a low of R76 per share and a high of R125 per share, representing a fluctuation of R99 million in the asset value of between R155 million and R254 million. The closing price at 31 December 2008 was R91,90 representing R186 million and R97,98 at 31 December 2009 representing a value of R199 million. The increase in fair value from R91,90 to R97,98 per share has primarily been accounted for in the



## REPORT OF THE CHIEF FINANCIAL OFFICER (CONTINUED)

investment fair value reserve, in terms of the group's accounting policy for the fair value movements in available-for-sale financial assets.

Cash investments are monitored daily in conjunction with a specialist treasury firm to maintain optimal returns with minimal associated risks. More than 80% of these investments yield a tax-free dividend return.

The R&E group's prospecting rights are stated at cost less impairments as we do not have sufficient geological information to allow us to declare the resources or reserves. The group intends to retain most of its prospecting rights but has sold certain of these rights in prior reporting periods where it was commercially sound to do so. We expect to incur prospecting expenditure of R15 million over the next two years as required by our prospecting works programmes, and will progressively review the exploration programme to ensure efficient application of the company's resources.

The post-retirement medical benefit obligation is unfunded. The group continues to fulfil its obligations. However, in managing the liability, we have successfully offered members of the medical aid scheme a cash amount in exchange for the renunciation of their benefits under the scheme, an alternative which is proving to be more beneficial to the group.

Income tax for the group currently consists of tax payable by the Free State Development and Investment Corporation Limited (FSD) group on interest earned and a historical tax liability carried forward from 2004. R&E itself has calculated tax losses as at

31 December 2009, but no deferred tax assets were raised as it is not probable that there would be future taxable profits to offset the tax losses against. Certain tax matters dating back to 1998 that were part of the Kebble legacy are in the process of being finalised with the South African Revenue Service.

### CASH FLOW

The group's primary cash in flows were a result of investing activities, with various loans owing to the group being repaid.

The group utilised this cash to fund its operations during the year. The majority of income was non-cash, but received in cash post-year-end, such as interest on the JCI loans and R49 million in settlements. The cash flows from investing activities consisted of further advances by the group to the JCI group and the partial repayments thereof. As mentioned above, the loans further advanced to the JCI group were all settled early in 2010.

### OUTLOOK

The 2010 expenditure outlook is similar to that for the 2009 year. Expenditure on legal and operational expenses is expected to be at a similar level, which is likely to prevail until all claims have been finalised.

### CONCLUSION

R&E continues to operate as an investment and exploration company in the gold mining sector, and continues to focus on the recovery of assets (allegedly misappropriated) as a high priority.

The company's financial management team is enthusiastic and endeavours at all times to contain operating expenses and cash outflows. Management also strives to strike a balance between investing in litigation and preserving current assets.

I would like to thank our board for their determination and vigilance in achieving a settlement with JCI for approval by shareholders and furthermore to the finance team who were able to finalise the 2009 financial accounts rapidly over the traditional holiday period. Special thanks go to Marleen Schalkwijk, Nico Hoffman, Arno Kotze and our company secretary, Roger Pearcey.

### Van Zyl Botha

*Chief Financial Officer*



## CORPORATE GOVERNANCE

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R&E and its directors continue to be committed to the principles of good corporate governance and to applying the highest ethical standards in conducting the business and affairs of the R&E group.

The group further endorses the principles of openness, integrity and accountability as advocated by the Code of Corporate Practices and Conduct set out in the King II report on Corporate Governance (King II); and with effect from 1 March 2010, as espoused in the King III report on Corporate Governance (King III).

During the 2009 financial year, the company complied with the principles contained in King II.

There is no one-size-fits-all approach to corporate governance and the board of directors believe that the corporate governance framework should be appropriate to the size of the company, its complexity, its structure and the risks affecting it, providing a structure through which objectives are regularly set and monitored. Where the company has not constituted certain of the recommended committees (due to limited resources), the board of directors as a whole has assumed responsibility for these duties.

### **CONTINUAL IMPROVEMENTS IN THE IMPLEMENTATION OF GOOD GOVERNANCE PRACTICES**

The company constantly strives to develop and improve existing corporate governance structures and practices to ensure continued compliance with the recommendations of King II and King III (with the advent thereof on 1 March 2010) and other good governance practices.

For 2010 the key corporate governance areas of focus will remain:

- to continue to maintain compliance with the principles as contained in King II and to ensure compliance with the principles of King III; and
- a continued focus on strategic issues at board level.

## BOARD OF DIRECTORS

The current board comprises four directors, one executive and three independent non-executives. The positions of chairman and chief executive officer are separately held with a clear division of duties. The independent non-executive directors have a wide range of differing expertise, as well as financial and commercial experience and other skills that enable them to bring independent judgement to board deliberations and decisions. The board meets at least quarterly and on other occasions where necessary.

The board continually strives to give strategic direction to the company for the benefit of its shareholders. A formal agenda is prepared for consideration at all such meetings.

The board recognises its responsibility to retain full and effective control over the company. The board also authorises all material matters, which are reserved for its consideration.

The board further reviews practices for the mentoring of senior management and the board will continue reviewing terms of reference for the various subcommittees of the board.

A board charter was approved and adopted with effect from 24 June 2004, setting out its mission, role, duties and responsibilities. The board continues to adhere thereto.

The board of directors comprised the following directors for the 2009 financial year:

- DC Kovarsky           Independent Non-executive Chairman
- M Steyn                Chief Executive Officer
- MB Madumise        Independent Non-executive Director
- DI de Bruin           Independent Non-executive Director

Mr DI de Bruin resigned on 19 February 2010 and Mr JH Scholes was appointed on the same date.

## ATTENDANCE AT DIRECTORS' MEETINGS

The board met seven times in 2009. Attendance of meetings was as follows:

	DC Kovarsky	M Steyn	DI de Bruin	MB Madumise
23 April	P	P	P	P
3 June	P	P	P	P
4 June	P	P	P	P
18 June	P	P	P	P
31 July	P	P	P	P
15 October	P	P	P	P
27 November	P	P	P	P

P indicates attendance

## TERMS OF EMPLOYMENT OF DIRECTORS

The board determines the remuneration of executive directors and other senior executive managers. The sole executive director is an employee of the company, has standard terms and conditions of employment and does not receive any special remuneration or other benefits. There is no restraint of trade in place.

No non-executive director has an employment contract with the company.

Directors have an obligation to attend and to actively participate in meetings of the board and board committees on which they serve, to spend the time required and to meet as frequently as necessary to discharge their duties and responsibilities with due care. They are also expected to attend the annual general meeting of shareholders.

## CODE OF CONDUCT

The company approved of and adopted a Code of Conduct on 24 June 2004.



## CORPORATE GOVERNANCE (CONTINUED)

### RETIREMENT BY ROTATION

Article 80 of the company's Articles of Association, requires one third of the directors to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting.

In accordance with the company's Articles of Association, the following director retires by rotation, and has offered herself for re-election:

- MB Madumise (Independent Non-executive Director)

A brief *curriculum vitae* of the director standing for re-election is set out on page 19.

### NEW APPOINTMENTS

All new appointments to the board of directors are formal and transparent and are a matter for consideration by the board as a whole, assisted by the nominations committee where appropriate.

In terms of Article 88 of the company's Articles of Association, *"any director appointed during the year shall hold office only until the next following annual general meeting, and shall then be eligible for re-election at that meeting"*.

Mr JH Scholes was appointed on 19 February 2010 and accordingly resigns in terms of the Articles of Association and is eligible and available for re-election.

### COMPANY SECRETARY

The board is responsible for the selection and appointment of the company secretary who must be a suitably qualified person as contemplated in Section 268 of the Companies Act, No. 61 of 1973 (the Act).

The company secretary is responsible for the duties set out in Section 268(G) of the Act and for ensuring compliance with the JSE Listings Requirements.

Directors have access to the services and advice of the company secretary.

The certificate required to be signed in terms of section 268(G)(d) of the Act appears on page 32 of this report.

The secretary of the company is RP Pearcey (FCIS).

### AUDIT COMMITTEE

The audit committee charter was approved and adopted with effect from 24 March 2004. The audit committee is comprised of two independent non-executive directors. Meetings are normally attended by the company secretary as secretary to the committee, the external auditors, the chief executive and the chief financial officer.

During 2009 members of the committee were:

- DC Kovarsky (Chairman); and
- DI de Bruin (Independent Non-executive Director), who resigned on 19 February 2010.

Current members:

Since the resignation of DI de Bruin, all independent non-executive directors took responsibility for this function with DC Kovarsky as Chairman.

The committee's terms of reference and its responsibilities include, among others:

- The appointment and/or termination of the external auditors, including their independence and objectivity;
- Determining the audit fee of the external auditors;
- Considering and determining the use of the external auditors for non-audit related services;
- Determining in conjunction with the external auditors the nature and scope of the audit;
- Evaluating the effectiveness of the external audit;
- Considering the appropriateness of the expertise and experience of the financial director;
- Reviewing and approving the accounting policies and practices and any proposed changes thereto;
- Assisting the directors in fulfilling their responsibilities, ensuring that published financial reports are objective, complete and accurate; and
- Receiving and dealing with complaints related to accounting matters.

The committee also meets with the external auditors, outside of meetings, as frequently as is necessary.

### Report of the audit committee

The current audit committee met twice during 2009. Both audit committee members attended these meetings.

Arising from the attendance of these meetings and the interactions with the external auditor, the audit committee has executed its duties and responsibilities relating to the 2009 financial year in accordance with its terms of reference. Since July 2008, the company has not had a financial director as required by JSE regulations. The company will make such an appointment in due course as it is not practicable at this stage.

The audit committee is satisfied that KPMG Inc. is independent of the R&E group.

### NOMINATIONS COMMITTEE

A nominations committee charter was approved of and adopted with effect from 24 June 2004. Currently, all non-executive directors constitute the nominations committee.

### REMUNERATION COMMITTEE

A remuneration committee mandate was approved and adopted by the board of directors with effect from 24 March 2004. Currently, the entire board of directors constitutes the remuneration committee.

### DEALING IN SECURITIES

The company has adopted a "closed period" policy which complies with the JSE Listings Requirements. During this time, the directors, company secretary and designated employees are prohibited from dealing in the company's securities, either directly or indirectly, on the basis of unpublished price-sensitive information about the business. Identified employees are advised to that effect. A closed period arises automatically from the end of a financial reporting period until the publication of financial results complying with the JSE Listings Requirements for that period. Additional closed periods may be declared from time to time if circumstances so warrant. Dealings in securities by directors and officers of the company require prior approval

by the chairman or chief executive officer, depending on the person dealing in the securities. Any share dealings by directors and the company secretary of the company are notified to the JSE for publication via SENS.

No director held any shares, directly or indirectly in the company during 2009 and up to the date of this report.

### DIRECTOR AND OFFICER LIABILITY INSURANCE

The company has in place directors' and officers' liability insurance which provides some cover against legal action by third parties.

## CURRICULA VITAE

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**David Chaim Kovarsky (61)**

*Non-executive Chairman*

BComm (Hons), CA(SA)

Date of appointment: 5 December 2007

After qualifying as a chartered accountant, David was appointed as an audit manager at Arthur Andersen. In 1983 he joined JCI in a corporate finance function, eventually progressing to controlling JCI's Ferrochrome arm, CMI. Thereafter David ran Times Media Limited (TML) and served on the boards of listed companies such as TML, SA Breweries, M-Net and Premier Milling. Subsequently David has been involved in finance and strategy consulting functions and served as the CEO of companies of varying sizes.

He served as chief financial officer for Western Areas between August 1998 and August 2000. Currently David is the CEO of International Ferro Metals Limited, a London listed company producing ferrochrome in South Africa.



**Marais Steyn (37)**

*Chief Executive Officer*

BComm (Hons), CA(SA)

Date of appointment: 13 December 2006

After qualifying as a chartered accountant, Marais was appointed as a manager in the audit and management consulting departments at KPMG. Subsequently, he managed and founded an auditing and corporate advisory firm serving the needs of various major corporations and parastatals. Prior to his appointment to the board of R&E, he served as financial director of Alease Limited, a JSE-listed gold and uranium mining company.

## Brief curricula vitae of current directors and Chief Financial Officer



### **Motsehoa Brenda Madumise (44)**

*(Independent non-executive director)*

BProc LLB, MBA, Dip International Trade Law

Date of appointment: 24 July 2003

Brenda holds a BProc LLB and a Graduate Diploma in International Trade Law from the University of the Witwatersrand and an MBA from Bond University. Brenda is a non-practicing advocate with extensive experience in business, commercial and corporate law through serving on various private and public-sector boards. In 2006 and 2007 she served on the Minerals and Petroleum Development Board and wrote numerous opinions on the application of the Minerals and Petroleum Development Act in the mining sector. She currently provides management consultancy services to various clients in the fields of labour law, contract management, governance and risk management. She is also the executive chairperson of Khomelela Investments (Pty) Limited and currently serves on the Board of Hospitality Fund and Bayport Financial Services.



### **John Hulme Scholes (43)**

*(Independent non-executive director)*

BA (Law), LLB (Wits)

Hulme holds a BA Law and LLB degree from the University of the Witwatersrand and is an admitted attorney of the High Court of South Africa. Hulme specialised in mining and mineral law and has practised exclusively in the field for 15 years. He was appointed as a commercial director of Aquarius Platinum (AQPSA) during 2008 and was a partner at Werksmans Attorneys from 1999 to 2008 and a non-executive director of AQPSA from 2004 until he became an executive director of AQPSA in 2008.



### **Van Zyl Botha (29)**

*Chief Financial Officer*

BComm (Stellenbosch), (Hons) CA(SA)

Date of appointment: 1 August 2009

After qualifying as a chartered accountant, Van Zyl founded a financial consulting firm focused on the mining industry. He consulted for dual listed mining companies and was involved in government consulting at the Department of Defence through the office of the Auditor General. He joined R&E in 2006 to assist with accounting and forensic requirements and was subsequently appointed as group financial manager and as CFO on 1 August 2009.



