RANDGOLD

RANDGOLD & EXPLORATION COMPANY LIMITED

ANNUAL REPORT 2011

The R&E board remains **FOCUSED** on the **RECOVERY** of assets allegedly misappropriated whilst simultaneously **PROTECTING** and **GROWING** the company's existing asset base.

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FORWARD-LOOKING STATEMENT

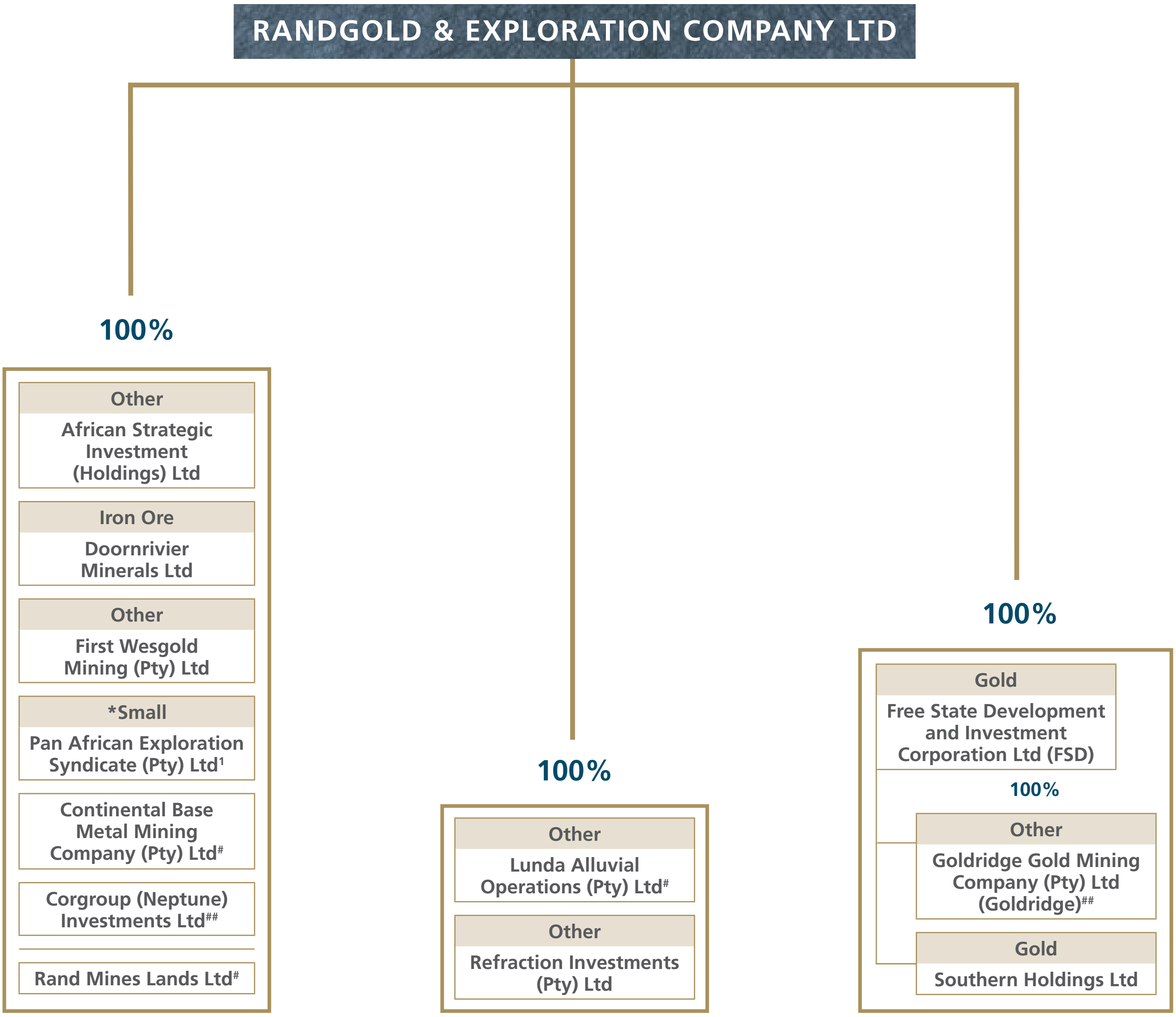
Certain statements in this document as well as oral statements that may be made by the officers, directors or employees of Randgold & Exploration Company Limited ("R&E" or "the company") acting on its behalf relating to the information herein, contain "forward-looking statements" within the meaning of 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 fraud and misappropriation 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; 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 2011



[1] Disposed of during the year for nominal value
* Small – These entities do not make significant contributions to the R&E group
[#] Deregistered during the year
[##] In the process of deregistration

David Kovarsky (Chairman)

"We are confident that the 2012 financial year will present the company with exciting value accretive opportunities."

After significant distributions to shareholders in January 2011 arising from the recoupment of value from third parties, the board consolidated the affairs of the company during the year under review. Management continued building shareholder value by investing in the outstanding legal claims against third parties and by investigating various investment opportunities.

Importantly, the operational activities during the 2011 financial year had a minimal effect on the net asset value of the company, which reduced slightly to R2.34 per share.

The unaudited NAV as at 31 January 2012 is as follows:

ASSETS	**R'000**
Prospecting rights, plant and equipment	728
Trade receivables	2 268
Cash and cash equivalents	206 960
TOTAL ASSETS	**209 956**
LIABILITIES	**42 677**
Post-retirement medical benefit obligation	39 142
Trade and other payables	3 535
NET ASSETS	**167 279**
ISSUED SHARES (adjusted for treasury shares)	71 585 172
NAV per share – Rand	**2.34**

As previously stated, the R&E board of directors remains firmly committed to the further recovery of the company's assets which were lost as a result of the misappropriations during the Kebble era while always retaining a commercially pragmatic approach. No recoveries were made during the year under review but considerable effort went into the pursuit of various substantial claims (refer to page 18 and page 22 for a summary of the legal claims and prospecting rights, respectively).

The company's strong asset base, comprising primarily cash reserves, facilitates the bold and effective pursuit of claims while preserving sufficient critical mass to take advantage of investment opportunities as they arise.

The company's prospecting rights portfolio has not shown any potential to accommodate an independent and economically viable mining operation. However, management was able to dispose of certain selected rights, and is in the process of finalising these transactions. Disposal agreements of prospecting rights amounting to approximately R22 million were entered into, of which R10 million was concluded during the year under review and the balance scheduled for conclusion in 2012 (refer to the prospecting rights report on page 22). Certain other rights are now the subject of joint-venture agreements, in terms of which the operational and funding requirements are the responsibility of our partners.

We are confident that the 2012 financial year will present the company with exciting value accretive opportunities.

Marais Steyn (Chief executive officer)

We would once again like to thank our colleagues on the board and the management of R&E, along with our sponsoring brokers, auditors and legal advisors for their diligence and commitment as we continue pursuing the recovery of shareholders' assets and strengthen returns on their investment.

David Kovarsky
Independent non-executive chairman

Marais Steyn
Chief executive officer

REPORT OF THE FINANCIAL DIRECTOR

Van Zyl Botha (Financial director)

R&E is pleased to present its fifth set of audited financial statements since the company's suspension from the JSE on 1 August 2005, covering the results for the financial year ended 31 December 2011.

During 2011, the R&E finance team focused on the development and exploitation of its remaining prospecting rights and investing in its legal claims, with specific focus on the claims against Paul Main and PricewaterhouseCoopers (PwC). The key tasks included:

- Negotiation of terms with various parties to ensure the best possible commercial outcome for the company's prospecting rights;
- Resolution of historic tax matters with SARS for all entities in the group;
- A "clean-up" of the R&E shareholder register by means of an odd-lot and specific offer to repurchase shares from shareholders with small holdings; and
- Preparing forensic evidence and supporting documentation for court proceedings.

The realisation of value from the sale of certain prospecting rights enabled the R&E group to fund its continued operations with minimal impact on the value of the company's remaining assets. Despite the cash flow demands of litigation, R&E continues to fund its operations from investment income. Solid foundations have been laid for future litigation and R&E is prepared to further the matters.

THE STATEMENT OF COMPREHENSIVE INCOME

The group results for the 2011 year were positive, showing total profit of R47.7 million (2010: R 741.5 million).

This is mainly as a result of profit realised on the distribution of investments to shareholders, the sale of prospecting rights, and interest earned on cash invested. Continued expenditure on consulting, forensic, legal, audit fees and tax advisors was necessary to achieve the desired outcomes.

THE STATEMENT OF FINANCIAL POSITION

The major assets of the R&E group as at 31 December 2011 consisted of cash and prospecting rights. The board has adopted a minimum risk approach to protect the group's cash investments, which are monitored daily in conjunction with a specialist treasury firm to maintain optimal returns with minimal associated risks.

The 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 as stated in previously published competent person's reports. The group intends to retain its prospecting rights unless it is commercially sound to dispose thereof and negotiations in this regard are ongoing. Planned prospecting expenditure on all rights currently held is R20.8 million over the course of the next four years. R&E 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 some members of the medical aid scheme a discounted cash amount in exchange for the renunciation of their benefits under the scheme, an alternative that is proving to be beneficial for both parties.

The R&E group has calculated tax losses as at 31 December 2011, but no deferred tax assets were raised as it is not probable that there will be future taxable profits against which to offset the tax losses. Certain tax matters dating back to 1998 that were part of the Kebble legacy have now been laid to rest with the South African Revenue Service.

CASH FLOW

The group's primary cash inflows were as a result of investing activities, interest earned on cash and the disposal of prospecting rights. The group utilised this cash to fund its operations during the year.

OUTLOOK

The outlook for 2012 is similar to that for the previous year. Expenditure on litigation and operations 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 mining sector, and continues to focus on the recovery of misappropriated assets.

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 and the finance team for their continued dedication. A special word of thanks goes to the members of my team, Marleen Schalkwijk, Nico Hoffman and Arno Kotze.

Van Zyl Botha
Financial director

INTRODUCTION

R&E and its directors are 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 transparency, integrity and accountability as advocated by the Code of Corporate Practices and Conduct set out in the King III report on Corporate Governance (King III).

During the 2011 financial year, the company complied with the principles contained in King III to the extent possible. The directors believe that corporate governance should be appropriate to the size of the company, its complexity and structure, and the risks affecting it, providing a framework 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, or all of the non-executive directors, have 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 III and other good governance practices.

For 2011, the key corporate governance areas of focus were:

- The implementation of compliance with the principles of King III, as far as possible within the limited resources of the company; and
- A continued focus on strategic issues at board level.

CODE OF ETHICS

All the directors and employees are bound to the core values of integrity, honesty and transparency. The company's Code of Business Conduct and Ethics articulates the group's policy with respect to conflicts of interest, confidentiality, whistle-blowing, fair dealing as well as the protection and proper use of company assets.

BOARD OF DIRECTORS

During the 2011 financial year the board comprised of five directors; two 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 diverse 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.

There is a balance of power and authority at board level to ensure that no one director has unfettered powers of decision making. 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. It has been revised and updated as required. The board continues adhering thereto.

The board's effectiveness, both individually per director and collectively per committee is constantly monitored, reviewed and discussed. For the executive directors, this process is formal, but for non-executives, the process does not take the formal and rigid form which it would have given a much larger, hierarchical corporate structure.

ATTENDANCE AT DIRECTORS' MEETINGS

The board met four times in 2011. Attendance of meetings was as follows:

	DC Kovarsky	M Steyn	V Botha	JH Scholes	MB Madumise
28 February 2011	P	P	P	P	P
24 March 2011	P	P	P	P	P
2 August 2011	P	P	P	P	P
7 December 2011	P	P	P	T	T

P indicates attendance

T indicates joined by teleconference

The board of directors comprised the following directors for the 2011 financial year:

- DC Kovarsky Independent non-executive chairman
- M Steyn Chief executive officer
- V Botha Financial director
- MB Madumise* Independent non-executive director
- JH Scholes Independent non-executive director

*MB Madumise subsequently resigned effective 23 March 2012.

TERMS OF EMPLOYMENT OF DIRECTORS

The remuneration committee determines the remuneration of executive directors and other senior executive managers. The two executive directors are employees of the company, have standard terms and conditions of employment and do not receive any special remuneration or other benefits. There is no restraint of trade in place for either of the executive directors. Changes to the remuneration of independent non-executive directors are approved by shareholders.

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

Directors have an obligation to attend and 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.

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 directors resign by rotation, and have offered themselves for re-election:

- DC Kovarsky (Chairman)
- JH Scholes (Independent non-executive)

Brief curricula vitae of the directors standing for re-election are set out on pages 16 and 17.

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 following annual general meeting, and shall then be eligible for re-election at that meeting"*.

While there is no formal induction programme for new directors due to the low number of appointments and resignations, any new director will be afforded a personal orientation and induction process when required. There were no new appointments during the year under review or up to the date of this report.

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 86(2)(a) of the Companies Act, No. 71 of 2008 (the Act).

The company secretary is responsible for the duties set out in section 88(2) 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 88(2)(e) of the Act appears on page 31 of this report.

On 30 November, the company's secretary, Roger Pearcey retired and Van Zyl Botha was appointed in his stead. This is envisaged as a temporary arrangement, and R&E has obtained the necessary dispensation from the JSE for the company's financial director to act as company secretary as well.

AUDIT COMMITTEE

The audit committee charter was approved and adopted with effect from 24 March 2004. It has been periodically reviewed and updated as and when required. The audit committee comprises all the independent non-executive directors. Meetings are normally attended by the company secretary as secretary to the committee, the external auditors and, by invitation, the chief executive and the financial director.

During 2011 members of the committee were:

- DC Kovarsky (Independent non-executive chairman)
- JH Scholes (Independent non-executive director)
- MB Madumise (Independent non-executive director)

Note: In order to maintain the financial and accounting expertise required, the members decided to re-elect Mr Kovarsky as chairman of the committee for 2012. While this is not the ideal as set out in King III, the board believes that given R&E's flat structure and limited resources this configuration is appropriate. If the company's profile or activities were to change appreciably, an alternative arrangement may become necessary.

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

- The appointment and/or termination of the external auditors, including assessing their independence and objectivity;
- Determining the audit fee of the external auditors;
- Determining, in conjunction with the external auditors, the nature and scope of the audit;
- Evaluating the effectiveness of the external audit;
- Evaluating the effectiveness of internal controls;
- 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 or any other improprieties.

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 four times during 2011. All the 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 2011 financial year in accordance with its terms of reference.

The audit committee is satisfied that KPMG Inc. is independent of the R&E group and has recommended the re-appointment of KPMG Inc. as auditors for 2012.

The audit committee has reviewed and approved the consolidated annual financial statements of R&E for the year ended 31 December 2011 at the audit committee meeting held on 6 March 2012.

The audit committee is also satisfied that the internal financial controls are effective and that the annual financial statements of R&E fairly present the financial position at 31 December 2011 and the results of operations and cash flows for the year then ended. The audit committee has reviewed the risk profile of the group and is satisfied that risk has been adequately managed. Further, the audit committee is satisfied with the sustainability of the group for the forthcoming year.

MB Madumise resigned from the board, audit committee and all other committees post the review and approval of the consolidated annual financial statements for the year ended 31 December 2011.

