

Randgold & Exploration  
Company Limited

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**Annual Report  
2018**

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The board of Randgold & Exploration Company Limited (R&E) remains focused on the recovery of claims relating to assets allegedly misappropriated from it and frauds perpetrated against R&E, while simultaneously safeguarding the company's existing asset base.

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# Corporate information

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## **RANDGOLD & EXPLORATION COMPANY LIMITED (“R&E”)**

(Registration number 1992/005642/06)

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

### **Registered office**

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114 West Street, Sandown  
Sandton, 2196

### **COMPANY SECRETARY**

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Telephone: +27 21 460 6477

### **SOUTH AFRICAN TRANSFER SECRETARIES TO R&E**

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## SPONSOR AND CORPORATE ADVISOR TO R&E

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## AUDITORS TO R&E

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# Forward-looking statements

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Certain statements in this document as well as oral statements that may be made by the officers, directors or employees of Randgold & Exploration Company Limited (“**R&E**” or “**the company**”) acting on its behalf relating to the information herein, contain “forward-looking statements” within the meaning of the US Private Securities Litigation Reform Act of 1995, specifically section 27A of the US Securities Act of 1933 and section 21E of the US Securities Exchange Act of 1934. All statements, other than statements of historical facts, are “forward-looking statements”. These include, without limitation, those statements concerning the frauds and misappropriations that are alleged to have been perpetrated against R&E and/or any of its subsidiaries (the “**R&E group**” or “**the 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 and/or damages arising herefrom; the outcome of any proceedings on behalf of, or against the R&E group; the time period for completing any forensic investigation(s) and any claim(s); the amount of any claim(s) 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 any further investigation and the ultimate outcome of its forensic and other investigations to date; the ability of R&E to successfully assert any claim(s) it may have against any person 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 that has been sued by the R&E group to successfully countersue R&E 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 and establish the necessary information with respect to the transactions, assets, investments, subsidiaries and associated entities of R&E in the context of the forensic investigations or any aspect thereof or that 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, the R&E group and 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

RANDGOLD & EXPLORATION COMPANY LIMITED

100%

African Strategic Investment (Holdings) Limited

First Wesgold Mining Proprietary Limited

Refraction Investments Proprietary Limited

Free State Development and Investment Corporation Limited

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# Report of the chairman and the chief executive officer

Dear shareholder

During the financial year ended 31 December 2018, your board worked towards its objective of making recoveries from third parties while safeguarding the asset base of the company.

The company's net asset value ("NAV") increased by 2.5% in the 2018 financial year (2017: decreased by 4.4%), primarily as a result of a settlement payment received from Charles Orbach and Company, a former auditor of R&E.

The company's current agenda is restricted to:

- Pursuing legal claims as described in the Legal Report included in this annual report, while continuously assessing the commercial prudence of each action; and
- Limiting operational costs.

The challenge for 2019 will once again be to repeat the historic success of the claims litigation process.

NAV statement as at 31 January 2019:

	January 2019 R'000	January 2018 R'000
<b>ASSETS</b>	<b>166 490</b>	165 106
Intangible assets, equipment	11	17
Trade and other receivables	1 055	1 202
Investment in listed equity securities	164 978	163 187
Cash and cash equivalents	446	700
<b>LIABILITIES</b>	<b>11 924</b>	13 797
Post-retirement medical benefit obligation	10 496	11 404
Trade and other payables	1 428	2 393
Net asset value	<b>154 566</b>	151 309
Shares (net)	<b>71 585 172</b>	71 585 172
Rand/share	<b>R2.16</b>	R2.11

**David Kovarsky**  
Independent Non-executive Chairman

**Marais Steyn**  
Joint Chief Executive Officer and  
Financial Director

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# Report of the financial director

During the financial year ended 31 December 2018, the R&E finance team focused on managing operating costs and the pursuit of legal claims against third parties to recover losses arising from the alleged misappropriation of the company's assets and frauds perpetrated against it, as well as against the company's erstwhile auditor arising from the issue of a negative assurance on R&E's provisional results for the 2004 financial year, which R&E alleged was issued negligently.

The key tasks included instructing attorneys and legal counsel while overseeing the preparation of forensic evidence relating to various civil claims and managing the logistics associated with court proceedings. R&E continues to fund its operations from settlements and investment income.