## LEGAL REPORT

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Further to the various litigation updates, previous legal reports and statements issued by R&E to its shareholders regarding the status of the litigation in which R&E and/or certain of its subsidiaries (the R&E group) are and have been engaged since the reconstitution of R&E's board of directors on 24 August 2005 (the date of reconstitution), the following constitutes an update in regard only to those matters where settlements have been concluded or significant developments have occurred in the various legal matters in which the R&E group was engaged in 2009 and subsequent to 20 November 2009 (being the date up to which R&E's last legal report, which formed part of R&E's annual report in respect of the financial periods ended 31 December 2007 and 2008 covered such claims) up to 9 March 2010.

Consequently, this legal report should be read in conjunction with the legal report which featured in R&E's annual report for 2007 and 2008 (which is to be found on pages 30 to 34 thereof, a copy of which is posted on R&E's website at [www.randgoldexp.co.za](http://www.randgoldexp.co.za)) and R&E's litigation statement which is included as an annexure to the settlement circular. R&E's litigation statement details the full extent of the legal matters in which the R&E group has been engaged since the date of reconstitution up to 9 March 2010.

What follows is a brief update in regard to the matters referred to above.

For a more in-depth account of the various litigation matters in which the R&E group has been engaged and of settlements concluded, please refer to prior updates, statements and reports in relation to such matters (which can be downloaded from R&E's website at [www.randgoldexp.co.za](http://www.randgoldexp.co.za)), as well as to R&E's litigation statement attached to the settlement circular.

A brief reference to the matters referred to above appears below.

### **Part I: The arbitration against JCI Limited (JCI)**

Following the lapsing of the settlement agreements concluded between R&E, JCI and JCI Investment Finance (Pty) Limited (JCIIF) initially on 31 August 2009 and subsequently on 18 September 2009, R&E on 22 September 2009 announced on SENS that it was referring its disputes with JCI to arbitration.

On 6 November 2009, JCI issued an application out of the South Gauteng High Court (Johannesburg) (the JCI application) for an order declaring that the disputes between R&E and JCI should not be arbitrated upon and, moreover, that the Mediation and Arbitration Agreement concluded between R&E and JCI on 7 April 2006 and subsequently amended (the Arbitration Agreement) should cease to have any effect with regard to such disputes. Although R&E delivered a notice to oppose the JCI application, in the light of the settlement agreement concluded between R&E, JCI and JCIIF on 20 January 2010 (referred to hereunder), the parties have agreed that pending the implementation of the settlement agreement, the JCI application will be held over and only returned to in the event of the settlement agreement not being implemented.

Dependent hereon, the enforceability of the Arbitration Agreement may in due course need to be pronounced upon by the High Court. Should the settlement with JCI not be implemented, R&E's claims against JCI will be pursued in the appropriate forum.

### **Part II: Claims against third parties**

#### *The settlement agreement between R&E, JCI and JCIIF*

On 20 January 2010, R&E, JCI and JCIIF concluded a settlement agreement (the updated settlement agreement). The updated settlement agreement is subject to the fulfilment of a number of suspensive conditions. In broad terms, upon the implementation of the updated settlement agreement:

1. JCI and JCIIF will cause 6 051 632 Gold Fields Limited ordinary shares (the GFI shares) to be transferred to R&E;
2. JCI will allot and issue 1 555 710 220 new JCI ordinary shares (the new JCI shares) to R&E, representing approximately 44% of the issued share capital of JCI post the issue of such new JCI shares;
3. R&E will, following the transfer of the GFI shares to R&E, make a capital distribution of such GFI shares to R&E's shareholders qualifying as such in proportion to their respective shareholdings;
4. R&E will unbundle the new JCI shares as well as the JCI shares already held to R&E's shareholders qualifying as such in proportion to their respective shareholdings.

Following the implementation of the updated settlement agreement, the JCI group and certain of JCI's directors and officers only will be personally discharged from the R&E claims against them and vice versa.

The further details of the updated settlement agreement are set out in the settlement circular.

#### *The litigation settlement agreement*

On 22 January 2010, R&E and African Strategic Investment (Holdings) Limited (ASI) concluded an agreement with JCI, JCIIF, Investec Bank Limited (Investec), Investec Bank PLC (Investec PLC), Letseng Diamonds Limited, Hawkhurst Investments Limited, Discus Limited, Global Management Overseas Limited, Latitude Investments Limited and the Azalia Trust (the litigation settlement agreement).

Certain legal proceedings in relation to various legal disputes, which legal disputes are defined in the litigation settlement agreement, have been instituted amongst certain of the parties to the litigation settlement agreement (the litigation disputes).

Upon the fulfilment of the suspensive conditions to the litigation settlement agreement, the parties, for commercial reasons and in order to avoid costly litigation, agreed, without making



## LEGAL REPORT (CONTINUED)

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any admissions or concessions as to liability, to resolve the litigation disputes on the basis set out in the litigation settlement agreement.

On 8 March 2010, the last of the suspensive conditions was fulfilled, when the shareholders of JCI voted in favour of the resolution to pay Investec a settlement fee of R267.5 million and R40 million to Letseng Diamonds, representing the Letseng indemnity costs as defined in the agreement.

The litigation settlement agreement has now become unconditional and is being implemented.

The provisions of the litigation settlement agreement and the payments to be made in terms thereof constituted settlement of the litigation disputes insofar as the parties to the litigation settlement agreement are concerned.

The litigation settlement agreement is independent of the updated settlement agreement.

Further details in regard to the litigation settlement agreement are set out in the circular.

### **Part III: Update in regard to claims against third parties**

*Roger Brett Kebble (Brett Kebble)*

Shareholders will recall that in March 2006, R&E successfully brought an application to posthumously sequestrate the estate of Brett Kebble. R&E initially proved a claim at the first meeting of creditors in Brett Kebble's estate in the amount of R1,968 billion and subsequently proved additional claims in excess of R711 million.

In March 2009, R&E and First Wesgold Mining (Pty) Limited (First Wesgold) issued summons out of the Western Cape High Court against the Trustees of Brett Kebble's estate claiming additional relief against him. In due course, R&E and First Wesgold will seek to obtain judgment against Brett Kebble's estate in respect of such claims.

Arising from such claims, R&E made a substantial recovery in the amount of R41 million from Brett Kebble's estate which the Master approved in December 2009 which was paid out in January 2010.

#### *Société Générale Johannesburg Branch (SocGen)*

It will be further recalled that in August 2008, R&E and ASI proceeded with summons out of the South Gauteng High Court (Johannesburg) against SocGen. Although initially defended, such action has subsequently become settled. The details hereof appear in Part IV below.

#### *Paul Main (Main)*

R&E and ASI have issued summons out of the Western Cape High Court (Cape Town) against Main for various relief. Such actions are being defended by Main.

In October 2009, R&E and ASI issued a claim out of the High Court of Justice, Chancery Division, claiming various relief against Main. Main has recently filed a defence to the claim, which is being considered.

#### *Investec and Investec PLC*

In August 2008, R&E and ASI issued summons out of the South Gauteng High Court (Johannesburg) against Investec.

In 2008, ASI and R&E also issued a claim out of the High Court of Justice, Chancery Division, London, against Investec PLC and Investec.

Although both claims were initially defended, in terms of the litigation settlement agreement each of these claims have become settled.

#### *Application by BNC*

In January 2009, Roger Kebble (Roger) proceeded with an application out of the South Gauteng High Court (Johannesburg) to set aside a subpoena to attend an enquiry into the trade, dealings and affairs of BNC at the beginning of February 2009.

R&E was cited as a respondent to the application. R&E did not oppose the application, but filed an affidavit addressing certain aspects of the application which warranted clarification. In March 2009, the application was dismissed by the South Gauteng High Court. (Roger was declined leave to appeal against the judgment, resulting in him petitioning the Supreme Court of Appeal for leave to appeal which application was also unsuccessful).

## **Part IV: Settlements concluded**

### *The litigation settlement agreement*

Save for the claims enjoyed by the R&E group and the JCI group against each other and certain claims against third parties instituted by the R&E group and the JCI group prior to the conclusion of the litigation settlement agreement or to be instituted, (all of which were excluded from the litigation settlement agreement) the parties to the litigation settlement have settled the claims between them, if any.

### *T-Sec and others*

Following the issue of summons by R&E and ASI out of the South Gauteng High Court (Johannesburg) in August 2008 against Tlotlisa Securities (Pty) Limited (T-Sec), Tlotlisa Holdings Limited (T-Sec Holdings), Gray and Leonard Steenkamp (Steenkamp), a settlement agreement was concluded in February 2009. In terms of the settlement agreement, T-Sec was obliged to make payment of R14 million to R&E, which it has paid. The action against Gray for payment of an amount of R80 million was not settled in terms of the settlement agreement; however, should the updated settlement agreement between R&E, JCI and JCIF be implemented, Gray will be released from this claim.

### *SocGen*

R&E, ASI and SocGen *inter alia* concluded a settlement agreement which was signed by SocGen on 27 November 2009 in terms of which SocGen agreed to make payment of a settlement amount of R5 million to R&E. The settlement amount has now been paid by SocGen in consequence of which R&E and ASI have withdrawn the action instituted by them against SocGen.



## PROSPECTING RIGHTS

### FOREWORD

The Randgold & Exploration group has several prospecting rights which it intends to further develop and promote. Because of the historical nature and strategic location of some of these projects, significant data sometimes exists that has been used to estimate resources and where appropriate to plan and implement additional work and drilling. The strategic location of many of the properties to existing mining developments and infrastructure, coupled with the current buoyant commodity prices, especially gold, have turned these projects into valuable assets. In this regard the company is in the process of negotiating with a number of companies to realise their best value.

### PROSPECTING RIGHTS BACKGROUND

The Mineral and Petroleum Resources Development Act No. 28 of 2002 (MPRDA), came into effect on 1 May 2004 and

has played a significant role in the transformation of the South African mining industry. The Act, which effectively transferred the ownership of privately held mineral rights to the state, has enabled third parties to apply to the Department of Minerals and Energy, (now the Department of Mineral Resources (DMR)), for new order prospecting rights over the previously privately owned mineral rights.

R&E and its subsidiary companies have embraced this transformation and have converted old order prospecting rights to new order prospecting rights over those areas with the best potential.

New order prospecting rights are generally valid for up to five years, with options for extensions. The new order prospecting rights require 26% Black economic empowerment which R&E and its subsidiaries have achieved. All new order rights have been executed and prospecting on the various projects has commenced.



*Locality of Randgold Projects*

**PLATINUM PROSPECTING RIGHT**

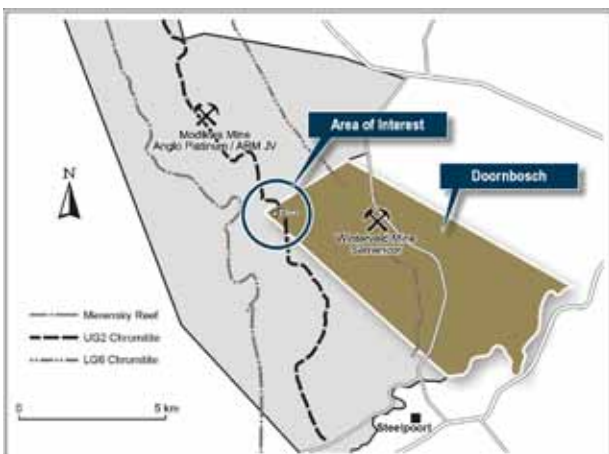
**Doornbosch Project**

R&E holds the Prospecting Rights for platinum group metals (PGMs) nickel (Ni) and copper (Cu) over the farm Doornbosch 294 KT north of the town Steelpoort, Mpumalanga Province. Prospecting work has focused on a small portion of the farm in the north-west corner, where there is a known occurrence of upper group2 (UG2) chromitite reef. Ground mapping was done to confirm the position of the outcrop on the property and was followed up by drilling a diamond borehole to retrieve a sample of the reef and estimate a resource.

During the last reporting period, the field mapping done was followed by the drilling of a borehole (DBH1), which

intersected the UG2 chromitite reef at around 135 metres below surface. Samples were analysed for Platinum Group metals and gold as well as Cu and Ni from which a SAMREC compliant, indicated resource was estimated at 184 000 oz at 4.67 g/t (3PGE+Au) over a selected stoping width of 102 cm (including part of a hanging wall and footwall).

It is believed that the resource is too small for a stand-alone operation and discussions were initiated between R&E and Anglo Platinum (APL) as to a possible transaction. Through technical discussions with APL, it was agreed that the values obtained from borehole DBH1 varied from the local average in terms of thickness and grade for the chromitite reef and that a final resource estimate amounts to 157 026 oz at 7.77 g/t (3PGE + Au) over 61,5 cm (chromitite reef portion only).