The audit committee is satisfied with the expertise and experience of the financial director Van Zyl Botha, who is an executive director.

Given the current size and scope of the company, an integrated report was not considered necessary and all necessary items have been disclosed in this annual report and financial statements. An integrated report will be prepared should these circumstances change.

INTERNAL AUDIT

In order to facilitate the transition to compliance with the principles contained in King III, the board of directors decided to enlist the assistance of a specialist external company to monitor, evaluate and report on areas which fall under the internal audit function. Such a report will be tabled before the audit committee periodically, enabling it to identify risk areas and respond effectively and timeously. The necessity for a full-time dedicated internal function will be re-assessed should the profile or operations of the company change materially.

NOMINATIONS COMMITTEE

An updated nominations committee charter was approved and adopted on 28 February 2011. It sets out the committee's terms of reference, including objectives, duties, proceedings at meetings and membership. Currently, all non-executive directors constitute the nominations committee, and it is chaired by the chairman. The nomination committee met three times since this date, with all members attending.

REMUNERATION COMMITTEE

A remuneration committee mandate was approved and adopted by the board of directors with effect from 24 March 2004. A revised charter, to take account of the changes in company law, the Listings Requirements of the JSE and King III was reviewed by the audit committee on 28 February 2011 and was approved and adopted by the board on 2 August 2011. Currently, the entire board of directors constitutes the remuneration committee. The committee met on two occasions during 2011 with all members attending.

The objectives of the committee, as set out in its terms of reference include the following:

- The Committee establishes and administers the company's executive remuneration with the broad objectives of:
  - Aligning executive remuneration with company performance and shareholder interests;
  - Setting remuneration standards which attract, retain and motivate a competent executive team;
  - Linking individual pay with operational and company performance in relation to strategic objectives; and
  - Evaluating compensation of executives including approval of salary, equity and incentive based awards.

RISK COMMITTEE

The company does not have a formally appointed risk committee. The board of directors as a whole has assumed responsibility for the risk committee's duties, as contained in King III.

RISK MANAGEMENT REPORT

An annual risk management report was compiled for the group and tabled for discussion by the board, the most recent having been on 6 March 2012. The report seeks to identify and mitigate all risks faced by the group. It dealt with, *inter alia*, the following:

- Management's role in assessing risks;
- Strategic risks;
- Internal audit;
- Personnel policies;
- Computer system security;
- Insurance;
- Director and officer liability insurance;
- Legacy and regulatory risk;
- Financial risks;
- Operational risks;
- Information risks;
- Reputational risks; and
- Mining and BBBEE legislation risk.

To enable management to manage risks effectively on a financial level, monthly management accounts and budgets, as well as group net asset value statements are prepared and considered. In so doing, the group's solvency and liquidity position is constantly and closely monitored.

Given the current position and structure of the group, as well as the low risk stance adopted by the board in dealing with the group's assets, it is accepted that an even greater focus on risk will be needed if the environment in which the company operates was to change due to growth or operating activities.

SOCIAL AND ETHICS COMMITTEE

A new Social and Ethics Committee Charter was adopted at a meeting of the audit committee on 2 August 2011. Subsequent to its formation, the committee has met twice with all three members attending. It is a formal subcommittee of the board of directors, and currently comprises the following members:

– H Scholes, M Steyn and V Botha

Members of the committee are appointed by the board, and membership shall at all times include at least one independent non-executive director.

The responsibility of the committee as set out by the charter is to monitor the company's activities with regard to the relevant legislation and codes of best practice in respect of:

- Social and economic development including the company's standing in respect of:
  - The 10 principles set out in the United Nations Global Compact Principles;
  - The OECD recommendations regarding corruption;
  - The Employment Equity Act; and
  - The Broad Based Black Economic Empowerment Act.
- Good corporate citizenship, including:
  - The promotion of equality, prevention of unfair discrimination and reduction of corruption;
  - Contribution to the development of those communities in which it operates; and
  - The company's record of sponsorship, donations and charitable giving.
- Environment, health and public safety including the impact of the company's activities and its products or services.
- Consumer relationships including advertising, public relations and compliance with consumer protection laws.
- Labour and employment including:
  - The company's standing in terms of the International Labour Organisation Protocol on Decent Work and Working Conditions.

Due to the fact that the company operates as an investment company in the mining industry and does not have any active mining operations of its own, its potential impact on society outside of the company is negligible. The company continues fulfilling its obligations under the post-retirement medical benefit scheme. During 2011, R&E also participated in an education upliftment project, Golang Education Outreach, which seeks to bring education opportunities to disadvantaged youths.

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 2010 or 2011 and up to the date of this report.

COMPLIANCE

While the company does not currently have a formal compliance function in place, management as a whole takes responsibility for keeping abreast of all legal and regulatory changes which could affect the group. Through constant communication with the company's legal and tax advisors, as well as its close relationship with its corporate sponsor, the company ensures that it operates within all applicable laws, regulations and frameworks.

ENVIRONMENTAL IMPACT

As mentioned above, the company does not currently have any active mining operations and its impact on the environment is minimal. Where work is performed on prospecting rights, care is taken to always do so within the environmental guidelines set out in the MPRDA. Where new potential projects are assessed going forward, a "triple bottom line" mind set will always be adopted.

SUSTAINABILITY

Sustainability can be defined as the ability of an organisation to survive and grow for the foreseeable future.

The directors of R&E regularly examine the opportunities and risks and all the factors inherent in managing the company and have ascertained that, in line with the strategy adopted by the directors at a directors meeting held on 8 October 2010 the company has sufficient funds and resources to meet the strategy for the forthcoming year.

The strategy adopted contained the following key points:

- A continuation of the litigation programme to recover funds where there is the most realistic prospect of recovery;
- Preservation and value maximisation of the company's prospecting rights;
- Retention of the listing of the company's shares on the JSE;
- Ongoing review of the company's cost base related to the adopted strategy; and
- Review and investigate any opportunities to expand and maximise wealth creation for R&E's stakeholders.

The conditions and factors appertaining to the sustainability of the company are regularly reviewed by the board of directors.

DIRECTOR AND OFFICER LIABILITY INSURANCE

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

David Chaim Kovarsky (63)
Non-executive chairman
CTA, 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 managing 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 or CFO of companies of varying sizes, but mostly related to resources.

Until August 2011, David was the CEO of International Ferro Metals Limited, a London listed company producing ferrochrome in South Africa. He is currently the South African CEO of commodities trader, Marco International.

Marais Steyn (40)
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 Aflease Limited, a JSE-listed gold and uranium mining company.

John Hulme Scholes (45)
(Independent non-executive director)
BA (Law), LLB (Wits)
Date of appointment: 19 February 2010

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 17 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. With effect from 1 October 2010, Hulme returned to the legal profession as a mining and mineral law advisor and is now a non-executive director of AQPSA as well as Lace Diamond Mines (Pty) Ltd and West Wits Mining Limited which is listed on the Australian Stock Exchange.

Van Zyl Botha (31)
Financial director
BComm (Hons) (Stellenbosch), CA(SA)
Date of appointment: 6 May 2010

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, as CFO on 1 August 2009 and as financial director on 6 May 2010.

Note: **Motsehoa Brenda Madumise (47)** *(Independent non-executive director),* BProc LLB, MBA, Dip International Trade Law, Date of appointment: 24 July 2003, Date of resignation: 23 March 2012

The R&E group remains engaged in pursuing a number of legal claims against third parties, with a view to making a recovery for the shareholders of R&E.

As to the extent of the litigation in which the R&E group has and continues being engaged in following the reconstitution of R&E's board of directors on 24 August 2005, shareholders are referred to the previous litigation statements, SENS announcements, updates to shareholders and prior circulars published by R&E. Additional information may also be found on R&E's website at www.randgoldexp.co.za.

What follows represents details of the various matters in which R&E and/or certain of its subsidiaries have been engaged in during the year under review.

Application by certain minority shareholders of R&E:

1. On 29 March 2011, David John Smyth, Patrick Charles Smyth, Anglorand Securities Limited, James George Witheridge Gubb, Elizabeth Anne Hope Gubb, Milkwood Investments Limited and Jag Investments (Pty) Limited (collectively **the minority shareholders**), issued an application out of the North Gauteng High Court, Pretoria, against Investec Bank Limited (**Investec**) (as First Respondent) and R&E (as Second Respondent).

2. In terms of the application, the minority shareholders seek the following relief, *inter alia*:

    2.1. that the Settlement Agreement concluded between R&E, JCI Limited (**JCI**) and JCI Investment Finance (Pty) Limited (**JCIIF**) on 20 January 2010 (which the shareholders of R&E and JCI were asked to consider on 28 May 2010 and 4 June 2010 respectively, and voted in favour of) (**the Settlement Agreement**) constitutes or involves an act or omission which is unfairly prejudicial, unjust, or inequitable having regard to certain provisions of the previous Companies Act, 61 of 1973 (**the 1973 Companies Act**);

    2.2. that the agreement concluded between R&E, African Strategic Investment (Holdings) Limited (ASI), JCI, JCIIF, Investec, Investec Bank PLC, Letseng Diamonds Limited and others (the Litigation Settlement Agreement), also constitutes or involves an act or omission which is unfairly prejudicial, unjust or inequitable in terms of the 1973 Companies Act.

3. On the strength of these allegations, the minority shareholders are seeking a monetary award against Investec, requesting that Investec be ordered to purchase the minority shareholders' shares in R&E at a price of R288.56 per share (or such other sum which the court may determine), plus the ruling R&E share price at the time of such purchase.

4. No monetary relief has been claimed by the minority shareholders against R&E. However, the minority shareholders request that the costs of the application be paid by Investec jointly and severally with R&E, having regard to R&E's opposition of the application.

5. R&E resolved to file an answering affidavit and place before the court a comprehensive picture of the events which culminated in the conclusion of the Settlement Agreement and the Litigation Settlement Agreement, which the minority shareholders contend gave rise to the oppression which forms the basis of their complaint. R&E agreed as against both the minority shareholders and Investec that it would make a full and detailed disclosure of all issues pertinent to the application, so as to permit of the proper adjudication of the application. In its affidavit R&E denies that it has acted in the manner alleged by the minority shareholders and denies having contravened the relevant provisions of the 1973 Companies Act.

6. Ordinarily the preparation of such an affidavit would involve R&E in considerable expense. Given that the application entails a dispute between two groupings of shareholders, namely Investec and the minority shareholders, R&E decided to table its affidavit before the court in the interests of justice. In so doing Investec indemnified R&E in respect of the costs

associated therewith. R&E agreed to the filing of its affidavit in order to place before the court the true facts bearing on the application.

7. R&E remains of the view that the conclusion of the Settlement Agreement and Litigation Settlement Agreement was in the best interests of R&E. Both agreements were fully implemented in 2010.

8. On 16 December 2011, R&E served its answering affidavit. (Should any of the shareholders of R&E wish to inspect R&E's answering affidavit they are welcome to do so and arrangements in this regard can be made with R&E's company secretary, Van Zyl Botha).

9. The application of the minority shareholders is being opposed by Investec which filed its answering affidavit thereto on 17 December 2011.

10. The minority shareholders have filed a supplementary affidavit in relation to the competence of the minority shareholders to pursue the relief claimed by them, which R&E is in the process of answering to.

11. It is likely that the application will be adjudicated upon, later this year.

Claims against third parties:

12. R&E and/or certain of its subsidiaries remain(s) engaged in the following actions:

Action against Paul Main (Main) in the High Court of Justice, Chancery Division, England (the UK action)

12.1. ASI and R&E (as First and Second Claimants) continue pursuing their claim against Main in the UK action, which action Main is defending.

12.2. Shareholders will recall that the action by R&E and ASI is based on the English tort of conversion, in respect of which R&E and ASI seek to hold Main accountable for damages occasioned in respect of 2 million Randgold Resources Limited shares.

12.3. Damages representing the value of the shares at the time of conversion, together with statutory interest pursuant to Section 35A of the English Supreme Court Act have been sought against Main.

12.4. A trial has been allocated to take place in the UK between 19 and 30 March 2012.

12.5. R&E's shareholders are reminded that two actions were instituted out of the Western Cape High Court against Main in 2007 and 2008 respectively (which actions are being defended). The R&E group's South African actions against Main and the furtherance thereof will be further assessed at the relevant time, once the outcome of the UK action is known.

Action against PricewaterhouseCoopers (PwC):

12.6. R&E's claim against PwC continues progressing.

12.7. R&E's shareholders will recall that R&E is seeking to hold PwC liable for damages arising from its alleged failed audit of R&E and its subsidiaries, during the period 1998 to 2004.

12.8. The formal stage of exchanging pleadings has now closed and attention is being given to R&E's discovery and other aspects of trial preparation aimed at securing a trial date.

Action against Gold Fields Operations Limited (Gold Fields):

12.9. Shareholders are reminded that R&E and ASI issued summons out of the South Gauteng High Court against Gold Fields under case number 08/27627 (**the Gold Fields Action**), comprising five claims.

12.10. In terms of the Gold Fields Action R&E and ASI seek to hold Gold Fields accountable for damages arising from the alleged theft of its assets.

12.11. R&E and ASI will continue assessing how best to promote its action against Gold Fields in the context of the logistics and practicalities arising from the other litigation in which they are involved in, and in respect of which they seek to achieve further recoveries from third parties.

Action against inter alia, certain former directors/employees of R&E:

12.12. The summons issued by R&E, ASI and First Wesgold Mining (Pty) Limited (**First Wesgold**) out of the South Gauteng High Court (which comprises 16 claims), is similarly defended by the defendants cited in that action which include Mr Hendrik Christoffel Buitendag (**Buitendag**) (a former financial director of R&E and JCI), Mr John Stratton (**Stratton**) (a former director of JCI), Mr Charles Henry Delacour Cornwall (**Cornwall**) (a former director of JCI), Mr Lieben Hendrik Swanevelder (**Swanevelder**) (the former group of accountant of JCI), Mr Lunga Raymond Ncwana (**Ncwana**) (a former director of R&E and a director of Equitant Trading (Pty) Limited – **Equitant**) and Mr John Chris Lamprecht (**Lamprecht**) (a former financial director of R&E and JCI).

12.13. Shareholders are reminded that Buitendag has joined as third parties to the action, Stratton, Cornwall, Swanevelder, Ncwana, Mjongile, Equitant, Demitrios Perrivos, Lamprecht, JCI, Mr Roger Ainsley Ralph Kebble (**Roger**), Consolidated Mining Management Services Limited (**CMMS**), Mr George William Poole (**Poole**), Ms Patricia Beatrice Beale (**Beale**) and Phikoloso Mining (Pty) Limited and seeks, to the extent that he is found liable, a contribution from those parties he has joined to the action as third parties in respect of the various claims where he is cited as a defendant.

12.14. Buitendag passed away in July 2011 and his executors will need to be substituted in the various actions instituted against him by R&E and ASI.

Action against Bookmark Holdings (Pty) Limited (Bookmark), Sello Rasathaba (Rasathaba) and Lamprecht:

12.15. On 11 August 2008, R&E and ASI, as the First and Second Plaintiffs respectively instituted an action out of the South Gauteng High Court, Johannesburg against Bookmark, Rasathaba and Lamprecht as the First, Second and Third Defendants respectively, claiming damages relating to certain RRL shares.