### **STATEMENT OF COMPREHENSIVE INCOME**

The 2018 group results reflected a total comprehensive income for the year of R3.8 million (2017 loss: R7.0 million). This was mainly as a result of an increase in third party recoveries. During the year income was derived primarily from third party recoveries of R21.7 million (2017: R1.1 million) and interest of R12.0 million (2017: R13.0 million) earned on cash investments. The company spent R6.9 million (2017: R6.7 million) on personnel costs, R23.0 million (2017: R22.4 million) on legal and forensic fees, and other operational costs totalled R3.0 million (2017: R2.1 million).

### **STATEMENT OF FINANCIAL POSITION**

The major assets of the R&E group as at 31 December 2018 consisted of funds held in unit trusts of R1679 million. The board has adopted a low risk approach to protect the group's investments in listed securities, which are monitored daily in conjunction with a specialist treasury firm to maintain optimal returns with minimal associated risks.

The post-retirement medical benefit obligation of R10.5 million is unfunded and the company continues to fulfil its medical aid scheme obligations. The R&E group had calculated tax losses as at 31 December 2018, but no deferred tax assets were raised as it is improbable that there will be future taxable profits against which to offset the tax losses.

### **CASH FLOW**

The group's cash outflow of R1.4 million was the net result of interest earned on cash, dividends and recoveries received, less cash utilised to fund its operations during the year.

### **OUTLOOK**

The outlook for 2019 is largely dependent on the progress and outcome of current legal matters. Expenditure on litigation is expected to be at a similar level as 2018. Until the claims in which the company are engaged have been finalised, this pattern of expenditure is likely to prevail.

**Marais Steyn**

Joint Chief Executive Officer and Financial Director

# Corporate Governance Report

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## INTRODUCTION

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

The group further endorses the principles of transparency, integrity, fairness and accountability as advocated by the King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”). 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. During the 2018 financial year, the company applied the principles contained in King IV™ in a practical manner and to the extent possible.

## CONTINUAL IMPROVEMENTS IN THE IMPLEMENTATION OF GOOD GOVERNANCE PRACTICES

The company constantly strives within its limitations to develop and improve existing corporate governance structures and practices to ensure continued compliance with the recommendations of King IV™ and other good governance practices.

## CODE OF ETHICS

All the directors and employees subscribe to the core values of integrity, honesty and transparency. The company’s Code of Ethics and Business Conduct 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

The positions of chairman and chief executive officer are separately held, with a clear division of duties.

After a formal evaluation of the chairman, who has served in an independent capacity for more than ten years, it was concluded by the board that the chairman still exercises objective judgement and that there is no interest, position, association or relationship which, when judged from the perspective of a reasonable and informed third party, is likely to influence unduly or cause bias in decision-making. The evaluation of the independence of the chairman will be addressed annually. Due to the size and limited operations of the company an independent non-executive member of the board has not been appointed as the lead independent director. In the event that the current chairman does not have the capacity to discharge his duties effectively, the appointment of a lead independent director will be considered.

The notice period according to the chief executive officer’s employment contract is 3 months’ written notice. There are no other contractual conditions relating to the termination of the chief executive officer. The chief executive officer has a number of other professional commitments and serves as a director on a number of boards not related to the company. The board has completed a formal evaluation of the chief executive officer, measuring his performance against a list detailing his duties and obligations to the company. The board is satisfied that the chief executive officer has discharged his duties effectively and that his other professional commitments and membership of governing bodies outside the organisation does not affect his performance as chief executive officer of the company. A succession plan is in place for the chief executive officer.

The independent non-executive directors have a wide range of diverse expertise, including financial, legal and commercial experience that enables them to bring independent judgment to board deliberations and decisions. The board has carried out a formal self-evaluation and is satisfied that the composition of the board reflects the appropriate mix of knowledge, skills, experience and independence. The independence of the non-executive directors is formally assessed annually. Independent directors are considered to be independent in accordance with guidance indicated by the Companies Act of South Africa (“**the Act**”) and King IV™.