*The Doornbosch Platinum Project*



*The Doornbosch Project in relation to the Modikwa Resource*

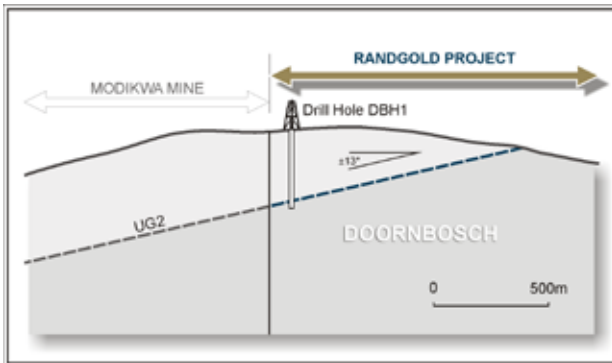


## PROSPECTING RIGHTS (CONTINUED)

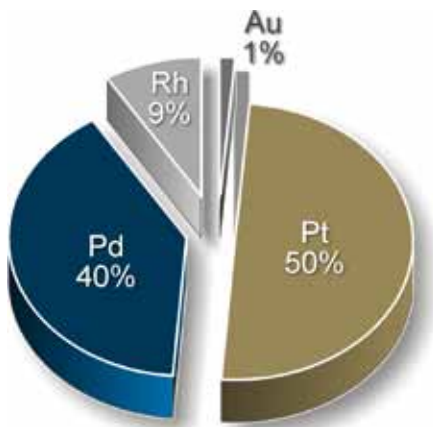
<b>In-situ UG2 Indicated Resource Estimate for Doornbosch</b>								
Regolith plan area		80 576	Dip-corrected regolith plan area		82 868			
Unoxidised plan area		206 974	Dip-corrected unoxidised plan area		212 862			
Total plan area		287 549	Dip-correct total plan area		295 730			
Total Area on Dip (m <sup>2</sup> )	Ave with (m)	Calculated volume (m <sup>3</sup> )	Ave UG2 density (g/cm <sup>3</sup> )	Calculated tones	Ave UG2 Grade (3PGE+Au)	Calculated PGE kg	Calculated ounces	
Regolith area	82 868	0.615	50 964	4.318	220 062	7.773	1 711	55 001
Unoxidised area	212 862	0.615	130 910	4.318	565 271	7.773	4 394	141 281
Total area	295 730	0.615	181 874	4.318	785 333	7.773	6 104	196 283
<i>In-situ ounces after geological loss:</i>						20.0%	157 026	

This information has been extracted from a summary competent person's report included as an annexure to the settlement circular.

**The UG2 resource estimate (as per average parameters agreed between R&E and APL)**

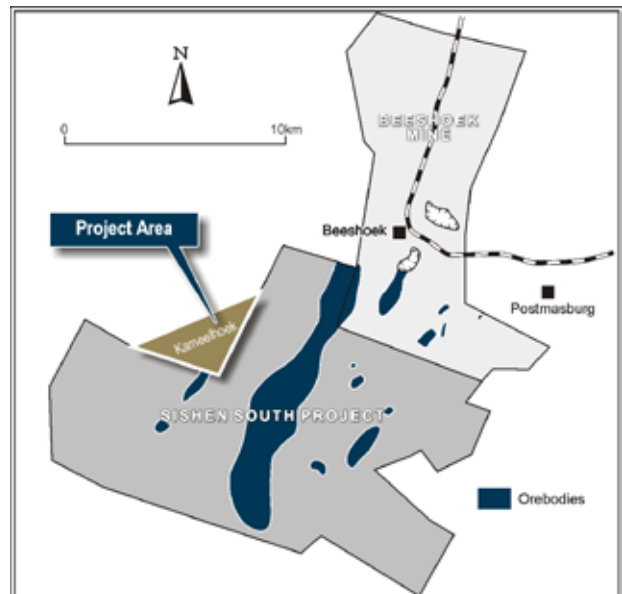


**Dip profile section through DBH1**



**Precious Metal split for DBH1**

## IRON ORE PROSPECTING RIGHT



**Location of the Kameelhoek Project**

### Kameelhoek Project

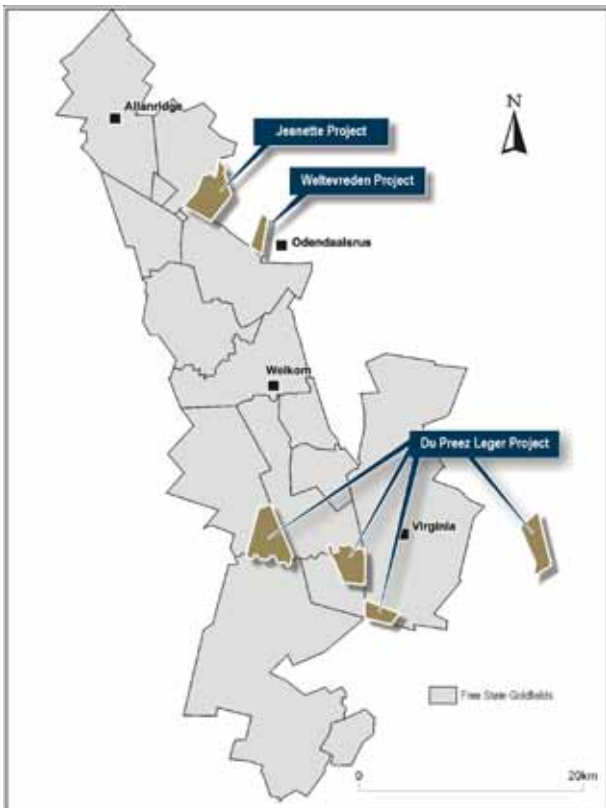
The prospecting rights for iron covers the southern portion of the farm Kameelhoek 477 which is located in the iron and manganese district south of Postmasburg in the Northern Cape Province. The property adjoins the new Sishen South iron ore

mine, currently under development. Negotiations with Kumba Iron Ore concerning prospecting and potential incorporation of the area into the future mine have progressed well.

Potential iron ore associated with the Manganore Iron formation (Blinklip Breccia), the underlying Wolhaarkop Breccia (Manganese Marker) and the overlying Doornfontein Conglomerate of the Gamagara Formation outcrop over about 1.5 km south-east of the property and dips to the east towards Sishen-South Mine covering an area of about 90 ha. This is an extension of the shallow, high grade ore body to the south on the Sishen-South Mine.

**GOLD PROSPECTING RIGHTS**

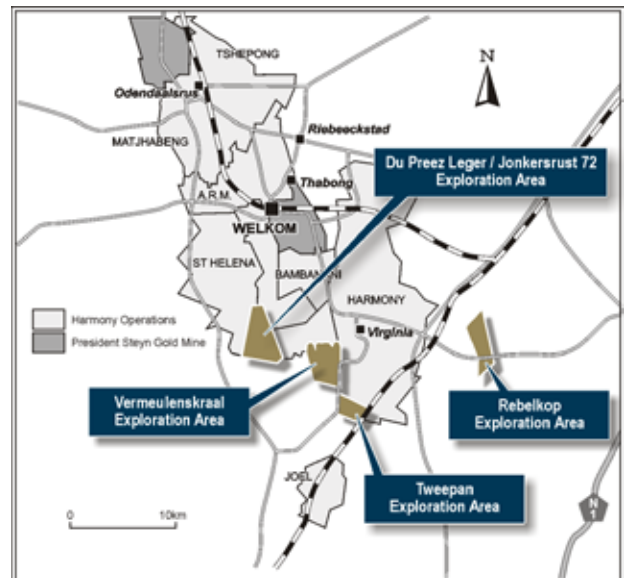
*Location of Randgold Gold Projects*



**Du Preez Leger Project**

The Du Preez Leger Project comprises four exploration areas in the southern Free State Goldfield of the Witwatersrand Basin, adjoining producing gold mines including Harmony's St Helena, Unisel and Merrispruit shafts and Gold Fields' Beatrix Mine. The new order prospecting rights, issued on 7 November 2006, is held by FSD, a subsidiary of R&E, and is valid until 6 November 2011. The four exploration areas include the farms Du Preez Leger 324 and Jonkersrust 72 (the Du Preez Leger area), Vermeulenskraal 223 (the Vermeulenskraal area), Tweepaan 678 and Millo 639 (the Tweepaan area) and Rebelkop 456 (the Rebelkop area).

*Areas of interest*



The potential of the properties, with the exception of Rebelkop, has been well demonstrated by historical drilling both on and around the properties. No invasive physical exploration activities have been conducted by FSD to date, and accordingly the environment has not been impacted.



## PROSPECTING RIGHTS (CONTINUED)

The placers of primary economic interest at the adjacent mines as well as at the Du Preez Leger project area are the Basal and Leader Reefs. The Leader Reef underlying the three blocks of ground represented by Du Preez Leger, Vermeulenskraal and Tweepan all occur in a relatively similar depositional setting near the unconformity of the Basal Reef against the overlying Leader Reefs. The potential exists in these areas for the Leader Reef to be enriched where it has eroded the underlying Basal Reef.

The two areas of Du Preez Leger and Vermeulenskraal are both partially underlain by Basal Reef of good grade at relatively shallow depth that are strategically located adjacent to current mining development. On the Vermeulenskraal and Tweepan 678 properties, which have more marginal Leader Reef, depth is the critical economic factor. The eastern part of both properties have potential where the Leader and Beatrix

reefs occur at moderate depths associated with upthrown structural blocks.

The Rebelkop property may have potential for shallow Leader and Beatrix reefs. However, it is untested and its remote locations renders it unfavourable for the development of a mine. Due to the limited information available regarding the Rebelkop area, it has not been evaluated for a Mineral Resource.

Minxcon (Pty) Ltd (Minxcon) was recently commissioned to compile a competent persons report (CPR) using historical drillhole data and have estimated a SAMREC-compliant diluted inferred resource for the combined Basal and Leader reefs of 56.91 Mt at a grade of 5.02 g/t, using a cut-off grade of 250 cm.g/t, stoping width of 120 cm and 5% geological loss.

### The Basal and Leader Reefs Resource estimate

Mineral resource area	Cut-off (cm.G/t)	Tonnage		Geo loss (%)	Tonnage		Au (g/t)	Diluted Au (g/t)	Cw (cm)	Sw (cm)	Content	
		Reef (mt)	Sw (mt)		Reef (mt)	Sw (mt)					('000 Kg)	(Moz)
Total Basal Reef	0	9.97	13.75	5	9.47	13.06	9.49	6.88	114	134	89.89	2.89
	250	8.18	10.18	5	7.77	9.67	11.13	8.94	125	139	86.47	2.78
Total Leader Reef	0	48.82	60.53	5	46.38	57.5	4.67	3.77	103	129	216.63	6.96
	250	40.00	49.72	5	38.00	47.23	5.24	4.22	105	130	199.30	6.41
Basal and Leader Reefs	0	58.79	74.28	5	55.85	70.57	5.49	4.34	104	130	306.52	9.85
	250	48.18	59.90	5	45.77	56.91	6.24	5.02	108	132	285.77	9.19

Notes: SW – Minimum Stopping Width of 120 cm; CW – Corrected Channel Width

### The Du Preez Leger mineral asset valuation

Farm Name	Total	Lower Price: Q(.50)	Risk Adjusted Price	Upper Price: Q(.75)	Lower Value	Fair Value	Upper Value
Exploration areas with resources	oz	USD/oz			ZAR'000		
Comparative method total DP, V, M, T	9 188 507	2.03	3.21	8.39	141 668	223 445	584 891
Historical cost method total DP, V, M, T				234 765	26 661	28 991	
Exploration areas without resources	ha	ZAR/ha			ZAR'000		
Rebelkop	690	17 867	25 000	53 011	12 320	17 239	36 554
Valuation range					153 988	240 684	252 003

Note: DP – Du Preez Leger; V – Vermeulenskraal; M – Millo; T – Tweepan

This information has been extracted from a summary competent person's report, prepared by Minxcon, and included as an annexure to the settlement circular.

A full mineral asset valuation of the Du Preez Leger project was also conducted by Minxcon, effective 19 February 2010. A 2010 forecast rand/dollar exchange rate of ZAR7.59 to the USD was used in the conversion of the USD. The valuation range for the total value for the project was established at between ZAR153.988 million and ZAR252.003 million respectively; with a fair value of ZAR240.684 million. No account of any modifying factors such as mining methods, metallurgical treatment processes and parameters, taxation, socio-economic, marketing or political factors were taken into account.

Owing to its significant resources and strategic location, a number of parties have expressed interest in the Du Preez Leger project, and negotiations are in progress. Although significant data are available on the project, the company is also considering the possibility of drilling additional geological boreholes during 2010 and 2011 to further enhance the value of the project. The estimated funding requirements for exploration for the 2009 – 2010 combined year is ZAR5.185 million and for 2011 is ZAR350 000. R&E has sufficient cash resources to fund future exploration and environmental work.

### **The Weltevreden Project**

The prospecting right for gold, silver and uranium covers 272 ha of portions of the farms Leeuwbosch 285 and Kutlwanong 451 in the Free State goldfield, adjoining the northern boundary of Harmony's Tshepong gold mine. The prospecting right was granted on 21 January 2010 and desktop studies have been initiated to assess the potential of the property on which the Basal Reef is believed to be developed.

### **The Jeanette Project**

The prospecting rights for gold, silver and uranium ores covers contiguous portions of three farms which include Buitendachshoop 122, Weltevreden 59 and Emmanuel 433 which adjoin the previously defined Jeanette mining lease area in the Free State Gold Field. Historical drilling records indicate encouraging mineral grades associated with the Basal and A reefs that, if consolidated with adjoining ground, could support a potential mining project. The right was granted on

1 June 2009, and desktop studies have been implemented as well as discussions with parties who are interested in consolidating potential resources for a future mine.

### **The Sterkfontein Project**

The Sterkfontein project was located south of the Weltevreden and Tau Lekota gold mines of the Klerksdorp Gold Field in the Free State Province. The project was assessed by an external independent geological consultant using historically available data and concluded to contain VCR reef typical of thin low-grade facies which was determined to have low potential for economically viable gold mining. The project was subsequently closed in order to prevent prospecting costs accruing to the company.

### **Disclaimer**

*"The information furnished in this report regarding the possible value of the prospecting rights is made available for purposes of disclosure only and should in no way be relied upon or accepted as representing the actual value of such prospecting rights and/or as indicative of any future economic benefits which may flow to the company in respect hereof. The company has assessed the value of such prospecting rights at the historical cost thereof (see page 52 of the company's annual financial statements for the financial year ended 31 December 2009) which it persists with. In so far as any value ascribed to the prospecting rights in this circular is at variance with the historical cost as disclosed in the annual financial statements the company disclaims such valuation in its entirety and cautions against any reliance being placed hereon. Should circumstances change in future which give rise to the need to re-assess the historical cost ascribed to the prospecting rights, the value thereof will be revisited at such stage, in the light of the circumstances which may arise."*

# ANNUAL FINANCIAL STATEMENTS

## CONTENTS

Directors' responsibility statement	31
Declaration by the company secretary	32
Independent auditors' report	33
Directors' report	34
Consolidated statement of comprehensive income	37
Consolidated statement of financial position	38
Consolidated statement of changes in equity	39
Consolidated statement of cash flows	40
Notes to the consolidated financial statements	41 – 62

## DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 31 December 2009

The directors are responsible for the preparation and fair presentation of the group annual financial statements of Randgold & Exploration Company Limited, comprising the consolidated statement of financial position at 31 December 2009 and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 34 to 62, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these 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.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management.