12.16. The action is defended.

12.17. This action continues being assessed in the context of the other actions in which R&E and ASI are involved in aimed at achieving further recoveries for R&E.

Action against Charles Orbach and Company (Charles Orbach):

12.18. Shareholders are reminded further that R&E instituted an action against Charles Orbach out of the South Gauteng High Court under case number 2008/25469 seeking damages against its former statutory auditor, arising from an alleged failure to adequately probe the provisional results of R&E for the year ended 31 December 2004.

12.19. R&E will continue assessing how best to promote this action in the context of the logistics and practicalities arising from the other litigation aimed at achieving further recoveries against third parties.

Action against Buitendag, Lamprecht and Stratton:

12.20. The claim which R&E proceeded with against Buitendag, Lamprecht and Stratton in relation to a scrip account ostensibly conducted by R&E, is defended by each of the defendants.

12.21. Buitendag has similarly joined as third parties to the action, Stratton, Lamprecht, the trustees of the insolvent deceased estate of Brett Kebble (**Brett**), JCI, CMMS, Tlotlisa Securities (Pty) Limited, Peter Gray, Roger and Cornwall and seeks a contribution from these persons, to the extent that he is found liable to R&E.

12.22. This action too, continues being assessed against the backdrop of the other actions in which R&E and ASI are involved in and which are aimed at achieving further recoveries for R&E.

Action against Beale:

12.23. On 30 October 2008, R&E and ASI as First and Second Plaintiffs respectively, issued summons out of the South Gauteng High Court against Beale, claiming damages from her.

12.24. The claim which comprises seven claims and a number of alternatives thereto is being defended by her.

12.25. R&E and ASI continue assessing the promotion of this action in the context of the other actions in which R&E and ASI are involved in and which have been set out above.

Action against Brett:

12.26. Following R&E having proved various claims in the insolvent deceased estate of Brett, in March 2009, R&E and First Wesgold, as First and Second Plaintiffs respectively, issued summons out of the Western Cape High Court, Cape Town against Brett, claiming damages from him in respect of additional claims.

12.27. Following the service of summons, no further steps have been taken.

Other:

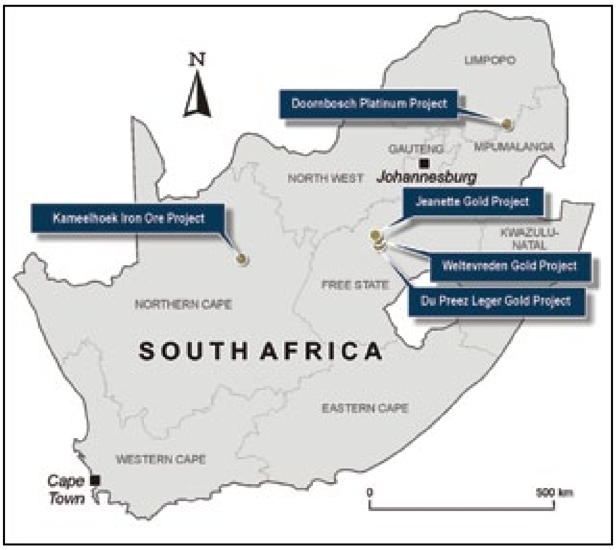
13. Save as otherwise disclosed herein or elsewhere in this annual report, there are no other legal or arbitration proceedings of which the R&E board is aware which are pending or threatened in relation to it and its subsidiaries, which may have or have had a material effect on the R&E group's financial position during the 12 months preceding the date of this annual report.

14. The board of R&E continues to assess the matters in which it and the R&E group are engaged, mindful of *inter alia*, the commercial and other practicalities associated therewith.

INTRODUCTION

R&E has several prospecting rights which it either intends to further develop and promote or realise. Because of the historical nature and strategic location of some of these projects, significant historical data has frequently been used to estimate resources and, where appropriate, to plan and implement additional work and drilling. There were no material changes to the prospecting rights held save for those disclosed below. The company has completed various negotiations and will continue negotiating with a number of companies to realise the best value of the rights.

Minxcon (Pty) Ltd ("Minxcon") was commissioned by R&E to provide Independent Mineral Asset Valuation Reports on the mineral assets of R&E and its subsidiaries. These reports were concluded during March 2010. All the reports are fully compliant with the South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves ("the SAMREC Code"), the South African Code for the Reporting of Mineral Asset Valuation ("the SAMVAL Code") and section 12 of the JSE Listings Requirements, with the exception of certain sections pertaining to developed operations, as all projects are still in the exploration phase. The competent person of the valuation report deems this summary document to be a true reflection of the content of the full report.



Locality of R&E projects

R&E has provided additional comments (for example a change in ownership, change in status of application etc.) to reflect all material changes from the date of the reports up to the end of December 2011.

The following persons are qualified persons as defined in SAMREC and SAMVAL and have reviewed the technical information in this section:

Competent Valuator – Johan Odendaal (Director, Minxcon): BSc (Geol.), BSc (Hons) (MinEcon), MSc (MinEng), PrSciNat 400024/04, FSAIMM, MGSSA, MAusIMM.

Competent Person – Charles Muller (Director, Minxcon): BSc(Hons) (Geol.), PrSciNat 400201/04

PROSPECTING RIGHT BACKGROUND

R&E and its subsidiary companies have embraced The Mineral and Petroleum Resources Development Act, No 28 of 2002 (MPRDA), which came into effect on 1 May 2004 and continues complying with the strictest standard as required by the MPRDA when dealing with our prospecting rights.

The R&E group of companies has converted all old order prospecting rights to new order prospecting rights in those areas with the best potential.

ENVIRONMENTAL MANAGEMENT

Original Environmental Management Programmes ("EMPs") on all rights detailed below have been submitted and approved by the Regional Manager at the Department of Mineral Resources ("DMR") branch in each relevant district. The environmental rehabilitation liabilities could include the restoration of the possible borehole sites and funding for such environmental rehabilitation has been guaranteed through a bank guarantee (as required by the regulations to the MPRDA) which has been lodged with the DMR.

PLATINUM PROSPECTING RIGHT

The Doornbosch Project

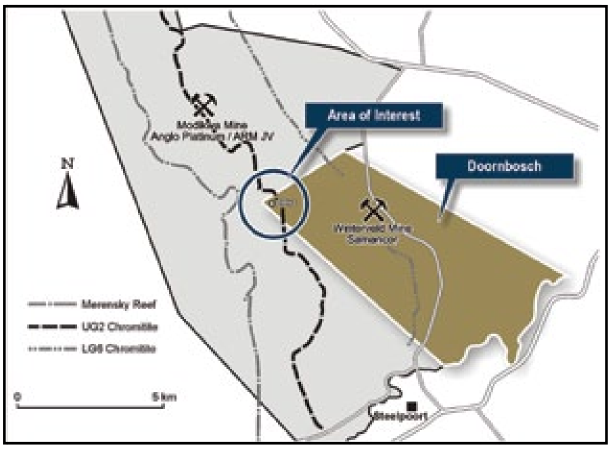
R&E holds the prospecting right for platinum group metals (PGMs), Ni and Cu over the farm Doornbosch 294 KT north of the town of Steelpoort, Mpumalanga province. R&E, in conjunction with Rand Mines Limited, held the old order right for the farm Doornbosch covering all minerals present up to 1974 when the ferrochrome right was transferred to Samancor. R&E retained control of the rights to the platinum on the farm; however, no invasive exploration was conducted until after R&E applied for the new order right, which was executed on 11 November 2006.

Prospecting work has focused on a small portion of the farm in the north-west corner, where there is a known occurrence of UG2 chromitite reef. Ground mapping was done to confirm the position of the outcrop on the property and was followed up by diamond drilling to retrieve a sample of the reef and estimate a resource.

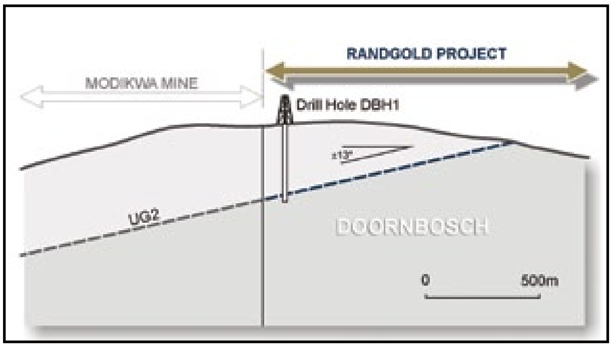
After the granting of a new order right by the Department of Mineral Resources (DMR) the drilling of a borehole (DBH1), which intersected the UG2 chromitite reef at around 135 m below surface was completed.

The resource is believed to be too small for a stand-alone operation and discussions were initiated and concluded between R&E and the parties to the Modikwa Joint Venture to ensure the development of the right to its best potential.

R&E applied for renewal of this right and believes that it has legal entitlement to the platinum group metals; however, a third party has applied for a mining permit for chrome and platinum group metals over the Doornbosch project. Such application is being vigorously defended by R&E.



The Doornbosch Platinum Project



Dip profile section through DBH1

The UG2 resource estimate (as per average parameters agreed between R&E and parties to the Modikwa joint venture)

	In situ UG2 indicated resource estimate for Doornbosch							
	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^2)	Ave width (m)	Calculated volume (m^3)	Ave UG2 density (g/cm^3)	Calculated tonnes	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
				In situ ounces after geological loss:			20.0%	157 026

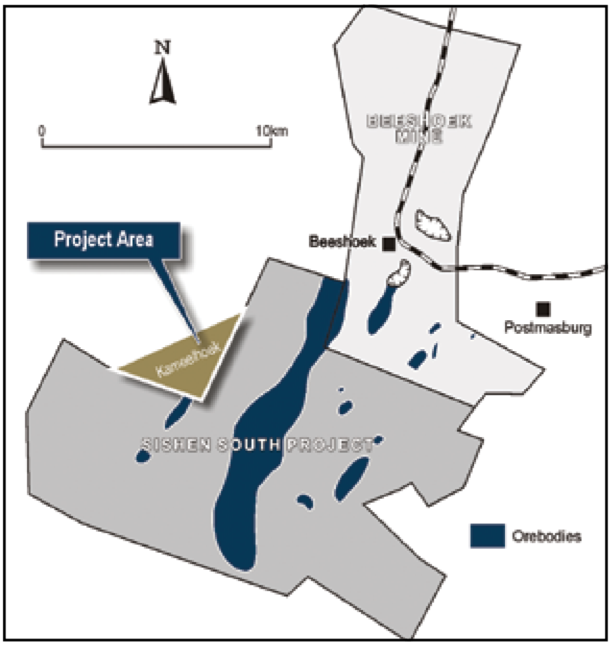
IRON ORE PROSPECTING RIGHT

Kameelhoek Project

The prospecting right for iron ore 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, which is currently being mined. Kameelhoek 477 was held initially by an old order right (mining permit) by a subsidiary of R&E, Versatex Trading 446 (Pty) Ltd. No active prospecting was conducted during this time mainly due to the changes which occurred in terms of the law of minerals and the introduction of the MPRDA. Doornrivier Minerals, a subsidiary, later applied for a new order right which was executed on 11 December 2007. R&E is satisfied that the security of legal tenure for the project is of an acceptable level.

Potential iron ore associated with the Manganore Iron formation (Blinkklip Breccia), the underlying Wolhaarkop Breccia (Manganese Marker) and the overlying Doornfontein Conglomerate of the Gamagara Formation outcrops over about 1.5 km in the 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.

Historical mining for iron ore during the 1950s exploited small excavations along strike of the Kameelhoek 477 remainder deposit and these areas were identified for percussion drilling and detailed mapping. Manganese ore was also exploited at the same time in similar excavations to the north of the iron ore excavations lower down in the stratigraphy. It is uncertain who carried out these small scale excavations. Kumba Iron Ore Limited drilled a number of holes on the Kameelhoek 477 remainder property during the period from 2000 to 2003, prior to Versatex's permit which spanned from 2005 to 2006. Three holes were drilled for exploration purposes during the period when Kumba Iron Ore Limited held a valid old



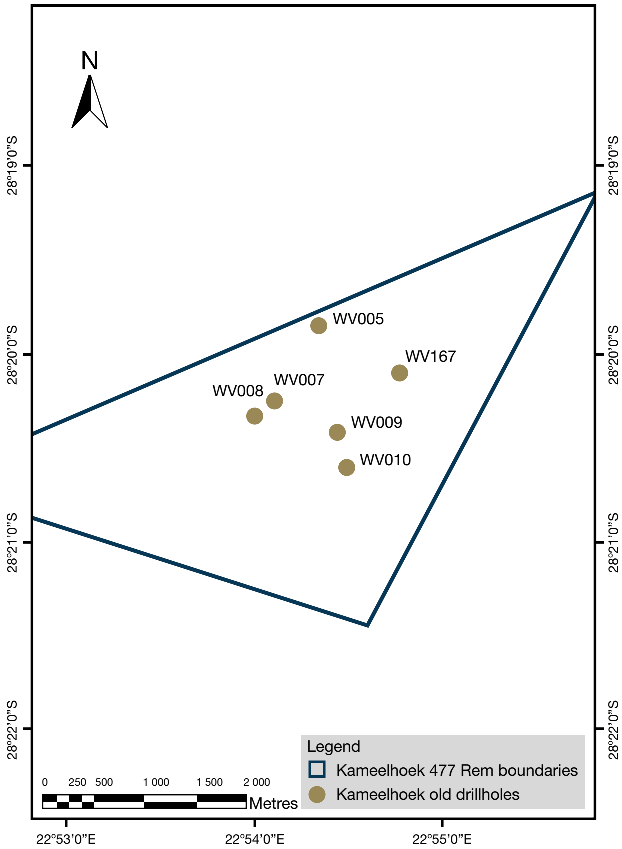
Location of the Kameelhoek Project

order prospecting permit on the area. The remaining holes were drilled for water supply for agricultural purposes.

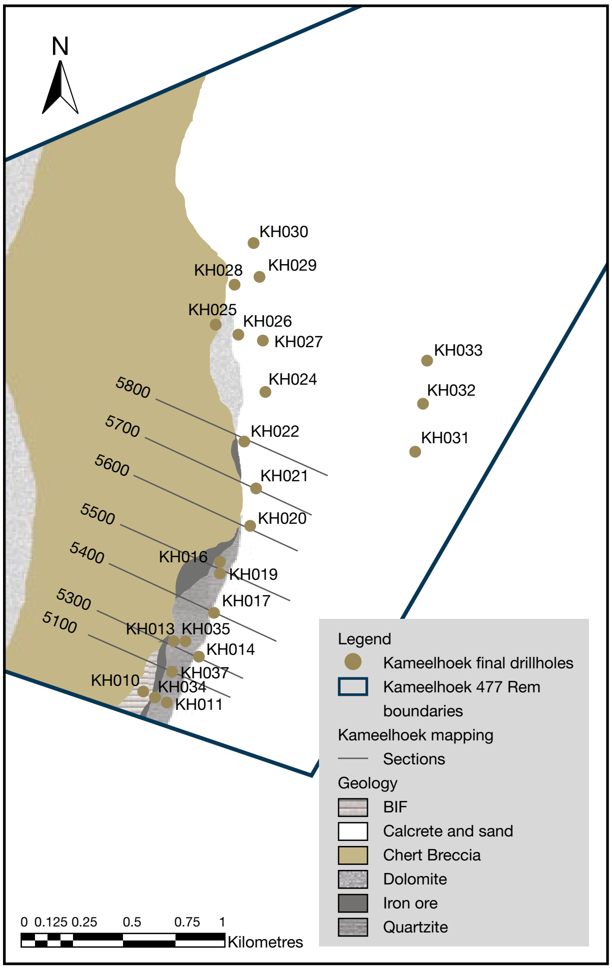
Two of the three holes intersected very thin (~ 2 m) zones of high-grade laminated ore at shallow depth (< 20 m).

During the previous prospecting period 25 percussion drill holes were completed (3 236 metres). Percussion drilling provides a measure to outline the underlying geology, the extent and the nature of mineralisation. Percussion drilling data is reasonable for geological interpretation, but not for resource estimation. However, due to the fact the drilling and sampling is intended to evaluate the iron ore potential, the samples were subjected to the protocols for validation of results.

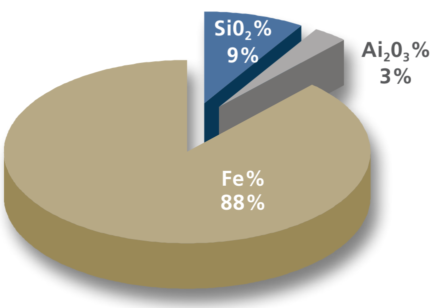
Fourteen drill holes were sampled and seven noted significant mineralised intersections. These drill holes were KH026, KH021, KH020, KH018, KH037, KH023 and KH014. Surface geological mapping indicated a close association of the iron ore bodies with manganese. This was also seen in the drill core and analytical data. Phosphorus and sulphur grades are rather high as well as the silica content. A resource cannot be estimated using the percussion drilling, but the resource and geology have been proved. The Kameelhoek Project is regarded as an exploration target and no mineral resources have been delineated across this interest. All exploration since the percussion drilling described above has been limited to desktop studies with no conclusions different to that stated above being evidenced.



Historical drilling sites on Kameelhoek 477 remainder

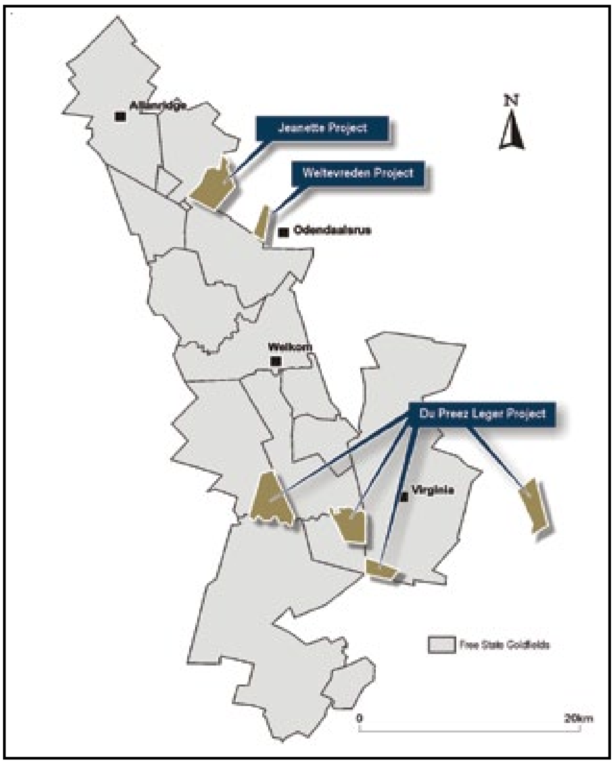


Drilling locations on Kameelhoek 477 remainder



Chemical analysis for Kameelhoek Ore

GOLD PROSPECTING RIGHTS



Location of R&E Gold Projects

Du Preez Leger Project

The Du Preez Leger Project comprises four exploration areas in the Southern Free State Goldfields, adjoining producing gold mines including Harmony's St Helena, Unisel and Merrispruit shafts and Gold Fields' Beatrix Mine. The new order prospecting right is held by FSD, a subsidiary of R&E, and was originally issued on 7 November 2006 under one prospecting right. The four exploration areas include the farms Du Preez Leger 324 and Jonkersrust 72 (the Du Preez Leger area), Vermeulenskraal 223 (the Vermeulenskraal area), Tweepan 678 and Millo 639 (the Tweepan area) and Rebelkop 456 (the Rebelkop area). In April 2010, a section 102 application was submitted to the DMR in which the farms which are not contiguous were separated in order to prospect effectively over each individual area. Simultaneously, new applications over Vermeulenskraal 223, Millo 639 and

Tweepan 678 and Rebelkop 456 were applied for. The section 102, as well as the new applications, was accepted and executed on 1 February 2011. R&E is satisfied that the security of legal tenure for the project is of an acceptable level.

The potential of the properties, except for Rebelkop, which does not have historical drilling information, has been well demonstrated by historical drilling both on and around the properties where the Basal and Leader reefs have been the main focus. FSD has held the mineral rights over the project areas (old order right) since the early part of the twentieth century circa 1945. The two areas of Du Preez Leger and Vermeulenskraal are both partially underlain by Basal Reef of good grade at moderate to deep levels that is strategically located adjacent to current mining development.

Anglo American Prospecting Services (Pty) Ltd, a subsidiary of Anglo American Ltd, drilled seven holes on Du Preez Leger between 1976 and 1987. President Brand Gold Mining Company drilled eight holes on Jonkersrust between 1976 and 1983. Historical drilling was undertaken by Harmony Gold Mining Company Limited and five holes were drilled between 1981 and 1982. The historical results available show non-intrusive prospecting over the area possible as the information from the drilling is available and has been used. The Millo/Tweepan area has only one historical borehole drilled by Harmony Gold Mining Company Limited within the property in the 1980s. Other boreholes have been drilled in surrounding areas. The area occurs south of the Basal Reef subcrop and moderate to low-grade intersections of Leader (338 cmg/t) and Beatrix (427 cmg/t) reefs have been indicated.

The Leader Reef underlies the three blocks of ground represented by Du Preez Leger, Vermeulenskraal and Tweepan. They all occur in a relatively similar depositional setting near the unconformity of the Basal Reef against the overlying Leader Reef. The potential exists in these areas for the Leader Reef to be enriched where it has eroded the underlying Basal Reef.

On the Vermeulenskraal 223 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 to deep levels associated with upthrown structural blocks.

The Rebelkop property may have potential for shallow Leader and Beatrix reef. However, it is untested and its remote location renders it unfavourable for the development of a mine. FSD has applied during the current reporting period to the DMR to extend the principal right to include coal to broaden the possibility of the development or improvement of the Rebelkop value and is considering the investigation of other possible resources on this site.

Minxcon was commissioned to compile a competent person's report (CPR) using historical drillhole data and has estimated a SAMREC-compliant 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 cmg/t, stoping width of 120 cm and 5% geological loss.

Because of its significant resources and strategic location a number of parties have expressed interest in the Du Preez Leger project, and negotiations are in progress. The Du Preez Leger area was also included in a third-party scoping study. The scoping study systematically reviews the geology, mineral resources, ore reserves, long-term plans and metallurgical options and includes a financial appraisal of three scenarios. Agreements have been signed for the realisation of the Milo and Tweepan project and are currently subject to the approval of certain applications having been made to the DMR.

The group will continue with its current data audit and investigation into strategic and technical resource options as the group is still involved in negotiations with mining companies with a view to the joint development of the resources hosted by the properties. The process is dependent on economic viability with reference to the gold price and depth to be mined.

The Weltevreden and Jeanette Projects

The prospecting rights for both the Weltevreden and Jeanette Projects included gold, silver and uranium and covered portions of the farms Leeuwbosch 285, Kutlwanong 451 (Weltevreden Project) and the contiguous portions of three farms which include Buitendachshoop 122, Weltevreden 59 and Emmanuel 433 (Jeanette Project) in the Free State Goldfields. Both these rights were disposed of during the current reporting period for an amount of R10 million.

The Leclusa Project

A prospecting right was applied for over the farm Leclusa 70 and accepted by the DMR. The farm has been held historically by FSD and a single borehole on Leclusa was drilled in 1949. The Leclusa Project area is located in the Free State Goldfields adjacent to the Target South, President Steyn, Matjhabeng and Tshepong gold mines. The property is underlain by Volksrust formation of the Karoo Supergroup on surface and locally by the Bothaville Formation of the Ventersdorp Supergroup. At depth Central Rand Group quartzites, conglomerates and shales occur as well as sediments and lavas of the Ventersdorp Supergroup. The potential auriferous reefs include the B-Reef and Basal Reef zones. Other reef zones with possibly lower potential include the A-Reef, BPM, Leader and Intermediate reefs.

Two Basal Reef facies types have been identified, in the south the Black Chert Facies and in the north the Melkkraal Facies, which are believed to have the best economic potential; gold potential being controlled by facies development. Reefs occur in the range 800 to 1 800 metres below surface. On the adjacent active mines the focus is on the Basal, Leader and various Elsburg Reef horizons.

Exploration in the area started in 1933 on the initiative of Allan Roberts when the first borehole was drilled. However, Roberts ran out of funds and the hole was stopped at 1 233 metres below surface. After World War II the borehole was deepened a mere 120 metres and intersected the Basal Reef. This payable intersection started a spate of drilling which led to the establishment of the Free State Goldfields with the Basal Reef as the mainstay of the field.

An agreement has been signed on the realisation of this right and is currently subject to the approval of certain applications having been made to the DMR. R&E is satisfied that the security of legal tenure for the Project is of an acceptable level.

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 assesses the value of such prospecting rights at the historical cost (see page 51 of the company's annual financial statements for the financial year ended 31 December 2011). In so far as any value ascribed to the prospecting rights in this report 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 AUDITED FINANCIAL STATEMENTS

Preparation of these financial statements

Mr Van Zyl Botha CA(SA), financial director is responsible for this set of financial statements and has supervised the preparation thereof in conjunction with the group financial manager, Mr Nico Hoffman CA(SA). These financial statements have been audited in terms of the South African Companies Act.

DIRECTORS' RESPONSIBILITY STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements and separate annual financial statements of Randgold & Exploration Company Limited, comprising the statements of financial position at 31 December 2011; the statements of comprehensive income, changes in equity and cash flows for the year then ended; and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes; and the directors' report, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

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

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

Approval of group annual financial statements

The consolidated and separate annual financial statements of Randgold & Exploration Company Limited, as identified in the first paragraph, were approved by the board of directors on 6 March 2012 and signed on its behalf by

DC Kovarsky
Independent non-executive chairman

M Steyn
Director and chief executive officer

V Botha
Financial director

6 March 2012
Johannesburg, South Africa

DECLARATION BY THE COMPANY SECRETARY

I, in my capacity as company secretary, declare that, to the best of my knowledge, in terms of section 88(2)(e) of the Companies Act 71 of 2008, the company has 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 on.

V Botha
Company secretary

6 March 2012
Johannesburg, South Africa

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RANDGOLD & EXPLORATION COMPANY LIMITED

We have audited the consolidated annual financial statements and the annual financial statements of Randgold & Exploration Company Limited, which comprise the statements of financial position at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 33 to 72.

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 the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 and separate financial position of Randgold & Exploration Company Limited at 31 December 2011, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

KPMG Inc.
Registered auditor

Per: CH Basson
Chartered Accountant (SA)
Registered Auditor
Director
6 March 2012

85 Empire Road
Parktown
2193

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 during the year under review was 7th Floor, Fredman Towers, 13 Fredman Drive, Sandown 2196 and is now Second Floor, Sandton City Office Tower, 158 Fifth Street, Sandhurst, Sandton 2196. The consolidated annual financial statements for the year ended 31 December 2011 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 2011

Distribution of 2 270 687 GFI shares and special cash dividend of 90 cents per R&E share

On 30 November 2010, R&E shareholders approved the distribution of R&E's remaining listed investment in GFI (amounting to approximately 3,16193 GFI shares per 100 R&E shares held), as well as a cash dividend of 90 cents per share. These distributions were effected on 17 January 2011. STC was paid on the portion of the distribution not made out of share premium.

FINANCIAL YEAR ENDED 31 DECEMBER 2010

Settlements

JCI

On 28 May 2010, the shareholders of R&E approved the settlement agreement with JCI Limited (JCI) as well as the distribution of the shares received as part of the settlement to R&E shareholders. The JCI shareholders also approved the settlement with R&E on 4 June 2010.

The settlement circular, containing full details of the settlement, was distributed to shareholders on 12 May 2010. As a result of the settlement, the JCI group transferred the following assets to the R&E group on 2 July 2010:

– 6 051 632 Gold Fields (GFI) shares; and
– 1 555 710 220 JCI shares (a fresh issue).

On 5 July 2010, R&E distributed the above shares as well as the 305 186 049 JCI shares already held by it (JCI unbundling shares) to its shareholders.

No tax liability arose from the settlement transaction as all the affected entities within the group have sufficient income tax and capital gains tax losses to absorb the recovery. There are also no tax consequences as a result of the distribution, as it was made partially out of share premium and partially as an unbundling in terms of section 46 of the Income Tax Act.

A recovery of R783,5 million was recognised in profit or loss on 23 June 2010 (the date on which the last suspensive condition contained in the settlement agreement was met) at the fair value of the shares receivable.

Other

On 26 April 2010, R&E received 42 000 Randgold Resources Limited shares as a result of the litigation settlement agreement. A recovery of R25,2 million was recognised on this date.

Excussion of FSD shares from JCI

At 31 December 2009, R&E had a loan receivable from the JCI group of R207,5 million. This loan was secured by a pledge of shares in Free State Development and Investment Corporation Limited (FSD). On 14 January 2010 (the agreed settlement date), JCI was unable to make a full repayment of the loan. As a result, R&E exercised its security and became the beneficial owner of a further 6 690 610 FSD shares at an agreed value of R161,9 million, increasing its shareholding in FSD by 30.10% to 85.21%.

Purchase of remaining stake in FSD

On 19 November 2010, the company purchased the remaining 14.79% stake in FSD from JCI for a consideration of R0,2 million. The decrease in value was a result of cash distributions made by FSD prior to the acquisition.

In terms of R&E's accounting policies, the acquisition of a non-controlling interest is accounted for as a transaction with equity holders in their capacity as equity holders.

EVENTS AFTER REPORTING DATE

There were no significant events that occurred between the reporting date and the date of this report.

SHARE CAPITAL

Full details of the company's ordinary share capital are set out in note 14 to the consolidated financial statements.

MATERIAL RESOLUTIONS

Special resolutions passed at the annual general meeting held 6 April 2011

1. Share repurchases by the company or by a subsidiary of shares in the company.
2. Share repurchases by a subsidiary of its own shares.
3. Alteration of articles of association – odd-lot offers

Ordinary resolutions passed at the annual general meeting held 6 April 2011

1. Adoption of financial statements;
2. Appointment of auditors;
3. Appointment of director – M Steyn; and
4. Appointment of director – V Botha.

Special resolution passed at the general meeting held 2 September 2011

1. Specific authority to repurchase shares.

Ordinary resolutions passed at the general meeting held 2 September 2011

1. Authority of directors to make and implement an odd-lot offer.

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 2011.