The directors' have made an assessment of the group and company's ability to continue as a going concern and there is no reason to believe the businesses will not be going concerns in the year ahead.

The auditor is responsible for reporting on whether the group annual financial statements are fairly presented in accordance with the applicable financial reporting framework.

### Approval of group annual financial statements

The group annual financial statements of Randgold & Exploration Company Limited, as identified in the first paragraph, were approved by the board of directors on 9 March 2010 and signed on its behalf by:

**DC Kovarsky**

Independent Non-executive Chairman

**M Steyn**

Director and Chief Executive Officer

**V Botha**

Chief Financial Officer

9 March 2010

Johannesburg, South Africa

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## DECLARATION BY THE COMPANY SECRETARY

I, in my capacity as company secretary, declare that, to the best of my knowledge, in terms of section 268(G)(d) of the Companies Act, 1973, the company has, save for obtaining dispensation from the Registrar of Companies from lodging an unaudited interim financial report for the half year ended 30 June 2009, lodged with the Registrar of Companies all such returns as are required of a public company in terms of this Act and that all such returns are true, correct and up to date in respect of the financial period reported upon.

**RP Pearcey**

Company Secretary

9 March 2010

Johannesburg, South Africa

## INDEPENDENT AUDITORS' REPORT

To the members of Randgold & Exploration Company Limited

We have audited the group annual financial statements of Randgold & Exploration Company Limited, which comprises the consolidated statement of financial position at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes, and the directors' report as set out on pages 34 to 62.

### *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 in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal controls 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.

### *Auditor's 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 auditor's 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 auditor considers 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 management, 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, these financial statements present fairly, in all material respects, the consolidated financial position of Randgold & Exploration Company Limited at 31 December 2009, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

### **KPMG Inc.**

Registered auditor

### **Per: CH Basson**

Chartered Accountant (SA)

Registered Auditor

Director

9 March 2010

85 Empire Road

Parktown

2193

# DIRECTORS' REPORT

## NATURE OF BUSINESS

Randgold & Exploration Company Limited ("R&E" or "the company") is a company incorporated in the Republic of South Africa. The company's registered office is 7th Floor, Fredman Towers, 13 Fredman Drive, Sandown, 2196. The annual financial statements for the year ended 31 December 2009 comprise the company and its subsidiaries (together referred to as "the group" and individually as "group entities"). R&E is an investment holding company with assets in the mining industry. The company aims to invest in high quality assets that will ensure maximum return for its shareholders. It currently holds prospecting rights directly and indirectly through subsidiary companies which it plans to develop further, if proven viable, in order to increase the value of its investments.

## FINANCIAL YEAR ENDED 31 DECEMBER 2009

There were no major transactions concluded during 2009. During 2008, the company proposed a scheme of arrangement with JCI Limited and its shareholders as an alternative to a settlement of disputes between the companies, which was ultimately rejected by JCI shareholders during 2009. The company continued its legal endeavours to recover assets allegedly misappropriated from the group.

## EVENTS AFTER REPORTING DATE

Refer to note 27 of the consolidated financial statements for significant subsequent events and in particular the settlement with JCI.

## SHARE CAPITAL

Full details of the company's ordinary share capital are set out in note 16 to the consolidated financial statements.

## MATERIAL RESOLUTION

In consequence of the resolutions as set out in the notice of the R&E annual general meeting published on 5 December 2008 having been approved by R&E's shareholders on 19 January 2009, R&E's authorised share capital was increased from 75 000 000 ordinary shares of R0.01 (one cent) each to 105 000 000 ordinary shares for the purpose of allotting such shares to JCI scheme participants as contemplated in terms of the scheme of arrangement as published in the circular. These shares remain unissued.

## QUALIFICATION CONTAINED IN THE REPORT OF THE AUDITORS OF SUBSIDIARIES

None of the subsidiaries had any qualifications in the audit reports for the year ended 31 December 2009.

## DIVIDENDS

No dividends were declared during 2009 (2008 and 2007: nil).

## SUBSIDIARIES

Particulars of the subsidiaries of the R&E group are given in note 29.

The attributable interest of the group in the income and losses of its subsidiaries for the years ended 31 December is:

	2009 R'000	2008 R'000	2007 R'000
Aggregate amount of profit after taxation	77 326	24 177	212 818
Aggregate amount of losses after taxation	(5 875)	(3 519)	(1 231)

## DIRECTORATE

Directors in office at the date of this report are:

Name	Designation
DC Kovarsky	Independent Non-executive Chairman
M Steyn	Chief Executive Officer
MB Madumise	Independent Non-executive
JH Scholes	Independent Non-executive

The following directorate changes took place during the 2007 to 2009 financial years, and up to the date of this report:

Name	Designation	Appointed	Resigned
JH Scholes	Independent Non-executive Director	19.02.2010	n/a
DI de Bruin	Independent Non-executive Director	01.04.2007	19.02.2010
PH Gray	Chief Executive Officer	24.08.2005	11.07.2008
DM Nurek	Independent Non-executive Chairman	07.10.2005	09.07.2008
AC Nissen	Independent Non-executive Director	24.07.2003	01.04.2007
TG Dale	Independent Non-executive Director	14.08.2006	09.03.2007
J Blersch	Independent Non-executive Director	14.08.2006	09.03.2007
DC Kovarsky	Independent Non-executive Chairman	05.12.2007	n/a

## DIRECTORS' INTEREST

No director held any shares, directly or indirectly for the 2007, 2008 and 2009 financial years.

## DIRECTORS' REMUNERATION

In terms of the company's Articles of Association, directors' emoluments are to be determined from time to time by ordinary resolution. On 23 April 2009, the board resolved to increase the non-executive chairman's fee to R400 000 per annum and the non-executive directors' fees to R250 000 per annum.

Executive directors do not receive directors' fees or committee fees, and their remuneration is disclosed hereunder.

The company has no liability in respect of retirement provisions for executive directors.

Directors	Basic salary/fees			Bonus			Total		
	2009 R	2008 R	2007 R	2009 R	2008 R	2007 R	2009 R	2008 R	2007 R
<b>Executive</b>									
PH Gray	–	1 327 470	1 414 093	–	1 000 000	1 399 200	–	2 327 470	2 813 293
M Steyn	<b>2 233 333</b>	2 097 500	1 635 000	–	5 000 000	1 000 000	<b>2 233 333</b>	7 097 500	2 635 000
<b>Non-executive</b>									
DC Kovarsky	<b>362 500</b>	200 000	18 750	–	–	–	<b>362 500</b>	200 000	18 750
DI de Bruin #	<b>715 000</b>	390 000	112 500	–	–	–	<b>715 000</b>	390 000	112 500
DM Nurek	–	125 000	250 000	–	–	–	–	125 000	250 000
MB Madumise	<b>225 000</b>	150 000	150 000	–	–	–	<b>225 000</b>	150 000	150 000
AC Nissen	–	–	37 500	–	–	–	–	–	37 500
TG Dale	–	–	37 500	–	–	–	–	–	37 500
J Blersch	–	–	37 500	–	–	–	–	–	37 500

# Of this total, R490 000 (2008: R240 000, 2007: Nil) was paid to Xenium Securities (Pty) Ltd (Xenium), of which DI de Bruin is a director, for services rendered by him on behalf of Xenium to the group.

## **DIRECTORS' REPORT (CONTINUED)**

### **SHARE OPTION SCHEME**

The share option scheme that was operated by the company was terminated on 17 December 2007. There were no unvested options and no options exercised during the reporting periods.

### **DE-REGISTRATION OF US SECURITIES – AMERICAN DEPOSITARY RECEIPTS (ADR)**

On 24 March 2008, pursuant to the conclusion of a settlement between R&E and the Securities Exchange Commission (SEC), the SEC issued an order under section 12(j) of the Securities Exchange Act.

In terms of that order, the registration of R&E's ordinary shares and ADRs in the United States was revoked. In consequence of the issue of this order by the SEC, no member of a national securities exchange, broker, or dealer may make use of the mails or any means or instrumentality of interstate commerce to effect any transaction in, or to induce the purchase or sale of R&E's ordinary shares and ADRs in the US. The effect of this is to prohibit trading in R&E's shares and ADRs in the United States.

The revocation of the registration of R&E's ordinary shares and ADRs in the United States was announced by R&E on SENS on 25 March 2008.

### **COMPANY SECRETARY**

Mr RP Pearcey (FCIS) will continue to serve in office as company secretary.

### **PUBLIC OFFICER AND CHIEF FINANCIAL OFFICER**

Mr V Botha CA(SA) is the present incumbent who was appointed as public officer on 13 November 2007 and as chief financial officer on 1 August 2009.

### **AUDITORS**

KPMG Inc. will continue in office in accordance with section 270(2) of the Companies Act.

### **UNITED KINGDOM SECRETARIES**

St James's Corporate Services acted as secretaries to the company in the United Kingdom for the period under review.

### **UNITED KINGDOM REGISTRARS**

Capita Registrars Limited acted as registrars and transfer agents in the United Kingdom during the period under review.

### **R&E'S SEPARATE COMPANY FINANCIAL STATEMENTS**

The separate company financial statements of R&E has been approved and issued on the same date as the group's annual financial statements. The company's financial statements have been published separately and are available for inspection at the company's registered office.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the years ended 31 December

	Notes	2009 R'000	2008 R'000	2007 R'000
Revenue	2	17 433	10 546	3 760
Profit on sale of prospecting rights	3	–	–	395 000
Recoveries – from third parties		60 240	5 031	3 108
Other income		22	935	4 818
Personnel expenses	4	(8 580)	(17 348)	(9 384)
Depreciation	5	(23)	(21)	(7)
Change in fair value of equity securities	6	198	(14 403)	(60 356)
Other operating expenses	7	(38 916)	(46 598)	(31 422)
Results from operating activities		30 374	(61 858)	305 517
Finance income	8	33 662	56 537	19 011
<b>Profit/(Loss) before taxation</b>		<b>64 036</b>	<b>(5 321)</b>	<b>324 528</b>
Taxation	9	(11 678)	(16 617)	(20 704)
<b>Profit/(Loss) for the year</b>		<b>52 358</b>	<b>(21 938)</b>	<b>303 824</b>
<b>Other comprehensive income</b>				
Net change in fair value of available-for-sale investments		12 137	–	(8 484)
Foreign currency translation differences		19	(19)	1
<b>Total comprehensive income</b>		<b>64 514</b>	<b>(21 957)</b>	<b>295 341</b>
<b>Profit or loss attributable to:</b>				
Owners of the company		34 743	(41 631)	130 732
Non-controlling interest		17 615	19 693	173 092
<b>Profit/(Loss) for the year</b>		<b>52 358</b>	<b>(21 938)</b>	<b>303 824</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the company		46 899	(41 650)	122 249
Non-controlling interest		17 615	19 693	173 092
<b>Total comprehensive income for the year</b>		<b>64 514</b>	<b>(21 957)</b>	<b>295 341</b>
Basic and diluted earnings/(loss) per share (cents)	17	48	(56)	175

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December

	Notes	2009 R'000	2008 R'000	2007 R'000
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>247 032</b>	454 382	362 266
Plant and equipment	10	108	117	104
Intangible assets	11	474	474	474
Investments in equity securities	12	246 450	228 986	243 389
Loans receivable	13	–	224 805	118 299
<b>Current assets</b>		<b>549 096</b>	278 351	464 645
Loans receivable	13	207 543	–	–
Trade and other receivables	14	46 747	2 626	16 039
Cash and cash equivalents	15	294 806	275 725	448 606
<b>Total assets</b>		<b>796 128</b>	732 733	826 911
<b>EQUITY AND LIABILITIES</b>				
<b>Shareholders' equity</b>		<b>484 152</b>	437 253	478 903
Issued capital	16	748	748	748
Share premium		986 054	986 054	986 054
Reserves		12 137	(19)	–
Accumulated loss		(514 787)	(549 530)	(507 899)
<b>Non-controlling interest</b>		<b>250 378</b>	232 763	213 070
<b>Total equity</b>		<b>734 530</b>	670 016	691 973
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Post-retirement medical benefit obligation	19	34 575	34 778	33 194
<b>Current liabilities</b>		<b>27 023</b>	27 939	101 744
Tax liabilities	26	15 579	13 989	30 110
Trade and other payables	21	11 444	13 950	71 634
<b>Total equity and liabilities</b>		<b>796 128</b>	732 733	826 911

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009

Attributable to equity holders of the company

	Share capital R'000	Share premium R'000	Foreign currency translation reserve # R'000	Investment fair value reserve # R'000	Accu- mulated loss R'000	Total R'000	Non- controlling interest R'000	Total equity R'000
Balance at 1 January 2007	748	986 054	(1)	8 484	(643 798)	351 487	39 978	391 465
<b>Total comprehensive income for the year</b>								
Profit	-	-	-	-	130 732	130 732	173 092	303 824
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	1	(8 484)	-	(8 483)	-	(8 483)
Net change in fair value of available-for-sale investments	-	-	1	-	-	1	-	1
	-	-	-	(8 484)	-	(8 484)	-	(8 484)
<b>Total comprehensive income</b>			<b>1</b>	<b>(8 484)</b>	<b>130 732</b>	<b>122 249</b>	<b>173 092</b>	<b>295 341</b>
Transaction with non-controlling shareholders recorded directly in equity	-	-	-	-	5 167	5 167	-	5 167
<b>Balance at 31 December 2007</b>	<b>748</b>	<b>986 054</b>	<b>-</b>	<b>-</b>	<b>(507 899)</b>	<b>478 903</b>	<b>213 070</b>	<b>691 973</b>
<b>Total comprehensive income for the year</b>								
Profit or loss	-	-	-	-	(41 631)	(41 631)	19 693	(21 938)
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	(19)	-	-	(19)	-	(19)
<b>Total comprehensive income</b>			<b>(19)</b>	<b>-</b>	<b>(41 631)</b>	<b>(41 650)</b>	<b>19 693</b>	<b>(21 957)</b>
<b>Balance at 31 December 2008</b>	<b>748</b>	<b>986 054</b>	<b>(19)</b>	<b>-</b>	<b>(549 530)</b>	<b>437 253</b>	<b>232 763</b>	<b>670 016</b>
<b>Total comprehensive income for the year</b>								
Profit	-	-	19	12 137	34 743	34 743	17 615	52 358
<b>Other comprehensive income</b>								
Foreign currency translation differences	-	-	19	-	-	19	-	19
Net change in fair value of available-for-sale investment	-	-	-	12 137	-	12 156	-	12 156
	-	-	-	12 137	-	12 137	-	12 137
<b>Total comprehensive income</b>			<b>19</b>	<b>12 137</b>	<b>34 743</b>	<b>46 899</b>	<b>17 615</b>	<b>64 514</b>
<b>Balance at 31 December 2009</b>	<b>748</b>	<b>986 054</b>	<b>-</b>	<b>12 137</b>	<b>(514 787)</b>	<b>484 152</b>	<b>250 378</b>	<b>734 530</b>