DIVIDENDS

No dividends were declared during the year (2010:1 546 cents)

SUBSIDIARIES

Particulars of the subsidiaries of the R&E group are given on pages 67 and 68.

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

	2011 **R'000**	2010 R'000
Aggregate amount of profit after taxation	**46 915**	1 347 938
Aggregate amount of losses after taxation	**(3 308)**	(7)

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
V Botha	Financial director

No changes took place in the directorate during the 2011 financial year and up to the date of this report.

DIRECTORS' INTEREST

No director held any shares in the group, directly or indirectly, for the 2010 or 2011 financial years and up to the date of this report.

DIRECTORS' REMUNERATION

In terms of the company's articles of association, directors' emoluments are to be determined from time to time by ordinary resolution.

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.

	Basic salary/fees		**Bonus**		**Total**	
Directors	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
Executive						
M Steyn	**2 525**	2 410	**2 553**	5 600	**5 078**	8 010
V Botha	**1 354**	877[#]	**686**	1 200	**2 040**	2 077
Non-executive						
DC Kovarsky	**400**	400	**–**	–	**400**	400
JH Scholes	**250**	216	**–**	–	**250**	216
MB Madumise	**250**	250	**–**	–	**250**	250
DI de Bruin	**–**	34	**–**	–	**–**	34

[#] *V Botha from 6 May 2010, prior to this, R700 000 included in consulting fees.*

SHARE OPTION SCHEME

There is currently no share option scheme in place.

COMPANY SECRETARY

Mr V Botha CA(SA) was appointed on 30 November 2011 and will continue serving in office as company secretary.

PUBLIC OFFICER AND FINANCIAL DIRECTOR

Mr V Botha CA(SA) is the present incumbent who was appointed as public officer on 13 November 2007 and financial director on 6 May 2010.

AUDITORS

KPMG Inc. will continue in office as auditors for the company and its subsidiaries.

At the annual general meeting shareholders will be requested to reappoint KPMG Inc. as the independent external auditors of R&E and to confirm Mr CH Basson as the designated lead independent external auditor.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

	Notes	2011 R'000	2010 R'000
Revenue	2	**1 826**	20 408
Profit on distribution/disposal of investments	3,11	**52 474**	2 165
Recoveries – Other		**–**	25 204
– JCI		**–**	783 549
Other income		**2 688**	7 640
Personnel expenses	4	**(16 137)**	(20 784)
Profit on sale of prospecting rights	10	**9 963**	–
Change in fair value of equity securities	5	**–**	(14 785)
Change in fair value of financial asset – settlement receivable		**–**	(11 861)
Other operating expenses	6	**(12 944)**	(33 396)
Results from operating activities		**37 870**	758 140
Finance income	7	**8 832**	1 519
Profit before taxation		**46 702**	759 659
Taxation	8	**949**	(18 200)
Profit for the year		**47 651**	741 459
Other comprehensive income, net of tax			
Change in fair value of available-for-sale investments	11	**(9 537)**	49 874
Realised gain reclassified to profit or loss	11	**(52 474)**	–
Total comprehensive (loss)/income for the year		**(14 360)**	791 333
Profit attributable to:			
Owners of the company		**47 651**	741 405
Non-controlling interest		**–**	54
Profit for the year		**47 651**	741 459
Total comprehensive income attributable to:			
Owners of the company		**(14 360)**	791 279
Non-controlling interest		**–**	54
Total comprehensive (loss)/income for the year		**(14 360)**	791 333
Basic and diluted earnings per share (cents)	15	**66**	1 032

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets		**734**	782
Plant and equipment	9	**260**	308
Intangible assets	10	**474**	474
Current assets		**213 258**	568 291
Investments held for distribution	11	**–**	273 845
Trade and other receivables	12	**1 788**	2 649
Cash and cash equivalents	13	**211 470**	291 797
Total assets		**213 992**	569 073
EQUITY AND LIABILITIES			
Shareholders' equity		**169 026**	174 455
Issued capital	14	**746**	748
Reserves		**–**	62 011
Retained earnings		**168 280**	111 696
LIABILITIES			
Non-current liabilities			
Post-retirement medical benefit obligation	18	**39 142**	36 429
Current liabilities		**5 824**	358 189
Tax payable	25	**–**	11 220
Trade and other payables	20	**5 824**	8 492
Shareholders for dividend	16	**–**	338 477
Total equity and liabilities		**213 992**	569 073

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2011

	Attributable to equity holders of the company						
	Share capital R'000	Share premium R'000	Investment fair value reserve# R'000	Retained earnings/ (Accumulated loss) R'000	Total R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 January 2010	748	986 054	12 137	(514 787)	484 152	250 378	734 530
Profit for the year				741 405	741 405	54	741 459
Other comprehensive income#							
Change in fair value of available-for-sale investment			49 874		49 874		49 874
Total comprehensive income for the year	**–**	**–**	**49 874**	**741 405**	**791 279**	**54**	**791 333**
Transaction with owners of the company recognised directly in equity							
Transactions with non-controlling shareholders				9 074	9 074	(171 051)	(161 977)
Distribution to owners of the company	**–**	**(986 054)**	**–**	**(123 996)**	**(1 110 050)**	**(79 381)**	**(1 189 431)**
Dividends paid to non-controlling shareholders						(79 381)	(79 381)
Settlement distribution		(803 804)		32 231	(771 573)		(771 573)
GFI and cash distribution		(182 250)		(156 227)	(338 477)		(338 477)
Balance at 31 December 2010	**748**	**–**	**62 011**	**111 696**	**174 455**	**–**	**174 455**
Profit for the year				**47 651**	**47 651**		**47 651**
Other comprehensive income#							
Change in fair value of available-for-sale investment			**(9 537)**		**(9 537)**		**(9 537)**
Realised gain reclassified to profit or loss			**(52 474)**		**(52 474)**		**(52 474)**
Total comprehensive (loss)/income for the year	**–**	**–**	**(62 011)**	**47 651**	**(14 360)**	**–**	**(14 360)**
Transaction with owners of the company recognised directly in equity							
Shares repurchased	**(2)**			**(604)**	**(606)**		**(606)**
Change in fair value of shareholders for dividend				**9 537**	**9 537**		**9 537**
Balance at 31 December 2011	**746**	**–**	**–**	**168 280**	**169 026**	**–**	**169 026**

There are no tax effects associated with other comprehensive income.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

	Notes	2011 R'000	2010 R'000
Cash flow from operating activities		**(27 002)**	(25 380)
Cash utilised in operating activities	24	**(25 379)**	(3 456)
Finance income	7	**8 832**	635
Taxation paid	25	**(10 455)**	(22 559)
Cash flow from investing activities		**11 762**	101 752
Dividends received		**1 826**	20 408
Proceeds on disposal of investment in equity securities		**–**	8 061
Proceeds from disposal of recovered assets		**–**	27 344
Proceeds on disposal of mineral rights		**9 963**	–
Proceeds on disposal property, plant and equipment		**11**	–
Acquisition of investment in subsidiary		**–**	(202)
Acquisition of plant and equipment		**(38)**	(285)
Loan repayments received		**–**	46 426
Cash flow from financing activities		**(65 087)**	(79 381)
Dividends paid to non-controlling shareholders		**–**	(79 381)
Dividends paid		**(64 481)**	–
Shares repurchased		**(606)**	–
Decrease in cash and cash equivalents		**(80 327)**	(3 009)
Cash and cash equivalents at beginning of year		**291 797**	294 806
Cash and cash equivalents at the end of the year	13	**211 470**	291 797

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

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 2011 comprise 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), the AC 500 Standards as issued by the Accounting Practices Board or its successor and the requirements of the Companies Act, 2008 (as amended) and the Companies Regulations, 2011 and were authorised for issue by the board of directors on 6 March 2012.

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 are the same as those applied by the group in its consolidated financial statements as at and for the year ended 31 December 2010, except for the following standards and interpretations adopted on 1 January 2011:

- Revised IAS 24; – *Related Party Disclosures*;
- IFRIC 14 amendment – *Prepayments of minimum funding requirements*; and
- Various improvements to IFRSs 2010 – excluding amendments to IFRS 3 *Business Combinations* and IAS 27 *Consolidated and Separate Financial Statements.*

There was no significant impact on these financial statements as a result of adopting these standards and interpretations.

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

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are 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.

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.

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 translated 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.

FINANCIAL INSTRUMENTS

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, and trade and other payables. Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or 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.

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 statement of cash flows.

Available-for-sale financial assets

Certain of the group's investments in equity securities were classified as available-for-sale financial assets. Subsequent to initial recognition, they were 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 or loss.

Financial assets at fair value through profit or loss

An instrument is classified at fair value through the profit or 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 subsequently 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.

Amounts due to/from subsidiaries

Amounts due to/from subsidiaries (which are eliminated on consolidation) are stated at amortised cost using the effective interest rate method less impairment losses for amounts due from subsidiaries.

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 that are not cancelled 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.

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 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:

Computer equipment	3 years
Furniture and fittings	5 years
Office equipment	6 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. 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. 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.

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.

Amounts due from subsidiaries; trade and other receivables; trade and other payables

The fair value of amounts due from subsidiaries, 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.

EMPLOYEE BENEFITS

Short-term employee benefits

Short-term employee benefits are those that are due to be settled within 12 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 (using the projected unit credit method) 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.

INVESTMENT IN SUBSIDIARIES

Investments in subsidiaries are reflected at cost less impairment losses in the separate annual financial statements of R&E.

REVENUE

Revenue is recognised net of indirect taxes and consists of dividends from investments as well as dividends from cash invested in dividend-yielding funds, commissions received and management fees.

Commissions received

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

Dividends received

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

Management fees

Management fees are recognised when services are rendered.

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 amounts due from subsidiaries.

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.

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. Profit or loss used in the headline earnings per share (HEPS) calculated is adjusted for certain non-recurring items. Diluted EPS and HEPS 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. A reconciliation between earnings per share and headline earnings per share is presented in note 15.

SEGMENT REPORTING

The group determines and presents operating segments based on the information that is provided internally 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.

Standards/Interpretations		**Effective date**
IAS 12	*Deferred Tax: Recovery of Underlying Asses*	Annual periods commencing on or after 1 January 2012
IAS 1 Amendments	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	Annual periods commencing on or after 1 July 2012
IFRS 9	*Financial Instruments*	Annual periods commencing on or after 1 January 2013
IFRS 10	*Consolidated Financial Statements*	Annual periods commencing on or after 1 January 2013
IFRS 11	*Joint Arrangements*	Annual periods commencing on or after 1 January 2013
IFRS 12	*Disclosure of Interests in Other Entities*	Annual periods commencing on or after 1 January 2013
IFRS 13	*Fair Value Measurement*	Annual periods commencing on or after 1 January 2013
IAS 19	*Employee Benefits*	Annual periods commencing on or after 1 January 2013
IAS 27	*Separate Financial Statements*	Annual periods commencing on or after 1 January 2013
IAS 28	*Investments in Associates and Joint Ventures*	Annual periods commencing on or after 1 January 2013
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*	Annual periods commencing on or after 1 January 2013

1. Segment reporting

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

	2011 R'000	2010 R'000
2. Revenue		
Dividends received – Listed investments	**–**	5 630
– Dividend-yielding funds	**1 826**	14 772
– Unlisted investments	**–**	6
	1 826	20 408
3. Profit on distribution/disposal of investments		
– Listed investments	**52 474**	2 139
– Unlisted investments	**–**	26
	52 474	2 165
4. Personnel expenses		
Personnel expenses include directors' salaries and bonuses and increase in the post-retirement medical benefit obligation		
Directors' emoluments	**8 018**	10 987
At the reporting date, the company had five employees (2010: seven).		
5. Change in fair value of equity securities in profit or loss		
Impairment of available-for-sale investments (refer note 11)	**–**	(15 653)
Fair value movements in investments held for trading	**–**	868
	–	(14 785)
6. Other operating expenses		
Administration and office expenses	**994**	3 045
Auditors' remuneration:	**558**	1 207
Audit fees	**558**	777
Other services	**–**	430
Consulting fees	**2 062**	8 184
Depreciation	**76**	85
Donations	**50**	–
Exploration costs	**218**	1 053
Foreign exchange (gains)/losses	**(1 692)**	2 783
Insurance	**979**	791
Legal fees	**8 463**	14 017
Listing fees and corporate action costs	**1 099**	380
Securities transfer tax	**–**	1 619
Travel	**112**	228
Other expenses	**25**	4
	12 944	33 396

		2011 R'000	2010 R'000
7.	**Finance income**		
	Cash and cash equivalents	**8 832**	635
	JCI group	**–**	884
	Included in profit or loss	**8 832**	1 519
	Capitalised to loans receivable	**–**	(884)
	Per consolidated statement of cash flows	**8 832**	635
8.	**Taxation**		
	Recognised in profit or loss		
	South African normal tax:		
	– Current	**–**	171
	– Prior year overprovision	**–**	(1 644)
	– Interest and penalties	**5**	525
	Secondary Tax on Companies (STC)		
	– Current year	**–**	19 148
	– Prior year overprovision	**(954)**	–
		(949)	18 200

	2011 %	2010 %
Reconciliation of effective taxation rate		
South African normal tax rate	**28.0**	28.0
Capital gains tax rate differential	**(29.1)**	–
Exempt income	**(2.5)**	(0.8)
Expenses not deductible for taxation purposes	**4.8**	0.5
Assessed losses utilised	**(2.7)**	(27.7)
Penalties and interest	**–**	0.1
Prior year overprovision	**(2.0)**	(0.2)
Change in unrecognised deferred tax asset	**1.5**	–
STC	**–**	2.5
Effective tax rate	**(2.0)**	2.4

9. Plant and equipment

	2011 Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Owned assets			
Computer equipment	**148**	**(98)**	**50**
Furniture and fittings	**145**	**(48)**	**97**
Office equipment	**74**	**(30)**	**44**
Paintings and artwork	**64**	**–**	**64**
Computer software	**28**	**(23)**	**5**
	459	**(199)**	**260**

The carrying amount of assets can be reconciled as follows:

	2011 Carrying value at beginning of the year R'000	Additions/ (Disposals) R'000	Depreciation R'000	Carrying value at end of the year R'000
Owned assets				
Computer equipment	**49**	**24**	**(23)**	**50**
Furniture and fittings	**121**	**–**	**(24)**	**97**
Office equipment	**61**	**–**	**(17)**	**44**
Paintings and artwork	**64**	**–**	**–**	**64**
Computer software	**13**	**4**	**(12)**	**5**
	308	**28**	**(76)**	**260**

	2010 Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
Owned assets			
Computer equipment	138	(89)	49
Furniture and fittings	145	(24)	121
Office equipment	74	(13)	61
Paintings and artwork	64	–	64
Computer software	24	(11)	13
	445	(137)	308

The carrying amount of assets can be reconciled as follows:

	2010 Carrying value at beginning of the year R'000	Additions/ (Disposals) R'000	Depreciation R'000	Carrying value at end of the year R'000
Owned assets				
Computer equipment	44	42	(37)	49
Furniture and fittings	–	145	(24)	121
Office equipment	–	74	(13)	61
Paintings and artwork	64	–	–	64
Computer software	–	24	(11)	13
	108	285	(85)	308

10. Intangible assets

2011 and 2010	Cost R'000	Accumulated amortisation and impairment R'000	Carrying value R'000
Owned assets			
Prospecting rights	**1 898**	**(1 424)**	**474**

During 2011, R&E disposed of certain of its prospecting rights which had a nil carrying value to a third party, realising a profit of R10 million.

	2011 R'000	2010 R'000
11. Investments in equity securities		
Held for distribution	**–**	273 845

The group held investments in the following companies:

2010	Number of shares held	Percentage held %	Fair value 31 December R'000
Listed investments – South African			
Gold Fields Limited	2 270 687	0.32	273 845

On 30 November 2010, R&E shareholders approved the distribution of R&E's remaining listed investment in GFI. This distribution was effected on 17 January 2011.

As a result of this distribution, the investment fair value reserve of R52,4 million at the date of distribution was reclassified to profit or loss.

	2011 R'000
Investment held for distribution – 31 December 2010	**273 845**
Value of GFI shares at distribution date – 17 January 2011	**(264 308)**
Decrease in fair value of investment held for distribution recognised in other comprehensive income	**9 537**
Investment fair value reserve – 1 January 2011	**(62 011)**
Realised gain reclassified to profit or loss	**52 474**

11. Investments in equity securities (continued)

The carrying amount of investments in equity securities can be reconciled as follows:	2011 R'000	2010 R'000
Opening balance 1 January	**273 845**	246 450
Distribution to shareholders	**(264 308)**	–
JCI shares unbundled	**–**	(32 026)
GFI shares received by group entities as part of the JCI settlement	**–**	24 400
Own GFI shares surrendered	**–**	(68)
Fair value movement on held for trading investments	**–**	868
Fair value movement on available-for-sale investments		
– in profit or loss[1]	**–**	(15 653)
– in other comprehensive income	**(9 537)**	49 874
Closing balance at 31 December	**–**	273 845

[1] JCI was suspended from trading on the JSE at a price of R0,16 per share on 1 August 2005. Having regard to the JCI group net asset value (NAV) statement at 31 December 2009, as published on 9 February 2010, adjusted for the settlement and other known variables, i.e. fair value movements in assets and liabilities and based on information available to the directors of R&E, the directors calculated JCI group's NAV at R0,15 per share at 30 June 2010. After applying a discount factor of 30% to the calculated NAV per share due to the illiquidity of JCI's shares and nature of its assets, a fair value of R0,105 was arrived at. The directors of R&E believed that R0,105 represents their best estimate of JCI's fair value based on information available at the time. The revaluation resulted in a R15,6 million impairment recognised in profit or loss. The R0,105 was also used to value the JCI shares received as a result of the JCI settlement during 2010.

12. Trade and other receivables

	2011 R'000	2010 R'000
Dividends receivable	**–**	999
Prepayments and deposits	**231**	593
VAT receivable	**404**	1 057
Interest receivable	**969**	–
Tax refund due (refer to note 25)	**184**	–
	1 788	2 649

13. Cash and cash equivalents

	2011 R'000	2010 R'000
Bank balances	**634**	80
Call deposits	**210 334**	267 253
Secured call deposit	**500**	–
Petty cash	**2**	–
Foreign cash balances (Pound sterling)	**–**	24 464
	211 470	291 797

Call deposits consist of cash on call, money market and dividend income accounts which had nominal interest rates of between 5.3% and 7.3% during the year ended 31 December 2011 (2010: 4.4% to 5.8%).

	2011 R'000	2010 R'000

14. Ordinary share capital

Authorised

105 000 000 (2010: 105 000 000) ordinary shares of 1 cent each	**1 050**	1 050

Issued

74 585 065 (2010: 74 813 128) ordinary shares of 1 cent each	**746**	748

During the year, R&E repurchased and cancelled 228 063 of its own shares pursuant to an odd-lot and specific offer to shareholders.

Treasury shares

At the reporting date, a subsidiary of R&E held 2 999 893 R&E shares as treasury shares (2010: 2 999 893).

15. Earnings per share

	2011 Per share (in cents)	2010 Per share (in cents)
Basic earnings and diluted earnings per ordinary share	**66**	1 032

The calculation of basic and diluted earnings per ordinary share is based on earnings of R47,7 million (2010: earnings of R741,4 million) attributable to ordinary shareholders of the company and a weighted average of 71 756 219 (2010: 71 813 182) shares in issue.

Headline earnings and diluted headline (loss)/earnings per share	**(21)**	1 051

The calculation of the headline earnings and diluted headline earnings per share is based on a headline loss of R14,8 million (2010: headline earnings of R754,9 million) attributable to equity holders of the company and a weighted average of 71 756 219 (2010: 71 813 182) ordinary shares in issue during the year.

	2011 R'000	2010 R'000
Reconciliation between basic profit for the year and headline (loss)/profit		
Profit for the year attributable to equity holders of the company	**47 651**	741 405
Adjusted for:		
Profit on distribution/disposal of investments	**(52 474)**	(2 165)
Profit on disposal of prospecting rights	**(9 963)**	–
Impairments of available-for-sale investments	**–**	15 653
	(14 786)	754 893
Tax effects of adjustments	**–**	–
Headline (loss)/profit for the year attributable to equity holders of the company	**(14 786)**	754 893

	2011 R'000	2010 R'000
16. Dividend per share		
Dividends declared during the year	–	1 110 050
– 23 June 2010	–	771 573
– 30 November 2010	–	338 477

The dividend distribution to ordinary shareholders of the company, as declared on 23 June 2010 of R771,6 million, consists of the JCI settlement assets amounting to R771,8 million and the JCI unbundling shares of R32,0 million adjusted for the portion returned to the group by virtue of its three million treasury shares.

	2011 R'000	2010 R'000
Total dividend payable from R&E share premium	–	803 804
Dividend distributed to group entities recognised in retained earnings	–	(32 231)
Dividend distributed	–	771 573

The dividend paid to ordinary shareholders of the company, excluding the treasury shares, amounting to R338,4 million, as declared on 30 November 2010, consisted of 2 270 687 GFI shares and a special cash dividend of R64,6 million which was recognised in the statement of financial position as a liability at 31 December 2010. These distributions were effected on 17 January 2011. STC was paid on the portion of the distribution not made out of share premium.

	2011 R'000	2010 R'000
Shareholders for dividend – 31 December 2010		338 477
Change in fair value – 17 January 2011		(9 537)
Distribution – 17 January 2011		328 940
GFI shares		264 307
Cash		64 633
Dividend per share (cents)	–	1 546

No dividends were declared during the current year. The dividend per share calculation for 2010 was based on dividends declared to ordinary shareholders of the company of R1 110,1 million and 71 813 235 ordinary shares in issue.

17. Contingent assets

Claims

R&E has various claims against third parties which R&E is pursuing. 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.

Disposal of prospecting rights

R&E has entered into various agreements for the sale of certain of its prospecting rights, with nil carrying values, to third parties. In terms of the agreements, however, there is still a number of conditions precedent outstanding at year-end and as a result the disposals have not been recognised yet. The proceeds (and profit) which are expected to be realised from these transactions is R12,1 million.

18. 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 its post-retirement medical cost obligations based on the latest calculations by independent actuaries at 31 December 2011, which include appropriate mortality tables and assuming long-term estimates of increases in medical costs and appropriate discount rates.

	2011 R'000	2010 R'000
Unfunded obligation at 31 December	**39 142**	36 429
Post-retirement medical benefit liability		
Movements in the net unfunded liability recognised in the statement of financial position are as follows:		
Balance at the beginning of the year	**36 429**	34 575
Interest cost	**2 674**	2 889
Actuarial loss recognised	**3 356**	2 142
Benefits paid during the year	**(3 317)**	(3 177)
Balance at end of the year	**39 142**	36 429
Interest cost	**2 674**	2 889
Actuarial loss recognised in the year	**3 356**	2 142
The expense is recognised as part of personnel expenses in profit or loss	**6 030**	5 031
Principal assumptions		
Healthcare cost inflation	**7.45%**	6.76%
Discount interest rate	**7.47%**	7.68%
Post-retirement mortality rate	**PA90-1 ultimate**	PA90-1 ultimate
Sensitivity analysis		
A one percentage point change in inflation on healthcare cost will affect the liability as follows:		
One per cent increase	**42 120**	39 191
One per cent decrease	**36 489**	33 986
A one percentage point change in inflation on healthcare costs will affect the interest costs as follows:		
One per cent increase	**2 887**	3 117
One per cent decrease	**2 485**	2 686

Non-current post-retirement benefit obligation per statement of financial position

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Balance at 31 December	**39 142**	36 429	34 575	34 778	33 194

Note: There are no unrecognised past-service costs or actuarial losses.

	2011 R'000	2010 R'000
19. Deferred taxation		
Deferred taxation is attributable to the following:		
Intangible assets	**266**	266
Post-retirement medical benefit obligation	**10 960**	10 200
Investments in equity securities	**–**	(3 132)
Employee related payables	**67**	55
Calculated tax losses	**224 680**	226 310
	235 973	233 699
Deferred tax assets have not been recognised to the following extent		
Unrecognised deferred tax assets	**(235 973)**	(233 699)
	–	–

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

20. Trade and other payables

	2011 R'000	2010 R'000
Trade payables	**2 212**	3 375
Other payables	**152**	339
Employee related payables	**3 460**	816
VAT payable	**–**	3 962
	5 824	8 492

21. 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, interest rates, liquidity risk and credit risk. 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 cash and cash equivalents 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.

Foreign exchange risk

In the normal course of business, the group enters into transactions denominated in foreign currency. At 31 December 2011, the group was not exposed to any significant foreign exchange risk.

21. Financial instruments (continued)

A change of one rand per British pound in the exchange rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below before the effects of tax.

	Profit/(Loss) for the year (R'000)	
	One rand increase	One rand decrease
31 December 2011	–	–
31 December 2010	2 379	(2 379)

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 (refer note 20)		
2011	2 364	2 364
2010	3 375	3 375

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 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.

	Profit/(Loss) for the year (R'000)	
	One percentage point increase	One percentage point decrease
31 December 2011	2 115	(2 115)
31 December 2010	2 917	(2 917)

Equity price risk

Equity price risk arose from the group's investment in equity securities, primarily its investment in GFI. Since the distribution of its holding of GFI shares in January 2011, the group has no equity price risk exposure.

21. Financial instruments (continued)

A change of ten per cent 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.

	Equity		(Loss)/profit for the year	
R'000	10% increase	10% decrease	10% increase	10% decrease
31 December 2011	–	–	n/a	n/a
31 December 2010	27 384	(27 384)	n/a	n/a

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 is based on quoted market prices (level one in fair value hierarchy).

The following table represents the carrying amounts and fair values of the group's outstanding financial instruments. 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	
	2011 R'000	2010 R'000	**2011 R'000**	2010 R'000
Financial assets				
Cash and cash equivalents	**211 470**	291 797	**211 470**	291 797
Trade and other receivables	**969**	2 649	**969**	2 649
Investments in equity securities	**–**	273 845	**–**	273 845
Financial liabilities				
Trade payables	**(2 364)**	(3 375)	**(2 364)**	(3 375)
	210 075	564 916	**210 075**	564 916

Capital management

The R&E board has focused on the recovery of allegedly misappropriated assets while simultaneously protecting and growing the group's existing asset base. Refer to note 16 for dividends paid during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

22. Commitments

The group does not have any significant commitments.

23. Related parties

Identity of related parties:

As a result of the settlement during 2010, the JCI group is no longer considered a related party. For major transactions with JCI refer to the directors' report on page 33 and notes 5, 7 and 11.

Key management

The directors and details of emoluments paid are listed in the directors' report. Other than the directors, there were no other key members of management during 2010 or 2011.

	2011 R'000	2010 R'000
24. Notes to the statement of cash flows		
Cash utilised in operating activities		
Profit before taxation	**46 702**	759 659
Adjustment for:		
Profit on sale of mineral rights	**(9 963)**	–
Finance income	**(8 832)**	(1 519)
Dividends received	**(1 826)**	(20 408)
Recoveries not settled in cash	**–**	(808 754)
Change in fair value of equity securities in profit or loss	**–**	14 785
Change in fair value of financial asset – settlement receivable	**–**	11 861
Depreciation	**76**	85
Profit on disposal of investments	**(52 474)**	(2 165)
Change in post-retirement medical benefit liability	**2 713**	1 854
Operating loss before working capital changes	**(23 604)**	(44 602)
Decrease in trade and other receivables	**1 045**	44 098
Decrease in trade and other payables	**(2 820)**	(2 952)
Cash utilised in operations	**(25 379)**	(3 456)
25. Taxation paid		
Amount outstanding at beginning of year	**11 220**	15 579
(Credit)/charge in profit or loss	**(949)**	18 200
Amount receivable/(outstanding) at end of year	**184**	(11 220)
Taxation paid	**10 455**	22 559

26. Subsequent events

There were no material events subsequent to the reporting date and up to the date of this report.