# There are no tax effects associated with other comprehensive income.

## CONSOLIDATED STATEMENT OF CASH FLOWS

for the years ended 31 December

	Notes	2009 R'000	2008 R'000	2007 R'000
<b>Cash flow from operating activities</b>		<b>(43 112)</b>	(102 062)	30 998
Cash (utilised in)/generated by operating activities	25	<b>(34 064)</b>	(100 607)	23 336
Finance income	8	<b>1 040</b>	31 283	7 662
Taxation paid	26	<b>(10 088)</b>	(32 738)	–
<b>Cash flow from investing activities</b>		<b>62 174</b>	(70 800)	395 818
Dividends received		<b>17 433</b>	10 486	3 760
Proceeds on disposal of investment in equity securities		–	–	18 163
Proceeds on disposal of prospecting rights		–	–	395 000
Acquisition of investment in equity securities		<b>(5 129)</b>	–	–
Acquisition of plant and equipment		<b>(14)</b>	(34)	(42)
Loan repayments received		<b>135 350</b>	–	–
Loans advanced		<b>(85 466)</b>	(81 252)	( 21 063)
Translation effect on foreign cash and cash equivalents		<b>19</b>	(19)	1
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>19 081</b>	(172 881)	426 817
Cash and cash equivalents at beginning of year		<b>275 725</b>	448 606	21 789
Cash and cash equivalents at the end of the year	15	<b>294 806</b>	275 725	448 606

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009

### REPORTING ENTITY

Randgold & Exploration Company Limited is a company domiciled and incorporated in the Republic of South Africa. The consolidated financial statements of the company for the year ended 31 December 2009 comprises of the company and its subsidiaries (together referred to as the “group” and individually as “group entities”).

### BASIS OF PREPARATION

#### Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act of South Africa and were authorised for issue by the board of directors on 9 March 2010.

#### Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments held for trading are measured at fair value; and
- Available-for-sale financial assets are measured at fair value.

#### Functional and presentation currency

The consolidated financial statements of the group are presented in South African rand which is the functional currency of the company. All financial information presented in rand has been rounded to the nearest thousand.

#### Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are detailed in the notes to the consolidated financial statements where applicable.

#### Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except as otherwise disclosed.

The accounting policies have been applied consistently by all group entities.

### BASIS OF CONSOLIDATION

#### Subsidiaries

Subsidiaries are those entities controlled by the group. Control exists when the group has the power, directly or indirectly, to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised gains arising from inter-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses on transactions are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

## Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. As a result, increases or decreases in the company's shareholders' interests are recognised directly in equity as long as the company controls the subsidiary.

## FOREIGN CURRENCY

### Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

### Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are recognised as other comprehensive income and are included in the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve is transferred to profit or loss as part of the profit or loss on disposal.

## FINANCIAL INSTRUMENTS

### Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans receivable, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

Financial instruments are recognised when the group becomes a party to the contractual provisions of the instrument. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or the group transfers the financial asset and such transfer qualifies for derecognition. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the group commits to purchase or sell the asset.

#### *Loans receivable*

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans receivable are measured at amortised cost using the effective interest method, less impairment losses.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits, and are stated at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

#### *Available-for-sale financial assets*

Certain of the group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value with fair-value changes being recognised in other comprehensive income and presented in the investment fair value reserve in equity. Where the fair value of equity securities is no longer reliably measurable, the carrying value of the equity securities at such date is treated as its new cost. Subsequently, the equity investment is carried at cost less impairment. Any impairment losses are recognised in profit and loss.

#### *Financial assets at fair value through profit or loss*

An instrument is classified at fair value through the profit and loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *Trade and other receivables*

Trade and other receivables are stated at amortised cost using the effective interest method less impairment losses.

#### *Trade and other payables*

Trade and other payables are stated at amortised cost using the effective interest method.

### **Share capital**

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

#### *Treasury shares*

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is recognised in retained earnings.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## PLANT AND EQUIPMENT

### Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised within "other income" in profit or loss.

### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of plant and equipment other than paintings and artwork which are not depreciated.

The estimated useful lives are as follows:

Motor vehicles	5 years
Computer equipment	3 years
Paintings and artworks	Not depreciated

## INTANGIBLE ASSETS

### Prospecting rights

Intangible assets include prospecting rights. Prospecting rights are measured at cost less accumulated impairment losses. Prospecting rights are not amortised as they are not yet available for use. Cost includes expenditure that is directly attributable to the acquisition of the asset. Gains and losses on disposal of prospecting rights are determined by comparing the proceeds from disposal with the carrying amount and are recognised in profit or loss.

### Exploration costs

Exploration costs incurred prior to determination of the feasibility of mining operations are expensed as incurred. Prospecting property acquisition costs and exploration and development expenditures incurred subsequent to the determination of the feasibility of mining operations and approval of development by the group, are capitalised until the property to which they relate is placed into production, sold, allowed to lapse or abandoned.

## IMPAIRMENT

### Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. An impairment loss on available-for-sale investments is recognised in profit or loss when there has been a significant or prolonged decline in the fair value of the asset below its cost.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in other comprehensive income and presented in the investment fair value reserve in equity is recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised in other comprehensive income.

#### **Non-financial assets**

The carrying amounts of the group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (cash-generating unit).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### **Determination of fair values**

A number of the group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### *Investments in listed equity securities*

The fair value is determined by reference to their quoted closing bid price at the reporting date.

##### *Loans receivable; trade and other receivables; trade and other payables*

The fair value of loans receivable, trade and other receivables and trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## EMPLOYEE BENEFITS

### Short-term employee benefits

Short-term employee benefits are those that are due to be settled within twelve months after the end of the period in which the services have been rendered. Remuneration to employees is charged to profit or loss. An accrual is made for accumulated leave, incentive bonuses and other short-term employee benefits.

### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

### Defined benefit plans – post-retirement medical benefit obligation

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in prior periods; that benefit is discounted to determine its present value, and, if any, the fair value of any related assets is deducted. The discount rate is the yield at the reporting date of instruments that have maturity dates approximating the terms of the group's obligations. The calculation is performed at the reporting date by a qualified actuary using the projected unit credit method. The group recognises all actuarial gains and losses arising from defined benefit plans in profit or loss.

## PROVISIONS

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

## CONTINGENT ASSETS

Contingent assets, including claims against third parties, are not recognised in the statement of financial position unless realisation is virtually certain. Recognised claims against third parties are reflected as "recoveries" in profit or loss.

## REVENUE

Revenue is recognised net of indirect taxes and consists of management fees received, commissions received and dividends received from listed investments.

### Commissions received

Commissions received are recognised when the group has unconditionally earned the commission.

### Dividends received

Dividends received are recognised when the right to receive payment is established.

## FINANCE INCOME AND EXPENSES

Finance expenses are recognised in profit or loss using the effective interest method.

Finance income is recognised in profit or loss as it accrues, using the effective interest method and comprises primarily of interest received on cash and cash equivalents and loans receivable.

## LEASES

### Operating lease payment

Leases where the lessor retains risks and rewards of ownership of the underlying asset are classified as operating leases.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of total lease expense.

## INCOME TAX

Income tax comprises current and deferred tax. An income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

### Current taxation

Current taxation comprises taxation payable, calculated on the basis of the expected taxable income for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years. Interest and penalties on taxation payable is included in "Taxation" in profit or loss.

### Deferred tax

Deferred tax is provided on temporary differences. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. The following temporary differences are not provided for:

- The initial recognition of goodwill;
- The initial recognition of assets or liabilities that affect neither accounting nor taxable profit; and
- Differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses, unredeemed capital expenditure and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

Additional income taxes that arise from the distribution of dividends are recognised at the same time that the liability to pay the related dividend is recognised.

## EARNINGS PER SHARE

The group presents basic and diluted earnings per share (EPS) data for its ordinary shares as well as headline EPS and diluted headline EPS. Basic EPS is calculated by dividing the profit or loss attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to equity holders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

## SEGMENT REPORTING

The group determines and presents operating segments based on the information that internally is provided to the CEO, who is the group's chief operating decision maker.

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. All operating segments' operating results are reviewed regularly by the group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## SUMMARY OF STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following IFRS statements and interpretations which are relevant to the group were in issue but (not yet effective) were not applied in preparing these financial statements. The group is in the process of evaluating the impact of these standards.

<b>Standard/Interpretation</b>		<b>Effective date</b>
IAS 27 amendment	<i>Consolidated and Separate Financial Statements</i>	Annual periods commencing on or after 1 July 2009
There are 15 individual amendments to 12 standards.	<i>Improvements to International Financial Reporting Standards 2009</i>	Amendments are effective for annual periods commencing on or after 1 January 2010, or for annual periods commencing on or after 1 July 2009
IFRS 3	<i>Business Combinations</i>	Annual periods commencing on or after 1 July 2009
IFRIC 17	<i>Distribution of Non-Cash Assets to Owners</i>	Annual periods commencing on or after 1 July 2009
IAS 24	<i>Related Party Disclosures</i>	Annual periods commencing on or after 1 January 2011
IFRS 9	<i>Financial Instruments</i>	Annual periods commencing on or after 1 January 2013

## NEWLY ADOPTED STANDARDS AND INTERPRETATIONS

### Presentation of financial statements

The consolidated financial statements have been prepared by applying the revised IAS 1 *Presentation of Financial Statements* (2007), which became effective on 1 January 2009. As a result, the consolidated statement of changes in equity presents all owner changes in equity, whereas non-owner changes in equity are presented in the consolidated statement of comprehensive income as well as the statement of changes in equity. This presentation has been applied in these consolidated financial statements.

Comparative information has been changed so that it is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

#### 1. Segment reporting

The group operates in a single reportable operating segment as an investment holding company with assets in the mining industry.

	2009 R'000	2008 R'000	2007 R'000
<b>2. Revenue</b>			
Commissions received	–	60	–
Dividends received	17 433	10 486	3 760
	<b>17 433</b>	<b>10 546</b>	<b>3 760</b>

#### 3. Profit on sale of prospecting rights

R&E and certain of its subsidiaries reached an agreement with Gold Fields Limited (GFI) during October 2007, in terms of which the group relinquished its rights in favour of GFI for a purchase consideration of R395 million (excluding VAT). The related prospecting rights had no carrying values and as a result a profit of R395 million was recognised.

Also as a result of this transaction, the group, through Free State Development and Investment Corporation Limited (FSD), acquired the remaining 36% shareholding in Goldridge Gold Mining Company (Pty) Ltd (Goldridge) for no consideration.

	2009 R'000	2008 R'000	2007 R'000
<b>4. Personnel expenses</b>			
Personnel expenses include directors' salaries and bonuses:			
Directors' emoluments	3 536	10 290	6 092
<b>5. Depreciation</b>			
Plant and equipment	23	21	7
<b>6. Change in fair value of equity securities in profit or loss</b>			
Impairment of available-for-sale investments	–	(14 173)	(59 259)
Fair value movements in investments held for trading	198	(230)	(1 097)
	<b>198</b>	<b>(14 403)</b>	<b>(60 356)</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

	2009 R'000	2008 R'000	2007 R'000
<b>7. Other operating expenses</b>			
Administration and office expenses	1 735	1 494	1 738
Auditors' remuneration:	5 140	3 343	4 448
Audit fees	3 193	1 270	2 863
Other services	1 947	2 073	1 585
Consulting fees	7 415	9 190	5 635
Exploration costs	1 151	587	44
Foreign exchange losses	11	160	74
Insurance	3 296	6 436	3 594
Legal fees	17 430	20 729	11 716
Listing fees and corporate action costs	2 209	3 845	1 725
Interest and penalties on VAT	235	261	221
Commission paid	–	–	1 742
Travel	247	500	444
Other expenses	47	53	41
	<b>38 916</b>	<b>46 598</b>	<b>31 422</b>
<b>8. Finance income</b>			
Cash and cash equivalents	1 032	30 986	6 788
Consolidated Mining Management Services Limited (CMMS)	14 620	10 730	–
JCI Gold Limited	18 002	14 524	11 349
Loans receivable – other	8	297	874
Included in profit or loss	33 662	56 537	19 011
Capitalised to loans receivable	(32 622)	(25 254)	(11 349)
Per consolidated statement of cash flows	1 040	31 283	7 662
<b>9. Taxation</b>			
<b>Recognised in profit or loss</b>			
South African normal tax:			
– Current	10 063	15 176	18 821
– Interest and penalties	1 615	1 441	1 883
	<b>11 678</b>	<b>16 617</b>	<b>20 704</b>
	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>%</b>	<b>%</b>	<b>%</b>
<b>Reconciliation of effective taxation rate</b>			
South African normal tax rate	28.0	(28.0)	29.0
Penalties and interest	2.5	27.1	0.6
Exempt income	(12.0)	(78.7)	(0.6)
Expenses not deductible for taxation purposes	13.6	216.8	3.8
Change in unrecognised deferred tax asset	(12.8)	175.3	3.7
Capital gains tax rate differential	(1.1)	(0.2)	(30.1)
Effective tax rate	<b>18.2</b>	<b>312.3</b>	<b>6.4</b>

10. Plant and equipment

	2009		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Motor vehicles	175	(175)	–
Computer equipment	141	(97)	44
Paintings and artwork	64	–	64
	<b>380</b>	<b>(272)</b>	<b>108</b>
	2008		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Motor vehicles	368	(368)	–
Computer equipment	137	(84)	53
Paintings and artwork	64	–	64
	<b>569</b>	<b>(452)</b>	<b>117</b>
	2007		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Motor vehicles	368	(368)	–
Computer equipment	103	(63)	40
Paintings and artwork	64	–	64
	<b>535</b>	<b>(431)</b>	<b>104</b>

The carrying amount of assets can be reconciled as follows:

	Carrying value at beginning of the year R'000	Additions R'000	Depreciation R'000	Carrying value at end of year R'000
<b>2009</b>				
<b>Owned assets</b>				
Computer equipment	53	14	(23)	44
Paintings and artwork	64	–	–	64
	<b>117</b>	<b>14</b>	<b>(23)</b>	<b>108</b>

During the year, a motor vehicle with a cost of R193 000 and accumulated depreciation of R193 000 was scrapped. Computer equipment with a cost of R10 000 and accumulated depreciation of R10 000 was also scrapped.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 11. Intangible assets

2009, 2008, 2007	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Prospecting rights	1 898	(1 424)	474

There were no disposals or additions to the prospecting rights during 2009 or 2008. Please refer to note 3 for information about the sale of prospecting rights during 2007. No amortisation or impairment charge was recognised during the reporting periods.