	2011	2010
27. Net asset value and net tangible asset value per share		
Net asset value per share (cents)	**236**	243
Net tangible asset value per share (cents)	**235**	242

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 R169,0 million (2010: R174,5 million) by the total number of ordinary shares outstanding at year-end of 71 585 172 (2010: 71 813 235). 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 (2010: R0,5 million) by the total number of ordinary shares outstanding at year-end of 71 585 172 (2010: 71 813 235). The number of shares outstanding at 31 December 2011 has been adjusted for the 2 999 893 (2010: 2 999 893) treasury shares held.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED 31 DECEMBER

	Notes	2011 R'000	2010 R'000
Revenue	1	**11 099**	1 460 132
Recoveries	2	**–**	174 586
Profit on distribution/disposal of investments	6	**46 606**	26
Profit on sale of prospecting rights		**4 982**	–
Impairment of investment in subsidiaries	7	**(4 129)**	(231 541)
Loans to subsidiary companies waived	7	**–**	(635)
Impairment of loans to subsidiaries	7	**(1 131)**	(5 948)
Other income		**2 348**	186
Personnel expenses	14	**(16 137)**	(20 784)
Net change in financial asset – settlement receivable		**–**	(11 861)
Impairment of available-for-sale investment		**–**	(15 653)
Other operating expenses	3	**(12 735)**	(32 745)
Liability settled		**–**	(277 615)
Results from operating activities		**30 903**	1 038 148
Net finance income/(expense)	4	**8 787**	(122)
Profit before taxation		**39 690**	1 038 026
Taxation	5	**949**	(11 519)
Profit for the year		**40 639**	1 026 507
Other comprehensive income, net of tax			
Net change in fair value of available-for-sale investments	6	**(9 537)**	44 006
Realised gain reclassified to profit or loss		**(46 606)**	–
Total comprehensive (loss)/income for the year		**(15 504)**	1 070 513

COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets		**1 844**	6 021
Plant and equipment	14	**260**	308
Investment in subsidiaries	7	**1 584**	5 713
Current assets		**219 702**	571 707
Trade and other receivables	8	**1 198**	8 296
Investments held for distribution	6	**–**	273 845
Loans due from subsidiary companies	7	**7 531**	8 662
Cash and cash equivalents		**210 973**	280 904
Total assets		**221 546**	577 728
EQUITY AND LIABILITIES			
Shareholders' equity		**176 580**	183 153
Issued capital	14	**746**	748
Reserves		**–**	56 143
Retained earnings		**175 834**	126 262
LIABILITIES			
Non-current liabilities			
Post-retirement medical benefit obligation	14	**39 142**	36 429
Current liabilities		**5 824**	358 146
Tax liabilities		**–**	11 519
Shareholders for dividend	14	**–**	338 477
Amounts due to subsidiaries	7	**–**	6
Trade and other payables	10	**5 824**	8 144
Total equity and liabilities		**221 546**	577 728

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEARS ENDED 31 DECEMBER

	Attributable to equity holders of the company				
	Share capital R'000	Share premium R'000	Investment fair value reserve# R'000	Retained earnings/ (Accumulated loss) R'000	Total equity R'000
Balance at 1 January 2010	748	986 054	12 137	(801 679)	197 260
Total comprehensive income for the year					
Profit for the year				1 026 507	1 026 507
Other comprehensive income#					
Change in fair value of available-for-sale investment			44 006		44 006
Total comprehensive income for the year	–	–	44 006	1 026 507	1 070 513
Transfer of treasury shares to subsidiary company				57 661	57 661
Transaction with owners of the company recognised directly in equity					
Distribution to owners of the company		**(986 054)**		**(156 227)**	**(1 142 281)**
Dividends paid to non-controlling shareholders					
Settlement distribution		(803 804)			(803 804)
GFI and cash distribution		(182 250)		(156 227)	(338 477)
Balance at 31 December 2010	**748**	**–**	**56 143**	**126 262**	**183 153**
Profit for the year				**40 639**	**40 639**
Other comprehensive income#					
Change in fair value of available-for-sale investment			**(9 537)**		**(9 537)**
Realised gain reclassified to profit or loss			**(46 606)**		**(46 606)**
Total comprehensive (loss)/income for the year		**–**	**(56 143)**	**40 639**	**(15 504)**
Transaction with owners of the company recognised directly in equity					
Shares repurchased	**(2)**			**(604)**	**(606)**
Change in fair value of shareholders for dividend				**9 537**	**9 537**
Balance at 31 December 2011	**746**	**–**	**–**	**175 834**	**176 580**

There are no tax effects associated with other comprehensive income.

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED 31 DECEMBER

	Notes	2011 R'000	2010 R'000
Cash flow from operating activities		**(18 098)**	(10 207)
Cash utilised in operating activities	13	**(16 315)**	(10 602)
Finance income		**8 787**	395
Taxation paid		**(10 570)**	–
Cash flow from investing activities		**13 254**	891 174
Dividends received		**8 299**	845 634
Acquisition of investment in subsidiary		**–**	(202)
Proceeds from disposal of prospecting rights		**4 982**	–
Proceeds on disposal property, plant and equipment		**11**	–
Acquisition of plant and equipment		**(38)**	(285)
Amounts advanced to subsidiaries		**–**	(399)
Loan repayments received		**–**	46 426
Cash flows from financing activities		**(65 087)**	(600 501)
Amounts advanced by subsidiaries		**–**	27 344
Dividends paid		**(64 481)**	–
Shares repurchased		**(606)**	–
Amounts repaid to subsidiaries		**–**	(627 845)
(Decrease)/increase in cash and cash equivalents		**(69 931)**	280 466
Cash and cash equivalents at beginning of year		**280 904**	438
Cash and cash equivalents at the end of the year	14	**210 973**	280 904

		2011 R'000	2010 R'000
1.	**Revenue**		
	Management fees received – subsidiary companies	**2 800**	5 933
	Dividends received – subsidiary companies	**6 570**	1 438 313
	– third parties	**1 729**	15 886
		11 099	1 460 132
2.	**Recoveries**		
	JCI	**–**	174 586

The amount recognised as a recovery from JCI in 2010 represents the portion of the total R&E group's settlement which was allocated to R&E company based on the size of its claims relative to the size of the other entities in the group. Refer to the directors' report on page 33 for details regarding the total JCI settlement with the group.

		2011 R'000	2010 R'000
3.	**Other operating expenses**		
	Administration and office expenses	**959**	3 045
	Auditors' remuneration:	**558**	1 207
	Audit fees	**558**	777
	Other services	**–**	430
	Consulting fees	**2 062**	8 184
	Depreciation	**76**	85
	Donation	**50**	–
	Exploration costs	**144**	454
	Foreign exchange (gains)/losses	**(1 692)**	2 783
	Insurance	**979**	791
	Legal fees	**8 388**	13 969
	Listing fees and corporate action costs	**1 099**	380
	Securities transfer tax	**–**	1 619
	Travel	**112**	228
	Other expenses	**2**	–
		12 735	32 745

		2011 R'000	2010 R'000
4.	**Net finance income/(expense)**		
	Finance income	**8 787**	1 236
	Cash and cash equivalents	**8 787**	394
	JCI Gold Limited	**–**	842
	Finance expenses		
	Amounts due to subsidiaries	**–**	(1 358)
		8 787	(122)

		2011 R'000	2010 R'000
5.	**Taxation**		
	Recognised in profit or loss		
	South African normal tax:		
	– Interest and penalties	**5**	–
	Secondary tax on companies (STC)		
	– Current year	**–**	11 519
	– Prior year overprovision	**(954)**	–
		(949)	11 519

Reconciliation of effective taxation rate

	2011 %	2010 %
South African normal tax rate	**28.0**	28.0
Capital gains tax differential	**(28.9)**	–
STC	**(2.4)**	1.1
Exempt income	**(7.4)**	(39.2)
Expenses not deductible for taxation purposes	**9.2**	11.1
Assessed losses utilised	**(2.7)**	–
Change in unrecognised deferred tax asset	**1.8**	0.1
Effective tax rate	**(2.4)**	1.1

		2011 R'000	2010 R'000
6.	**Investments in equity securities**		
	Held for distribution	**–**	273 845

The carrying amount of investments in equity securities can be reconciled as follows:

	2011 R'000	2010 R'000
Opening balance 1 January	**273 845**	237 257
Distribution to shareholders	**(264 308)**	
JCI shares unbundled	**–**	(26 014)
Acquisition from subsidiary companies	**–**	34 314
Acquisitions – other	**–**	3
Own GFI shares surrendered	**–**	(68)
Fair value movement of available-for-sale investments		
– in other comprehensive income	**(9 537)**	44 006
– in profit or loss	**–**	(15 653)
Closing balance 31 December	**–**	273 845

As a result of the distribution to shareholders, the investment fair value reserve of R46,6 million at the date of distribution was reclassified to profit or loss.

		2010	
The company held investments in the following companies:	Number of shares held	Percentage held %	Fair value 31 December R'000
Unlisted investments – South African			
Kelgran Limited	2 324 830	2.47	*
Listed investments – South African			
Gold Fields Limited	1 996 199	0.28	195 587
JCI Limited	267 625 436	12.03	41 670
			237 257

* less than R1 000

Also refer to note 11 to the consolidated financial statements for further details regarding investments in equity securities.

7. Investment in subsidiaries

Details of the subsidiaries are set out as follows:

		Effective holding		Shares at cost		Due from/(due to) subsidiaries	
Direct holdings	Issued share capital R'000	**2011 %**	2010 %	**2011 R'000**	2010 R'000	**2011 R'000**	2010 R'000
African Strategic Investment (Holdings) Ltd (incorporated in Jersey) (ASI)	*	**100**	100	**–**	145 711	**–**	(6)
Continental Base Metal Mining Company (Pty) Ltd[#]	2	**100**	100	**–**	–	**–**	–
Corgroup (Neptune) Investments Ltd[##]	4	**100**	100	**–**	–	**–**	–
Doornrivier Minerals Ltd	*	**100**	100	**46**	46	**–**	–
First Wesgold Mining (Pty) Ltd	340	**100**	100	**21 080**	21 080	**65 786**	65 786
Free State Development and Investment Corporation Ltd (FSD)	2 223	**100**	100	**207 518**	207 518	**–**	–
Lunda Alluvial Operations (Pty) Ltd[#]	*	**100**	100	**–**	–	**–**	–
Refraction Investments (Pty) Ltd	*	**100**	100	*****	*	**45 503**	45 503
Pan African Exploration Syndicate (Pty) Ltd[1]	–	**–**	100	**–**	–	**–**	–

[1] Disposed of during the year for nominal value

* Less than R1 000

[#] Deregistered during the year

[##] In the process of deregistration

7. Investment in subsidiaries (continued)

Details of the subsidiaries are set out as follows:

Direct holdings	Issued share capital R'000	Effective holding 2011 %	Effective holding 2010 %	Shares at cost 2011 R'000	Shares at cost 2010 R'000	Due from/(due to) subsidiaries 2011 R'000	Due from/(due to) subsidiaries 2010 R'000
Rand Mines Lands Ltd#	*	**100**	100	**–**	66	**–**	–
Goldridge Gold Mining Company (Pty) Ltd (Goldridge)[1]	*	**100**	100	**–**	–	**–**	–
Southern Holdings Ltd[1]	*	**100**	100	**–**	–	**–**	–
At cost				**228 644**	374 421	**111 289**	111 283
Provision for impairment losses on investments and in loans to subsidiaries				**(227 060)**	(368 708)	**(103 758)**	(102 627)
				1 584	5 713	**7 531**	8 656

* Less than R1 000
# Deregistered during the year
In the process of deregistration

	2011 R'000	2010 R'000
Investment in subsidiaries	**1 584**	5 713
Amounts due from/(to) subsidiaries included in	**7 531**	8 656
– current assets	**7 531**	8 662
– current liabilities	**–**	(6)
	9 115	14 369

All amounts due from subsidiaries are payable on demand and are interest free.

	2011 R'000	2010 R'000
8. Trade and other receivables		
Amount due from subsidiary	**–**	6 768
Dividends receivable	**–**	935
Prepayments and deposits	**230**	593
Interest receivable	**968**	–
	1 198	8 296
9. Deferred taxation		
Deferred tax assets are attributable to the following		
Post-retirement medical benefit obligation	**10 960**	10 200
Investments in equity securities	**–**	(3 132)
Intangible assets	**45**	45
Employee-related payables	**67**	55
Calculated tax losses	**114 254**	117 300
	125 326	124 468
Deferred tax assets have not been recognised to the following extent		
Unrecognised deferred tax assets	**(125 326)**	(124 468)
	–	–

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 company can utilise the benefits therefrom. The calculated tax losses can be carried forward indefinitely.

	2011 R'000	2010 R'000
10. Trade and other payables		
Trade payables	**2 212**	3 366
Employee-related payables	**3 460**	816
VAT payable	**–**	3 962
Other payables	**152**	–
	5 824	8 144

11. Financial instruments

The company'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, credit risk and liquidity risk. The company'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 company'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 company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's cash and cash equivalents and trade and other receivables. The company 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 company 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.

Foreign exchange risk

In the normal course of business, the company enters into transactions denominated in foreign currencies. At 31 December 2011, the company was not exposed to any significant foreign exchange risk.

A change of one rand per pound sterling in the exchange rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below before the effects of tax.

	Profit/(Loss) for the year (R'000)	
	One rand increase	One rand decrease
31 December 2011	–	–
31 December 2010	2 379	(2 379)

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company'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 company's reputation.

The maturity profile of contractual financial liabilities are as follows:

	Contractual cash flow R'000	Within one year R'000
Trade payables		
2011	2 364	2 364
2010	3 367	3 367
Amounts due to subsidiaries (refer note 7)		
2011	–	–
2010	6	6

Interest rate risk

The company has exposure to interest rate risk on financial assets primarily in the form of cash and cash equivalents.

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

	Profit/(Loss) for the year (R'000)	
	1% increase	1% decrease
31 December 2011	(2 110)	(2 110)
31 December 2010	2 809	(2 809)

11. Financial instruments (continued)

Equity price risk

Equity price risk arose from the company's investment in equity securities, primarily its investment in GFI. Since the distribution of its holding of GFI shares in January 2011, the company has no equity price risk exposure.

A change of ten per cent in the fair value of the company'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.

	Equity (R'000)		**Loss for the year (R'000)**	
	10% increase	10% decrease	10% increase	10% decrease
31 December 2011	–	–	n/a	n/a
31 December 2010	27 384	(27 384)	n/a	n/a

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

Trade and other receivables, trade payables, loans payable, amounts due from/to subsidiaries and cash and cash equivalents.
The carrying amount approximates the fair value 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.

The following table represents the carrying amounts and fair values of the company'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**	
	2011	2010	**2011**	2010
	R'000	R'000	**R'000**	R'000
Financial assets				
Cash and cash equivalents	**210 973**	280 904	**210 973**	280 904
Trade and other receivables	**968**	8 296	**968**	8 296
Amounts due from subsidiaries	**7 531**	8 662	**7 531**	8 662
Financial liabilities				
Trade payables	**(2 364)**	(3 366)	**(2 364)**	(3 366)
Amounts due to subsidiaries	**–**	(6)	**–**	(6)
	217 108	294 490	**217 108**	294 490

Capital management
The R&E board has focused on the recovery of allegedly misappropriated assets while simultaneously protecting and growing the company's existing asset base. The company declared dividends during the year (refer to note 16). Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

12. Commitments

The company does not have any significant commitments.

	2011 R'000	2010 R'000
13. Notes to the statement of cash flows		
Cash utilised in operating activities		
Profit before taxation	**39 690**	1 038 026
Adjustment for:		
Profit on sale of mineral rights	**(4 982)**	
Finance (income)/expenses	**(8 787)**	122
Recoveries not settled in cash	**–**	(174 586)
Dividends received	**(8 299)**	(1 454 199)
Change in fair value of equity securities	**–**	15 653
Change in fair value of financial asset – settlement receivable	**–**	11 861
Liability settled	**–**	277 615
Impairment of investment in subsidiaries	**4 129**	231 541
Depreciation	**76**	85
Waiver of intercompany loans	**–**	635
Net impairment of amounts due from subsidiaries	**1 131**	5 948
Profit on distribution/disposal of investments	**(46 606)**	(26)
Change in post-retirement medical benefit liability	**2 713**	1 854
Cash flows from operations before working capital changes	**(20 935)**	(45 471)
Decrease in trade and other receivables	**7 098**	38 448
Decrease in trade and other payables	**(2 478)**	(3 579)
Cash utilised in operations	**(16 315)**	(10 602)

14. Notes to the consolidated financial statement also applicable to the company financial statements (consolidated and company transactions and balances are the same):

	Note
Personnel expenses	4
Impairment of available-for-sale investment	5
Plant and equipment	9
Investment held for distribution	11
Investment in equity securities	11
Ordinary share capital	14
Dividend per share	16
Shareholders for dividend	16
Post-retirement medical benefit obligation	18

15. Related parties

Identity of related parties:

Refer to note 23 in the consolidated financial statements for a note on the relationship with JCI.

Subsidiaries

The company has a related party relationship with its subsidiaries. For a list on interest in subsidiaries, refer to note 7.

Key management

The directors and executive officers, and details of emoluments paid are listed in the directors' report. Other than the directors, there were no other members of key management during 2010 and 2011.