## 12. Investments in equity securities

	2009 R'000	2008 R'000	2007 R'000
Held for trading	9 193	8 995	9 225
Available-for-sale	237 257	219 991	234 164
	<b>246 450</b>	228 986	243 389

	Number of shares held	2009	
		Percentage held %	Fair value 31 December R'000
<b>The group held investments in the following companies:</b>			
<b>Unlisted investments – South African</b>			
Kelgran Limited <sup>1</sup>	2 324 830	2.47	–
<b>Listed investments – South African</b>			
Gold Fields Limited	2 028 684 <sup>2</sup>	0.29	198 771
JCI Limited <sup>1</sup>	305 186 049 <sup>3</sup>	13.72	47 679
			<b>246 450</b>

	Number of shares held	2008	
		Percentage held %	Fair value 31 December R'000
<b>The group held investments in the following companies:</b>			
<b>Unlisted investments – South African</b>			
Kelgran Limited <sup>1</sup>	2 324 830	2.47	–
<b>Listed investments – South African</b>			
Gold Fields Limited	2 028 684 <sup>2</sup>	0.31	186 436
JCI Limited <sup>1</sup>	265 935 854 <sup>3</sup>	11.95	42 550
			<b>228 986</b>

12. Investments in equity securities (continued)

The group held investments in the following companies:	Number of shares held	2007	Fair value 31 December R'000
		Percentage held %	
<b>Listed investments – South African</b>			
Gold Fields Limited	2 028 684 <sup>2</sup>	0.31	200 839
Kelgran Limited <sup>1</sup>	2 324 830	2.47	–
JCI Limited <sup>1</sup>	265 935 854 <sup>3</sup>	11.95	42 550
			243 389

<sup>1</sup> JCI Limited was suspended from trading on the JSE at a price of R0.16 per share on 1 August 2005. Kelgran Limited was suspended from trading on the JSE at a price of R0.02 on 3 September 2007 and de-listed on 28 July 2008. Kelgran was subsequently liquidated in February 2010. As a result, both these investments are valued at cost less impairment as fair value cannot be measured reliably. The carrying amounts for these investments represent the directors' best estimate of fair value.

<sup>2</sup> 32 485 of these shares are held for trading by group entities.

<sup>3</sup> 37 560 613 of these shares are held for trading by group entities.

The carrying amount of investments in equity securities can be reconciled as follows:	2009 R'000	2008 R'000	2007 R'000
Opening balance 1 January	228 986	243 389	325 635
Acquisitions	5 129	–	–
Disposals	–	–	(13 406)
Impairment of available-for-sale investments in profit or loss	–	(14 173)	(59 259)
Fair value movement in held for trading investments in profit or loss	198	(230)	(1 097)
Fair value movement of available-for-sale investments in other comprehensive income	12 137	–	(8 484)
Closing balance at 31 December	246 450	228 986	243 389

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

	2009 R'000	2008 R'000	2007 R'000
<b>13. Loans receivable</b>			
CMMS	–	120 730	28 000
JCI Gold Limited	<b>207 543</b>	104 075	90 299
	<b>207 543</b>	224 805	118 299
Current	<b>207 543</b>	–	–
Non-current	–	224 805	118 299

The group, through its holding company R&E, has a loan receivable from JCI Gold Limited in the amount indicated above. The loan bears interest at the bank prime lending rate and was fully recovered after year-end through partial repayment and R&E exercising its security against the loans. As a result, R&E become the beneficial owner of a further 6 690 610 FSD shares (approximately 30.10% of the equity share capital of FSD), increasing its total shareholding in FSD from 55.11% to 85.21%.

The loan receivable from CMMS was repaid during December 2009.

	2009 R'000	2008 R'000	2007 R'000
<b>14. Trade and other receivables</b>			
Trade receivables	–	2 625	171
Prepayments and deposits	<b>714</b>	1	22
RB Kebble Estate – recovery	<b>41 033</b>	–	10 500
Tuscan Mood Limited	–	–	44
Lyons Financial Solutions (Pty) Ltd	–	–	5 302
Société Générale – recovery	<b>5 000</b>	–	–
	<b>46 747</b>	2 626	16 039

The Master approved a claim against the Deceased Insolvent Estate of RB Kebble on 14 December 2009. The amount was settled in full during January 2010.

A settlement was reached with Société Générale in November 2009 for the amount above which was also received in full during January 2010.

	2009 R'000	2008 R'000	2007 R'000
<b>15. Cash and cash equivalents</b>			
Bank balances	<b>384</b>	1 079	587
Call deposits	<b>294 420</b>	274 644	448 019
Petty cash	<b>2</b>	2	–
	<b>294 806</b>	275 725	448 606

Call deposits consist of cash in call, money market and dividend income accounts which had effective interest rates of between 5.8% and 7.3% at 31 December 2008.

	2009 R'000	2008 R'000	2007 R'000
<b>16. Ordinary share capital</b>			
<b>Authorised</b>			
105 000 000 (2008 and 2007: 75 000 000) ordinary shares of 1 cent each	1 050	750	750
<b>Issued</b>			
74 813 128 (2008 and 2007: 74 813 128) ordinary shares of 1 cent each	748	748	748

The authorised share capital was increased to 105 000 000 shares on 19 January 2009.

#### Treasury shares

At the reporting date, R&E held 3 000 000 of its own shares as treasury shares (2008 and 2007: nil). The company obtained these shares for no consideration during May 2009.

#### Dividends

No ordinary dividends were declared or paid during 2009 (2008 and 2007: nil).

	2009 Per share (in cents)	2008 Per share (in cents)	2007 Per share (in cents)
<b>17. Earnings per share</b>			
<b>Basic earnings/(loss) and diluted earnings/(loss) per ordinary share</b>	48	(56)	175
The calculation of basic and diluted earnings/(loss) per ordinary share is based on earnings of R34,7 million (2008: loss of R41,6 million; 2007: profit of R130,7 million) attributable to ordinary shareholders of the company and a weighted average of 73 063 128 (2008 and 2007: 74 813 128) shares in issue.			
<b>Headline earnings/(loss) and diluted headline earnings/(loss) per share</b>	48	(37)	(33)

The calculation of the headline earnings and diluted headline earnings per share is based on headline earnings of R34,7 million (2008: headline loss of R27,5 million and 2007: headline loss of R24,9 million) attributable to equity holders of the company and a weighted average of 73 063 128 (2008 and 2007: 74 813 128) ordinary shares in issue during the year.

	R'000	R'000	R'000
<b>Reconciliation between basic profit/(loss) for the year and headline profit/(loss)</b>			
<b>Profit/(Loss) for the year attributable to equity holders of the company</b>	34 743	(41 631)	130 732
<b>Adjusted for:</b>			
Profit on sale of prospecting rights	–	–	(395 000)
Profit on disposal of available-for-sale investments	–	–	(4 757)
Impairments of available-for-sale investments	–	14 173	59 259
	34 743	(27 458)	(209 766)
Tax effects of adjustments	–	–	13 766
Portion attributable to non-controlling interest	–	–	171 136
<b>Headline profit/(loss) for the year attributable to equity holders of the company</b>	34 743	(27 458)	(24 864)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 18. Contingent assets

### Claims

R&E has various claims against third parties which R&E is proceeding with. Such claims could be substantial, although there is no guarantee that such claims will result in awards being granted in favour of R&E or for that matter that R&E will be able to make successful recoveries in respect thereof.

Due to the alleged frauds and misappropriation of assets in prior years and the resulting uncertainty regarding the company's VAT position, no VAT has been claimed on expenditure incurred since May 2005. Having given due consideration to the findings contained in a report prepared by external advisers, R&E entered into a process of settling its historic income tax and VAT positions with SARS. Once these settlements have been finalised, a VAT claim for the intervening period will be submitted. Whilst the cumulative amount claimable has been calculated as R1,2 million (2008: R1,1 million, 2007: R0,6 million), no asset has been raised as there exists a degree of uncertainty regarding its recoverability.

## 19. Post-retirement medical benefit obligation

The company pays post-retirement medical benefits for a closed group of retired employees. The plan is unfunded as it is governed by the Medical Aid Schemes Act of 1998. The company has provided in full for their post-retirement medical cost obligations based on the latest calculations by independent actuaries at 31 December 2009, which include appropriate mortality tables and assuming long-term estimates of increases in medical costs and appropriate discount rates.

	2009 R'000	2008 R'000	2007 R'000
Unfunded obligation at 31 December	34 575	34 778	33 194
<b>Post-retirement medical benefit liability</b>			
<b>Movement in the net unfunded liability recognised in the statement of financial position are as follows:</b>			
<b>Balance at the beginning of the year</b>	<b>34 778</b>	33 194	35 618
Current service cost	–	–	3
Interest cost	2 475	2 598	2 746
Actuarial loss/(gain) recognised	625	2 003	(2 396)
Benefits paid during the year	(3 303)	(3 017)	(2 777)
Balance at end of the year	34 575	34 778	33 194
Current service cost	–	–	3
Interest cost	2 475	2 598	2 746
Actuarial loss/(gain) recognised in the year	625	2 003	(2 396)
The expense is recognised as part of personnel expenses in profit or loss	3 100	4 601	353
<b>Principal assumptions</b>			
Healthcare cost of inflation	7.39%	5.72%	6.67%
Discount interest rate	8.78%	7.46%	8.20%
Post-retirement mortality rate	PA90-1 ultimate	PA90-1 ultimate	PA90-1 ultimate

**19. Post-retirement medical benefit obligation (continued)**

	2009 R'000	2008 R'000	2007 R'000
<b>Sensitivity analysis</b>			
A one percentage point change in inflation on healthcare cost will affect the liability as follows:			
One percent increase	37 172	37 392	37 401
One percent decrease	32 260	32 447	32 820
A one percentage point change in inflation on healthcare cost will affect the interest costs as follows:			
One percent increase	2 700	2 821	2 956
One percent decrease	2 301	2 402	2 514
<b>20. Deferred taxation</b>			
<b>Deferred tax assets are attributable to the following</b>			
Intangible assets	266	266	275
Post-retirement medical benefit obligation	9 681	9 738	9 626
Investments in equity securities	7 935	9 689	7 914
Employee related payables	40	44	203
Calculated tax losses	128 257	118 174	110 565
	<b>146 179</b>	137 911	128 583
<b>Deferred tax assets have not been recognised to the following extent</b>			
Unrecognised deferred tax assets	(146 179)	(137 911)	(128 583)
	-	-	-

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the group entities can utilise the benefits there from. The calculated tax losses can be carried forward indefinitely.

**21. Trade and other payables**

Trade payables	6 519	9 477	3 551
Employee related payables	582	498	4 235
JCI group	-	-	5 700
VAT payable	4 343	3 975	58 148
	<b>11 444</b>	13 950	71 634

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 22. Financial instruments

The group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices, foreign currency exchange rates and interest rates. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group's financial instruments as set out in this note. Derivative instruments are not used to hedge exposure to financial risks.

### *Credit risk*

Credit risk is the risk of financial loss to the group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the group's loans receivable and trade and other receivables. The group has policies in place to ensure that transactions are entered into with counterparties with an appropriate credit history and that appropriate collateral is held by the group as security. An adequate level of provisions is maintained. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The group does have significant credit exposure to the JCI group but believes it has adequate collateral as security to prevent significant credit losses (refer note 13).

### *Foreign exchange risk*

In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily US\$). The group does not currently have significant foreign currency exposure.

### *Liquidity risk*

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The group currently has sufficient cash resources to settle obligations as they become due.

The maturity profile of contractual financial liabilities are as follows:

	Contractual cash flow R'000	Within one year R'000
Trade payables (including JCI group) (refer note 21)		
2009	6 519	6 519
2008	9 477	9 477
2007	9 251	9 251

### *Interest rate risk*

The group has exposure to interest rate risk only on financial assets primarily in the form of cash and cash equivalents (note 15) and loans receivable (note 13).

A change of one percentage point in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below before the effects of tax.

	<b>Profit/(Loss) for the year (R'000)</b>	
	1 percentage point increase	1 percentage point decrease
31 December 2009	5 024	(5 024)
31 December 2008	5 005	(5 005)
31 December 2007	5 669	(5 669)

### *Equity price risk*

Equity price risk arises from the group's investment in equity securities, primarily its investment in GFI Limited.