Material related parties transactions

Material transactions

Dividends and management fees received – refer to note 1
Recoveries – refer to note 2
Net finance income/(expense) – refer to note 4
Investments in subsidiaries – refer to note 7
Trade and other receivables – refer to note 8

RANDGOLD & EXPLORATION COMPANY: SHAREHOLDER ANALYSIS TABLES

REGISTER DATE: 30 DECEMBER 2011

Issued shares per register: 74 813 128

Odd-lot and specific offer shares repurchased: (228 063)

Remaining issued shares: 74 585 065

SHAREHOLDER SPREAD	Number of shareholders	%	Number of shares	%
1 – 1 000 shares	955	62.58	305 621	0.41
1 001 – 10 000 shares	365	23.92	1 232 384	1.65
10 001 – 100 000 shares	136	8.91	4 512 226	6.05
100 001 – 1 000 000 shares	57	3.74	20 360 159	27.30
1 000 001 shares and over	13	0.85	48 174 675	64.59
	1 526	100	74 585 065	100

DISTRIBUTION OF SHAREHOLDERS	Number of shareholders	%	Number of shares	%
Banks	57	3.74	16 297 728	21.85
Brokers	18	1.18	2 363 243	3.17
Close Corporations	21	1.38	237 262	0.32
Endowment Funds	2	0.13	183 434	0.25
Individuals	1 168	76.54	3 437 183	4.61
Insurance Companies	3	0.20	1 675 837	2.25
Investment Companies	6	0.39	2 442 629	3.27
Mutual Funds	25	1.64	10 384 571	13.92
Nominees and Trusts	98	6.42	1 233 075	1.65
Other Corporations	32	2.10	820 535	1.10
Own Holdings	1	0.07	228 063	0.31
Pension Funds	37	2.42	6 513 527	8.73
Private Companies	48	3.15	22 955 168	30.78
Public Companies	10	0.66	5 812 810	7.79
Total	1 526	100	74 585 065	100

PUBLIC/NON-PUBLIC SHAREHOLDERS	Number of shareholdings	%	Number of shares	%
Non-public shareholders	2	0.14	17 213 275	23.08
Strategic Holdings (more than 10%)	1	0.07	16 985 212	22.77
Own holdings	1	0.07	228 063	0.31
Public shareholders	1 524	99.86	57 371 790	76.92
Total	1 526	100	74 585 065	100

Beneficial shareholders holding of 3% or more	Number of shares	%
Pacol Investments (Pty) Ltd	16 985 212	22.77
Investec Bank Limited Account 25 Corporate Finance	4 307 881	5.78
Letseng Diamonds Limited	4 230 992	5.67
Allan Gray Equity Fund	3 725 649	5.00
Refraction Investment (Pty) Ltd	2 999 893	4.02
Coronation Capital	2 378 416	3.19

RANDGOLD & EXPLORATION COMPANY LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1992/005642/06)
Share code: RNG
ISIN: ZAE000008819
("**R&E**" or "**the company**")

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS OF R&E

Notice is hereby given that the annual general meeting of shareholders of R&E will be held at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, at 10:00 on Friday, 4 May 2012, 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 memorandum of incorporation of the company, the Companies Act (Act 71 of 2008), as amended (the Companies Act), and subject to the Listings Requirements of the JSE Limited (JSE).

Purpose

The purpose of the meeting is to transact the business set out in the agenda below. For the avoidance of doubt, the memorandum and articles of association of the company are referred to as the memorandum of incorporation in accordance with the terminology used in the new Companies Act which became effective on 1 May 2011.

Agenda

1. Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 31 December 2011 for shareholders to consider and adopt. The annual report, containing the complete audited annual financial statements, is available at www.randgoldexp.co.za or can be obtained from the company's registered office.

2. TO CONSIDER AND, IF DEEMED FIT, APPROVE, WITH OR WITHOUT MODIFICATION, THE FOLLOWING ORDINARY RESOLUTIONS

Note:
For any of the ordinary resolution numbers 1 to 5 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.

2.1 RETIREMENT AND RE-ELECTION OF DIRECTORS

2.1.1 ORDINARY RESOLUTION NUMBER 1

"Resolved that DC Kovarksy, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary *curriculum vitae* of David Chaim Kovarsky (64)
Non-executive chairman
CTA, 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 managing 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 or CFO of companies of varying sizes, but mostly related to resources.

Until August 2011, David was the CEO of International Ferro Metals Limited, a London-listed company producing ferrochrome in South Africa. He is currently the South African CEO of commodities trader, Marco International.

2.1.2 ORDINARY RESOLUTION NUMBER 2

"Resolved that JH Scholes, who retires by rotation in terms of the memorandum of incorporation of the company and, being eligible and offering himself for re-election, be and is hereby re-elected as director."

Summary *curriculum vitae* of John Hulme Scholes (45)
(Independent non-executive director)
BA (Law), LLB (Wits)
Date of appointment: 19 February 2010

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 practiced exclusively in the field for 17 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. With effect from 1 October 2010, Hulme returned to the legal profession as a mining and mineral law advisor and is now a non-executive director of AQPSA as well as Lace Diamond Mines (Pty) Limited and West Wits Mining Limited which is listed on the Australian Stock Exchange.

The reason for ordinary resolution numbers 1 and 2 is that the memorandum of incorporation of the company and, to the extent applicable, the Companies Act, requires that a component of the non-executive directors rotate at the annual general meeting and, being eligible, may offer themselves for re-election as directors.

2.2 APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE OF THE COMPANY

Note:
For avoidance of doubt, all references to the audit committee of the company is a reference to the audit committee as contemplated in the Companies Act.

2.2.1 ORDINARY RESOLUTION NUMBER 3

"Resolved that DC Kovarsky (refer to *curriculum vitae* above), being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company".

2.2.2 ORDINARY RESOLUTION NUMBER 4

"Resolved that JH Scholes, (refer to *curriculum vitae* above), being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next annual general meeting of the company".

The reason for ordinary resolution numbers 3 to 4 (inclusive) is that the company, being a public listed company, must appoint an audit committee and the Companies Act requires that the member of such audit committee be appointed, or reappointed, as the case may be, at each annual general meeting of a company.

2.3 REAPPOINTMENT OF AUDITOR

ORDINARY RESOLUTION NUMBER 5

"Resolved that on the recommendation of the company's audit committee, the company's auditors KPMG Inc. be reappointed for the ensuing financial year and that it be noted that the individual registered auditor who will undertake the audit during the financial year is Mr CH Basson."

The reason for ordinary resolution number 5 is that the company, being a public listed company, must have its financial results audited and such auditor must be appointed or reappointed each year at the annual general meeting of the company as required by the Companies Act.

3. TO CONSIDER AND, IF DEEMED FIT, PASS, WITH OR WITHOUT MODIFICATION, THE FOLLOWING SPECIAL RESOLUTIONS

Note:

For the special resolutions to be adopted, more than 75% of the voting rights exercised on each special resolution must be exercised in favour thereof.

3.1 REMUNERATION OF NON-EXECUTIVE DIRECTORS

SPECIAL RESOLUTION NUMBER 1

"Resolved in terms of section 66(9) of the Companies Act that the company be and is hereby authorised to remunerate its directors for their services as directors on the basis set out below and on any other basis as may be recommended by the remuneration committee and approved by the board of directors, provided that this authority will be valid until the next annual general meeting:

Per annum for serving as a non-executive director of the company:

3.1.1	Chairman	**R400 000**
3.1.2	Other non-executive directors	**R250 000**

(includes serving on the board's subcommittees)

Reason for and effect of special resolution number 1

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next annual general meeting.

SPECIAL RESOLUTION NUMBER 2

"Resolved that the non-executive directors' fees for the period 1 May 2011 to 31 December 2011, as disclosed in the annual financial statements of the company, be and are hereby ratified."

Reason for and effect of special resolution number 2

The reason for and effect of Special Resolution Number 2 is to ratify any remuneration paid by the company to non-executive directors for the period 1 May 2011 (when the new Companies Act came into effect) to 31 December 2011.

3.2 INTER-COMPANY LOANS

SPECIAL RESOLUTION NUMBER 3

"Resolved that in terms of section 45(3)(a)(ii) of the Companies Act as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the company".

Reason for and effect of special resolution number 3

The reason for and effect of special resolution number 3 is to grant the directors of the company the authority until the next annual general meeting to provide financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

3.3 ADOPTION OF NEW MEMORANDUM OF INCORPORATION

SPECIAL RESOLUTION NUMBER 4

"Resolved that, in terms of section 16(1)(c)(ii) of the Companies Act, and item 4(2) of schedule 5 to the Companies Act, the existing memorandum and articles of association of the company be and are hereby substituted in their entirety by the new memorandum of incorporation signed by the chairperson of the annual general meeting on the first page thereof for identification purposes, with effect from the date of filing of the required notice of amendment with the Companies and Intellectual Property Commission.

Reason for and effect of special resolution number 4

Special resolution number 3 is proposed in order to adopt a new memorandum of incorporation in substitution for the existing memorandum and articles of association of the company which contains provisions which are in conflict with the provisions of the Companies Act, but which conflicting provisions generally override the provisions of the Companies Act, which became effective on 1 May 2011, for a period of two years after the effective date of the Companies Act in order to bring the company's constitutional documents in harmony with the provisions of the Companies Act. In terms of item 4(2) of schedule 5 to the Companies Act, a company that existed prior to the effective date of the Companies Act may at any time within two years immediately following the effective date file, without charge, an amendment to its memorandum and articles of association to bring it in harmony with the Companies Act.

Copies of the new memorandum of incorporation will be available for inspection by any person who has a beneficial interest in any securities of the company at the registered office of the company at Third Floor, Sandton City Office Tower, 158 5th Street, Sandhurst, Sandton, 2196, during normal office hours from the date of issue of this notice of annual general meeting up to and including the date of the annual general meeting or any adjourned meeting.

4. OTHER BUSINESS

To transact such other business as may be transacted at an annual general meeting or raised by shareholders with or without advance notice to the company.

Information relating to the special resolutions

The directors, whose names appear on page 16 and 17 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 that have been made and that the notice contains all information required by the Listings Requirements of the JSE.

VOTING

1. The date on which shareholders must have been recorded as such in the share register maintained by the transfer secretaries of the company ("the Share Register") for purposes of being entitled to receive this notice is **Friday, 23 March 2012**.
2. The date on which shareholders must be recorded in the Share Register for purposes of being entitled to attend and vote at this meeting is **Thursday, 26 April 2012**, with the last day to trade being **Thursday, 19 April 2012**.
3. **Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the annual general meeting and must accordingly bring a copy of their identity document, passport or drivers' license to the annual general meeting. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.**
4. Shareholders entitled to attend and vote at the annual general meeting may appoint one or more proxies to attend, speak and vote thereat in their stead. A proxy need not be a member of the company. A form of proxy, in which are set out the relevant instructions for its completion, is enclosed for the use of a certificated shareholder or own-name registered dematerialised shareholder who wishes to be represented at the annual general meeting. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the annual general meeting.
5. The instrument appointing a proxy and the authority (if any) under which it is signed must reach the transfer secretaries of the company at the address given below by no later than 10:00 on **Wednesday, 2 May 2012**.
6. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting in person, will need to request their Central Securities Depository Participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholders and the CSDP or broker.
7. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the annual general meeting and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated therein.
8. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, will have one vote in respect of each share held.
9. In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

   An ordinary shareholder entitled to attend and vote at the annual general meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the annual general meeting in the place of the shareholder. A proxy need not be a shareholder of the company.

   A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the annual general meeting.

   A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.

   The appointment of a proxy is suspended at any time to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

   The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

   If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's Memorandum of Incorporation to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

By order of the board

Randgold & Exploration Company Limited

Van Zyl Botha
Company secretary

Johannesburg
6 March 2012

Registered office
Third Floor, Sandton City Office Tower
158 5th Street, Sandhurst
Sandton, 2196
(PO Box 650905, Benmore, 2010)

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

FORM OF PROXY

RANDGOLD & EXPLORATION COMPANY LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1992/005642/06)
Share code: RNG
ISIN: ZAE000008819
("R&E" or **"the company")**

FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALISED SHAREHOLDERS ONLY

I/We, the undersigned (print) ____

(name of shareholder)

of ____

(address)

being a shareholder of the company, do hereby appoint

____

(name of proxy)

of ____

(address)

or failing him, the chairman of the annual general meeting as my/our proxy to represent me/us, to talk and to vote on my/our behalf at the annual general meeting of the company to be held at MW Business Centre, Michelangelo Hotel, Mandela Square, Sandton, at 10:00 on Friday, 4 May 2012, or at any adjournment thereof:

	In favour of	Against	Abstain from voting
Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 31 December 2011.			
Ordinary resolution number 1: To re-elect DC Kovarsky as director.			
Ordinary resolution number 2: To re-elect JH Scholes as director.			
Ordinary resolution number 3: To reappoint DC Kovarsky as member of the audit committee.			
Ordinary resolution number 4: To reappoint JH Scholes as member of the audit committee.			
Ordinary resolution number 5: To reappoint KPMG Inc. as the auditor.			
Special resolution number 1: Remuneration of non-executive directors.			
Special resolution number 2: Ratification of remuneration of non-executive directors.			
Special resolution number 3: Inter-company loans.			
Special resolution number 4: Adoption of new memorandum of incorporation.			

Please indicate instructions to proxy by way of a cross in the relevant space provided.

Signed at ______________________ on the ________ day of ______________________ 2012.

Signature ______________________

NOTES:

1. A form of proxy is only to be completed by those members who are:
   – holding shares in certified form; or
   – recorded on the sub-register in dematerialised electronic form in their own name.

2. Members who have already dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker and wish to attend the annual general meeting, must request the CSDP or broker to provide them with a letter of representation or they must instruct the CSDP or broker to vote by proxy on their behalf in terms of the agreement entered into between the member and the CSDP or broker.

3. A member is entitled to appoint one or more proxies to attend (the annual general meeting), speak and vote in his/her place at the annual general meeting. The name/s of choice is to be inserted in the space provided. The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow (who need not be a member of the company).

4. A member's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided.

5. If a member does not indicate on the form how his/her proxy is to vote, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) which may properly be put before the annual general meeting be proposed, the proxy shall be entitled to vote as he/she deems fit, in respect of all the member's votes exercisable thereat.

6. Documentary evidence establishing the authority of a person signing the form of proxy in a representative capacity must be attached to the form of proxy, unless previously recorded by the company or its transfer secretaries or waived by the chairman of the annual general meeting.

7. Any alterations or corrections to this form of proxy must be initialled by the signatory(ies).

8. The completion and lodging of this form of proxy will not preclude the member from attending the annual general meeting and speaking and voting in person at such meeting to the exclusion of the proxy appointed in terms thereof, should he/she wish to do so.

9. The form of proxy must be lodged with the transfer secretaries or company's registered office to be received by them not later than **10:00** on **Wednesday, 2 May 2012**.

   Company's address
   Randgold and Exploration Company Limited
   Third Floor, Sandton City Office Tower
   158 5th Street
   Sandhurst, Sandton, 2196

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

10. Notwithstanding the aforegoing, the chairman of the annual general meeting may waive any formalities that would otherwise be a prerequisite for a valid proxy.

11. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

www.randgoldexp.co.za