A change of ten percent in the fair value of the group's investment in GFI at the reporting date would have increased/(decreased) equity and the statement of comprehensive income by the amounts shown below before the effects of tax.

## 22. Financial instruments (continued)

R'000	Equity		(Loss)/profit for the year	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2009	19 559	n/a	318	(19 877)
31 December 2008	18 345	n/a	299	(18 644)
31 December 2007	19 762	n/a	322	(20 084)

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

### *Trade and other receivables, trade payables and cash and cash equivalents*

The carrying amount approximates the fair values because of the short maturity of such instruments.

### *Investment in equity securities*

The fair value of publicly traded instruments (i.e. GFI) is based on quoted market prices (level one in fair value hierarchy). All other instruments have been based on directors' valuations.

### *Loans receivable*

The fair value of loans receivable is determined using a discounted cash flow method using market related rates at 31 December. The fair value of the loans receivable approximates the carrying amounts as market related rates of interest are charged on these outstanding amounts.

The following table represents the carrying amounts and fair values of the group's financial instruments outstanding. 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.

	Fair value			Carrying amount		
	2009 R'000	2008 R'000	2007 R'000	2009 R'000	2008 R'000	2007 R'000
<i>Financial assets</i>						
Cash and cash equivalents	<b>294 806</b>	275 725	448 606	<b>294 806</b>	275 725	448 606
Trade and other receivables	<b>46 747</b>	2 626	16 039	<b>46 747</b>	2 626	16 039
Investments in equity securities	<b>246 450</b>	228 986	243 389	<b>246 450</b>	228 986	243 389
Loans receivable	<b>207 543</b>	224 805	118 299	<b>207 543</b>	224 805	118 299
<i>Financial liabilities</i>						
Trade and other payables (incl. JCI group)	<b>(6 519)</b>	(9 477)	(9 251)	<b>(6 519)</b>	(9 477)	(9 251)
	<b>789 027</b>	722 665	817 082	<b>789 027</b>	722 665	817 082

### *Capital management*

The R&E board has focused on the recovery of allegedly misappropriated assets whilst simultaneously protecting and growing the group's existing asset base. There were no changes in the group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 23. Commitments

The group does not have any significant commitments.

## 24. Related parties

Identity of related parties:

### **Common directorship**

During the 2007 and 2008 financial years, certain directors had common directorships with JCI Limited and its subsidiaries, which include CMMS and JCI Gold Limited (JCI group) and as a result, the JCI group has been identified as a related party.

In addition, the group and the JCI group have a crossholding in each other in excess of 10% as at the date of these financial statements.

### **Key management**

The directors and details of emoluments paid are listed in the directors' report. Other than the directors, there were no other members of key management during 2007, 2008 and 2009.

### **Material related party transactions**

#### **Material transactions**

Loans receivable – refer to note 13

Interest received – refer to note 8

Trade and other payables – refer to note 21

	2009 R'000	2008 R'000	2007 R'000
<b>25. Notes to the cash flow statement</b>			
<b>Cash (utilised in)/generated by operating activities</b>			
Profit/(Loss) before taxation	64 036	(5 321)	324 528
<b>Adjustment for:</b>			
Finance income	(33 662)	(56 537)	(19 011)
Dividends received	(17 433)	(10 486)	(3 760)
Change in fair value of equity securities	(198)	14 403	60 356
Depreciation	23	21	7
Profit on disposal of investment in equity security	–	–	(4 757)
Profit on disposal of prospecting rights	–	–	(395 000)
Change in post-retirement medical benefit liability	(203)	1 584	(2 424)
<b>Operating loss before working capital changes</b>	<b>12 563</b>	<b>(56 336)</b>	<b>(40 061)</b>
(Increase)/Decrease in trade and other receivables	(44 121)	13 413	13 389
(Decrease)/Increase in trade and other payables	(2 506)	(57 684)	50 008
<b>Cash (utilised in)/generated by operations</b>	<b>(34 064)</b>	<b>(100 607)</b>	<b>23 336</b>
<b>26. Taxation paid</b>			
Amount outstanding at beginning of year	13 989	30 110	9 406
Income statement charge	11 678	16 617	20 704
Amount outstanding at end of year	(15 579)	(13 989)	(30 110)
<b>Taxation paid</b>	<b>10 088</b>	<b>32 738</b>	<b>–</b>

## 27. Subsequent events

### (i) Settlement with JCI

On 21 January 2010, R&E notified its shareholders via SENS that the company had concluded a settlement agreement with JCI and JCI Investment Finance Ltd (JCIF), the details of which were published on SENS on 28 January 2010. This agreement is subject to various suspensive conditions, the most notable being approval by a majority of shareholders at the upcoming general meeting. This general meeting will coincide with the company's annual general meeting. The settlement transactions will be fully accounted for in the 2010 financial year.

Details of the proposed settlement are as follows:

- 6 051 632 Gold Fields Limited shares
- 1 555 710 220 JCI Limited shares (a fresh issue)

These shares will be transferred to the group, subject to shareholder approval, after the proposed settlement meeting and in terms of the settlement agreement. These assets (along with R&E's current investment in JCI – refer note 12) will then be distributed to R&E shareholders.

The unaudited financial effects of the proposed settlement have been outlined in a separate settlement circular which will be distributed to the R&E's shareholders.

### (ii) Litigation settlement agreement

As a result of the litigation settlement agreement referred to on page 21 of this report, R&E will also receive 42,000 Randgold Resources Limited shares. This transaction will also be fully accounted for in the 2010 financial year.

### (iii) Settlement of loans receivable

Refer to note 13 for information on the settlement of the loan receivable from JCI Gold after year-end.

	2009	2008	2007
<b>28. Net asset value and net tangible asset value per share</b>			
Net asset value per share (cents)	674	584	640
Net tangible asset value per share (cents)	674	584	639

The net asset value per share is calculated by dividing the net asset value attributable to ordinary shareholders of the company or shareholders' equity of R484,2 million (2008: R437,3 million; 2007: R478,9 million) by the total number of ordinary shares outstanding at year end of 71 813 128 (2008: 74 813 128; 2007: 74 813 128). The net tangible asset value per share is calculated by dividing the net tangible asset value attributable to ordinary shareholders of the company or shareholders' equity less intangible assets of R0,5 million (2008: R0,5 million; 2007: R0,5 million) by the total number of ordinary shares outstanding at year end of 71 813 128 (2008: 74 813 128; 2007: 74 813 128). The number of shares outstanding at 31 December 2009 has been adjusted for the 3 million treasury shares held.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2009 (continued)

## 29. Investments in subsidiaries

Details of the subsidiaries are set out as follows:

	Issued share capital	Effective holding			Share of subsidiary profit/(loss) for the year		
		2009	2008	2007	2009	2008	2007
Direct holdings	R'000	%	%	%	R'000	R'000	R'000
African Strategic Investments (Holdings) Ltd (incorporated in Jersey) (formerly Randgold Resources Holdings)	*	100	100	100	44 495	(3 014)	(81)
Bentonite Nominees Ltd <sup>#</sup>	*	100	100	100	(2 436)	–	–
Continental Base Metal Mining Company (Pty) Ltd	2	100	100	100	(85)	(9)	(33)
Corgroup (Neptune) Investments Ltd	4	100	100	100	(38)	(8)	(32)
Doornrivier Minerals Ltd	*	100	100	100	(1 528)	(118)	(31)
First Wesgold Mining (Pty) Ltd	340	100	100	100	196	(218)	(927)
Free State Development and Investment Corporation Ltd <sup>1</sup>	2 223	55.1	55.1	55.1	12 593	4 385	5 576
Lunda Alluvial Operation (Pty) Ltd	*	100	100	100	113	(56)	(25)
Minrico Ltd	*	74	74	74	1 549	–	(16)
Pan African Exploration Syndicate (Pty) Ltd	4	100	100	100	–	–	–
Rand Mines Lands Ltd	*	100	100	100	17	–	(25)
Randgold Prospecting And Minerals Holdings Ltd	*	100	100	100	(948)	(16)	(37)
Randgold Finance BVI Ltd (incorporated in British Virgin Islands)	*	100	100	100	(14)	(20)	(9)
Versatex Trading 446 (Pty) Ltd <sup>#</sup>	*	100	100	100	*	–	–
<b>Indirect holdings</b>							
Goldridge Gold Mining Company (Pty) Ltd <sup>1</sup>	*	55.1	55.1	55.1	17 730	19 791	207 242
Palmietfontein Mining Ventures (Pty) Ltd <sup>1</sup>	*	55.1	55.1	55.1	633	(4)	(1)
Southern Holdings Ltd <sup>1</sup>	*	55.1	55.1	55.1	(826)	1	*
Refraction Investments (Pty) Ltd	*	100	100	100	–	(56)	(14)

<sup>1</sup> On 11 January 2010, following the realisation of certain security held by it, R&E became the beneficial owner of a further 30.10% of FSD's issued share capital, bringing its total holding to 85.21%.

\* Less than R1 000

<sup>#</sup> Deregistered

## SHAREHOLDER ANALYSIS

Register date: 31 December 2009

Issued share capital: 74 813 128 shares

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	1 736	73.56	441 685	0.59
1 001 – 10 000 shares	430	18.22	1 317 901	1.76
10 001 – 100 000 shares	120	5.08	3 711 947	4.96
100 001 – 1 000 000 shares	61	2.58	19 989 945	26.72
1 000 001 shares and over	13	0.56	49 351 650	65.97
	2 360	100.00	74 813 128	100.00

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	73	3.09	34 806 310	46.52
Brokers	21	0.89	1 063 722	1.42
Close corporations	49	2.08	149 860	0.20
Control account	1	0.04	161 166	0.22
Endowment funds	9	0.38	293 673	0.39
Individuals	1 784	75.59	2 544 765	3.40
Insurance companies	3	0.13	322 671	0.43
Investment companies	10	0.42	2 367 596	3.16
Medical aid schemes	1	0.04	1 505	0.00
Mutual funds	40	1.69	11 634 951	15.55
Nominees and trusts	186	7.88	1 433 653	1.92
Other corporations	45	1.91	139 973	0.19
Own holdings	1	0.04	3 000 000	4.01
Pension funds	47	1.99	6 954 341	9.30
Private companies	82	3.47	6 627 234	8.86
Public companies	8	0.36	3 311 708	4.43
	2 360	100.00	74 813 128	100.00

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholders	%	Number of shares	%
<b>Non-public shareholders</b>	6	0.25	40 054 576	53.54
Associated holdings	4	0.17	11 305 427	15.11
Strategic holdings (more than 10%)	2	0.08	28 749 149	38.43
<b>Public shareholders</b>	2 354	99.75	34 758 552	46.46
	2 360	100.00	74 813 128	100.00

Beneficial shareholders holding 5% or more	Number of shares	%
Investec Bank Limited Account 25 Corporate Finance	19 648 046	26.26
Bank of New York (Custodian)	9 101 210	12.17
JCI Investment Finance (Pty) Ltd	5 039 318	6.74
Allan Gray Equity Fund	3 740 649	5.00

# NOTICE OF ANNUAL GENERAL MEETING

## **RANDGOLD & EXPLORATION COMPANY LIMITED**

(Incorporated in the Republic of South Africa)

(Registration Number: 1992/005642/06)

Share code: RNG (Suspended)

ISIN: ZAE000008819

**(“R&E” or “the company”)**

## **NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF R&E IN TERMS OF THE COMPANIES ACT, NO. 61 OF 1973 AND THE ARTICLES OF ASSOCIATION OF THE COMPANY**

Notice is hereby given that this meeting of ordinary shareholders of R&E will be held at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, at 11:00 on Tuesday, 20 April 2010, for the purpose of considering and, if deemed fit, passing, with or without modification, the following ordinary and special resolutions in the manner required by the articles of association of the company, the Companies Act, No. 61 of 1973, (the Companies Act), and subject to the Listings Requirements of the JSE Limited (JSE).

### **ORDINARY RESOLUTION NUMBER 1**

#### **Adoption of financial statements**

**“RESOLVED THAT** the consolidated audited financial statements for the financial year ended 31 December 2009 be received and adopted.”

### **ORDINARY RESOLUTION NUMBER 2**

#### **Appointment of auditors**

**“RESOLVED THAT** the company’s auditors KPMG Inc. be re-appointed for the financial year ended 31 December 2010 and that it be noted that the individual registered auditor who will undertake the audit during the financial year is Mr CH Basson.”

#### **Appointment of directors**

A brief CV for each director is set out on pages 18 and 19 of the annual report.

### **ORDINARY RESOLUTION NUMBER 3**

#### **Appointment of director**

**“RESOLVED THAT** Ms MB Madumise who retires in terms of the articles of association and who is eligible and available for re-election, be and is hereby re-elected.”

### **ORDINARY RESOLUTION NUMBER 4**

#### **Appointment of director**

**“RESOLVED THAT** Mr JH Scholes who resigns in terms of the articles of association and who is eligible and available for re-election, be and is hereby re-elected.”

## **SPECIAL RESOLUTION NUMBER 1**

### **Share repurchases by the company or by a subsidiary of shares in the company**

**“RESOLVED THAT** the company be hereby authorised, by way of a renewable general authority, to approve the purchase of its own shares, or to approve the purchase of ordinary shares in the company by any subsidiary of the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 85 to 89 of the Companies Act, the articles of association of the company and the Listings Requirements of the JSE, in terms of which:

- a) this general authority shall be valid until the company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter;
- b) the ordinary shares be purchased through the order book of the JSE trading system and done without any prior understanding or arrangement between the company and/or the relevant subsidiary and the counterparty unless the company purchases its own shares from any wholly owned subsidiary of the company for the purposes of cancelling such treasury shares pursuant to this general authority;
- c) an announcement complying with the listings requirements be published by the company (i) when the company and/or its subsidiaries cumulatively repurchase three per cent of the ordinary shares in issue as at the time when the general authority was given (“the initial number”) and (ii) for each three per cent in the aggregate of the initial number of the ordinary shares acquired thereafter by the company and/or its subsidiaries;
- d) the repurchase by the company and its subsidiaries of the company's ordinary shares shall not in the aggregate in any one financial year exceed 20 per cent of the company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the company shall not exceed 10 per cent in the aggregate of the number of issued shares of the company;
- e) repurchases must not be made at a price more than 10 per cent above the weighted average of the market value of the shares for the five business days immediately preceding the date on which the transaction is effected. The JSE will be consulted for a ruling if the shares have not traded in such five business day period;
- f) at any point in time the company may only appoint one agent to effect any repurchase on the company's behalf or on behalf of any subsidiary of the company;
- g) the company will after a repurchase of shares still comply with the provisions of the listings requirements regarding shareholder spread;
- h) the company and any subsidiaries will not effect a repurchase during a prohibited period (as defined in the listings requirements); and
- i) the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares.”

## **SPECIAL RESOLUTION NUMBER 2**

### **Share repurchases by a subsidiary of its own shares**

**“RESOLVED AS** a special resolution that the company, insofar as it may be necessary to do so, hereby approves, as a general approval, and authorises the acquisition by any subsidiary of the company of shares issued by such subsidiary, upon such terms and conditions and in such amounts as the directors of such subsidiary/ies may from time to time determine, but subject to the provisions of sections 85 to 89 of the companies Act, the articles of association of the subsidiary and the listings requirements of the JSE in terms of which:

- a) the general repurchase of shares may only be implemented on the open market of the JSE if the subsidiary is listed and done without any prior understanding or arrangement between the subsidiary and the other counterparty.
- b) this general authority shall only be valid until the next annual general meeting of the company, provided that it shall not extend beyond fifteen months from the date of this resolution.

## NOTICE OF ANNUAL GENERAL MEETING (CONTINUED)

- c) an announcement must be published as soon as the subsidiary has acquired shares constituting, on a cumulative basis, three per cent of the number of shares of the subsidiary company in issue prior to the acquisition, pursuant to which the aforesaid three per cent threshold is reached, containing full details thereof, as well as for each three per cent in aggregate of the initial number of shares acquired thereafter.
- d) this general authority to repurchase is limited to a maximum of 20 per cent in the aggregate in any one financial year of the subsidiary's issued share capital at the time the authority is granted.
- e) repurchases must not be made at a price more than 10 per cent above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE should be consulted for a ruling if the applicant's securities have not traded in such five business day period.
- f) the subsidiary company, if listed, will only effect a general repurchase if after the repurchase is effected the company still complies with the listings requirements of the JSE concerning shareholder spread requirements.
- g) the shareholder may at any point in time only appoint one agent to effect any repurchase(s) on the subsidiary's behalf.
- h) the subsidiary may not effect a repurchase during any prohibited period as defined in terms of the listings requirements of the JSE unless there is a repurchase programme in place as contemplated in terms of the listings requirements of the JSE.
- i) the company must ensure that its sponsor provides the JSE with the required working capital letters before it commences the repurchase of any shares."

### REASONS FOR AND EFFECT OF THE SPECIAL RESOLUTIONS

- a) The reasons for and effect of the special resolutions is to grant the company's directors a general authority to approve the company's repurchase of its own shares and to permit a subsidiary of the company to purchase shares in the company or for such subsidiary to purchase its own shares.
- b) The directors of the company or its subsidiaries will only utilise the general authority to purchase shares of the company and/or the subsidiary as set out in special resolutions 1 and 2 to the extent that the directors, after considering the maximum shares to be purchased, are satisfied that:
  - the company and its subsidiaries will be able, in the ordinary course of business, to pay their debts for a period of 12 months after the date of the notice of the annual general meeting at which this resolution is proposed (the annual general meeting);
  - the assets of the company and its subsidiaries will exceed the liabilities of the company and its subsidiaries for a period of 12 months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the company's latest audited annual group financial statements;
  - the company and its subsidiaries will have adequate share capital and reserves for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting;
  - the working capital of the company and its subsidiaries will be adequate for ordinary business purposes for a period of 12 months after the date of the notice of the annual general meeting; and
  - upon entering the market to proceed with the repurchase, the company's sponsor has confirmed the adequacy of the company's working capital for the purposes of undertaking a repurchase of shares in writing to the JSE.

### INFORMATION RELATING TO THE SPECIAL RESOLUTIONS

For the purposes of considering the special resolutions and in compliance with the listings requirements, the following information has been included in the annual report of which this notice forms part (the annual report), at the page numbers indicated: General information in respect of directors and management (pages 18 and 19), major shareholders (page 63), directors' interests in securities (page 35) and the share capital of the company (note 16).

- (1) There has been no material change to the financial or trading position of the company since the end of the last period, otherwise than as disclosed in the annual report or as disclosed in the press.

- (2) The company is involved in legal and mediation/arbitration proceedings which may have or has had a material effect on the group's financial position as has been fully disclosed to shareholders in various circulars and as has been disclosed in the annual report.
- (3) The directors, whose names are given on page 19 of the annual report, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that the notice contains all the information required by the listings requirements.

### **VOTING AND PROXIES**

On a show of hands, each shareholder who is present in person or by proxy at the R&E annual general meeting is entitled to one vote irrespective of the number of shares he holds or represents, provided that a proxy shall, irrespective of the number of shareholders he represents, have only one vote. On a poll, a shareholder present in person or by proxy at the R&E annual general meeting shall be entitled to one vote for each share held or represented.

Each shareholder who is entitled to attend and vote at the R&E annual general meeting may appoint one or more proxies (none of whom needs to be a shareholder of R&E) to attend, speak and vote in his stead. The completion and lodging of forms of proxy will not preclude an R&E shareholder from attending, speaking and voting to the exclusion of the proxy or proxies so appointed.

A form of proxy is included with this notice for use by certificated shareholders and "own name" dematerialised shareholders only who are unable to attend the R&E annual general meeting but who wish to be represented thereat. Duly completed forms of proxy must be received by the South African transfer secretaries (Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107) or by the United Kingdom registrars (Capita Registrars Proxies Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU) by not later than 11.00 on Friday 16 April 2010.

For and on behalf of the board of R&E

### **Randgold & Exploration Company Limited**

#### **RP Pearcey**

*Company Secretary*

Johannesburg

9 March 2010

#### **Registered office**

7th Floor, Fredman Towers,  
13 Fredman Drive,  
Sandown 2196  
(PO Box 650905,  
Benmore, 2010)

#### **Transfer secretaries**

Computershare Investor Services  
(Proprietary) Limited  
70 Marshall Street, Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

#### **United Kingdom registrars**

Capita Registrars Limited  
The Registry  
34 Beckenham Road, Beckenham  
Kent BR3 4TU  
United Kingdom



## FORM OF PROXY

**RANDGOLD & EXPLORATION COMPANY LIMITED**

(Incorporated in the Republic of South Africa)

(Registration Number: 1992/005642/06)

Share code: RNG

ISIN: ZAE000008819 (Suspended)

**("R&E" and "the company")**

Dematerialised shareholders, other than "own name" dematerialised shareholders, who wish to attend the annual general meeting must instruct their CSDP or broker to issue them with the necessary authority to attend. Should dematerialised shareholders, other than "own name" dematerialised shareholders, be unable to attend the annual general meeting in person, but wish to vote by proxy, they must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between them and their CSDP or broker.

This form of proxy is for use by certificated ordinary shareholders and "own name" dematerialised ordinary shareholders of R&E only, at the annual general meeting of R&E shareholders (the AGM) to be held at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, at 11:00 on Tuesday, 20 April 2010.

Shareholders who have dematerialised their shares, other than "own-name" dematerialised shareholders, must inform their CSDP or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the necessary letter of representation to attend or provide their CSDP or broker with their voting instructions should they not wish to attend the R&E annual general meeting in person. Such shareholders must not return this form of proxy to the transfer secretaries.

**For shareholders resident in the United States:**

Holders of American Depositary Receipts (ADRs) will receive a form of proxy generated by the company's United States Depository Bank, The Bank of New York. Holders of ADRs who wish to attend the R&E annual general meeting to be held at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, at 11:00 on Tuesday, 20 April 2010, must contact the United States Depository to become registered owners of the ordinary shares corresponding to their ADRs prior to Monday, 5 April 2010, by presenting their ADRs to the United States Depository for cancellation, and (upon compliance with the terms of the Depository Agreement including payment of the United States Depository's fees and applicable taxes and governmental charges) delivery of the underlying ordinary shares represented thereby. The details of the United States Depository are referred to in the Corporate Information section on pages 2 and 3 of this annual report of which this form of proxy forms a part.

I/We (please print name in full) \_\_\_\_\_

of address (please print) \_\_\_\_\_

being the holder of  ordinary shares in R&E, hereby appoint (see note 2)

1. \_\_\_\_\_ or failing him/her
2. \_\_\_\_\_ or failing him/her
3. the chairman of the annual general meeting.

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the R&E annual general meeting which is to be held for the purpose of considering and, if deemed fit, passing with or without modification, the ordinary resolutions and special resolution to be proposed thereat and at each adjournment thereof and to vote for or against the ordinary resolutions and special resolution or to abstain from voting in respect of their ordinary shares in the issued share capital of R&E registered in my/our name/s, in accordance with the following instructions (see note 4).

	For	Against	Abstain
<b>Ordinary resolution number 1</b> – That the consolidated audited financial statements for the financial year ended 31 December 2009 be received and adopted			
<b>Ordinary resolution number 2</b> – To re-appoint KPMG Inc. as auditors of the company for the financial year ended 31 December 2010			
<b>Ordinary resolution number 3</b> – That Ms MB Madumise be re-elected as a director			
<b>Ordinary resolution number 4</b> – That Mr JH Scholes be re-elected as a director			
<b>Special resolution number 1</b> – Share repurchase by the company or by any subsidiary of the company's shares			
<b>Special resolution number 2</b> – Share repurchase by a subsidiary of its own shares			

Insert an "X" in the relevant spaces above according to how you wish your votes to be cast. However, if you wish to cast your votes in respect of a lesser number of shares than you own in R&E, insert the number of R&E ordinary shares held in respect of which you desire to vote (see note 4).

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2010

Signature \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder) to attend, speak and vote in place of that member at the R&E annual general meeting.

Please read the notes and instructions on the reverse hereof.

## NOTES:

1. All R&E shareholders are entitled to attend, be represented and vote at the R&E annual general meeting. Each R&E shareholder present in person or by proxy at the annual general meeting shall be entitled, on a show of hands, to one vote irrespective of the number of shares he holds or represents, provided that a proxy shall irrespective of the number of shareholders he represents, have only one vote. On a poll, at the R&E annual general meeting, an R&E shareholder who is present in person or by proxy shall be entitled to one vote for each share held or represented.
2. An R&E shareholder may insert the name of a proxy or the names of two alternate proxies of the shareholder's choice in the space/s provided, with or without deleting "the chairman of the annual general meeting". If a deletion is made, such deletion must be initialled by the shareholder. The person whose name stands first on the form of proxy and who is present at the R&E annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
3. An R&E shareholder's instructions to the proxy as to whether to vote for, against or abstain from voting, and in respect of the relevant number of shares to vote in such a manner, shall, in respect of the resolution, be indicated as follows:
  - a. By the insertion of an "X" in the appropriate box provided to indicate whether to vote for, against, or abstain from voting. Such an insertion, without the insertion of the relevant number of shares as contemplated in paragraph (b) below, shall require the proxy to vote or abstain from voting at the R&E annual general meeting as indicated by the "X" in respect of all (and not some) of the shareholder's votes exercisable thereat.
  - b. By the insertion of the relevant number of shares held by the shareholder in R&E to indicate the number of shares to be voted for, against or abstain from voting (which will indicate the number of votes exercisable by the proxy on behalf of the shareholder on a poll), in the appropriate box provided. Such an insertion, with or without the insertion of an "X", shall require the proxy to vote or abstain from voting at the R&E annual general meeting as indicated by the number so inserted in respect of such inserted number (and not a portion) of shares.
  - c. By the failure to insert anything in the appropriate box. Such failure will be deemed to authorise the chairman of the meeting, if he is the proxy, to vote in favour and any other proxy to vote or abstain from voting at the R&E annual general meeting as he/she deems fit in respect of all (or a portion) of the shareholder's votes exercisable thereat.
4. Holders of ADRs will receive a form of proxy generated by the company's United States Depository Bank, The Bank of New York. Holders of ADRs who wish to attend the R&E annual general meeting to be held on 20 April 2010 at 11:00 at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, Johannesburg, South Africa, must contact the United States Depository to become registered owners of the ordinary shares corresponding to their ADRs prior to Monday, 5 April 2010, by presenting their ADRs to the United States Depository for cancellation, and (upon compliance with the terms of the Depository Agreement, including payment of the United States Depository's fees and applicable taxes and governmental charges) delivery of the underlying ordinary shares represented thereby. The details of the United States Depository are referred to in the Corporate Information section on pages 2 and 3 of this report to which this form of proxy forms a part.
5. An R&E shareholder is not obliged to use all the votes exercisable by the shareholder, but the total of the votes cast, and in respect of which abstention is recorded, whether by the shareholder or the proxy, may not exceed the total of the votes exercisable by the shareholder.
6. A duly completed form of proxy must be lodged with or posted to the South African transfer secretaries, Computershare Investor Services (Proprietary) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107 or the United Kingdom Registrars, Capita Registrars Limited, Proxies Department, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to reach them by no later than 10:00 on Friday, 16 April 2010.
7. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof.
8. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting, as the case may be.
9. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
10. The chairman of the annual general meeting may reject or accept any form of proxy, which is completed and/or received, other than in compliance with these notes.
11. In respect of joint holders, any such persons may vote at the R&E annual general meeting in respect of such joint shares, as if he were solely entitled thereto; but if more than one of such joint holders are present or represented at the R&E annual general meeting, the person whose name stands first in the register in respect of such shares or his proxy, as the case may be, is alone entitled to vote in respect thereof.







**RANDGOLD**

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