The board meets at least bi-annually or when necessary. The board’s effectiveness, both individually per director and collectively per committee, is constantly monitored, reviewed and discussed. This is an ongoing process scrutinised by the executive directors. In addition, the performance of the board is evaluated annually. This is a formal process conducted by the board members. At this stage, due to the size of the organisation, no external facilitators were utilised for the evaluation process. The performance of the board as a committee was measured against their duties as set out formally in their terms of reference. The board is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period and no remedial action is deemed necessary. The board is also of the opinion that the evaluation process is improving its performance and enabling the board to fulfil its duties effectively.

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 meetings. The board has in place a delegation of authority framework and is satisfied that it contributes to role clarity and the effective exercise of authority and responsibilities. A board charter, setting out its mission, role, duties and responsibilities has been adopted and is updated annually as required.

The board recognises its responsibility to retain full and effective control over the company. The board also deliberates on 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 to review the terms of reference for the various sub-committees of the board.

### **TERMS OF EMPLOYMENT OF DIRECTORS**

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 and to discharge their duties and responsibilities with due care. They are also expected to attend the annual general meeting of shareholders.

Please refer to the Remuneration Committee Report for details of directors’ remuneration.

### **RETIREMENT BY ROTATION**

Clause 26.3 of the company’s memorandum of incorporation requires one third of the non-executive directors to retire by rotation and to offer themselves for re-election by shareholders at the annual general meeting.

Accordingly, Mr P Burton will retire by rotation and has offered himself for re-election.

His abridged curriculum vitae is on page 33.

### **NEW APPOINTMENTS**

New appointments to the board of directors are formal and transparent and are considered by the board as a whole, assisted by the Nominations Committee where appropriate.

The procedures for the appointment of directors include the review of curricula vitae and interviews conducted by directors.

Mr Van Zyl Botha stepped down as financial director of the company on 27 February 2019, and will remain as a non-executive director on the board of R&E to preserve the corporate memory of the last 10 years of litigation.

Furthermore, on 27 February 2019 the Issuer Regulation Division of the JSE Limited granted dispensation to allow Mr Marais Steyn to fulfil the dual role as chief executive officer and financial director of the company on a permanent basis.

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.

## **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 Act.

The company secretary is responsible for the duties set out in section 88(2) of the Act and for ensuring compliance with the Listings Requirements of the JSE Limited ("**JSE Listings Requirements**").

Statucor (Pty) Ltd is the appointed company secretary of R&E represented by Alun Rich. The board has satisfied itself that they have the required expertise and capacity to carry out this function. The company has taken additional measures by appointing Rayner van Wyk representing Outsourced CFO Proprietary Limited (group financial manager of the company) as assistant company secretary and appointing an internal audit firm to independently review compliance and corporate governance.

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

Where necessary, external experts are consulted to ensure compliance with relevant legislation and rules pertaining to the group's operations.

The company secretary has access to professional corporate governance external services and the board believes the arrangements currently in place are effective to enable all to fulfil their duties effectively.

The declaration by the company secretary required to be signed in terms of section 88(2)(e) of the Act appears on page 49 of this report.

## **STAKEHOLDER COMMUNICATION**

The group aims, in all communication with stakeholders, to present a clear understandable assessment of the group's position. Consequently, in its financial reporting, formal announcements, media releases, annual meetings and dialogue with shareholders, the group's objectives are transparent and clear.

Engagement with material stakeholders is encouraged by the board and delegated and executed accordingly.

During the reporting period, the company focussed on measuring all communication with stakeholders against the above objectives. The board believes that it has achieved its objectives as set out.

In future, the company will continue to engage its stakeholders on multiple levels. This will allow the effective and timely management of stakeholder queries or potential concerns.

## AUDIT AND RISK COMMITTEE

The Audit and Risk Committee charter was originally approved and adopted on 24 March 2004. A revised charter, to take account of the changes in company law, the JSE Listings Requirements and King IV™, was approved and adopted by the Audit and Risk Committee on 8 March 2018. The charter is reviewed annually and updated when required. The Audit and Risk Committee comprises all the independent non-executive directors. The chairman of the board is currently a member of the Audit and Risk Committee. To this extent the board is of the opinion that given the extensive experience of Mr Kovarsky and taking into account the current size of R&E's operations that Mr Kovarsky will continue to serve on the Audit and Risk Committee. Meetings are normally attended by the company secretary as secretary to the Audit and Risk Committee, the external auditors, the internal auditors and, by invitation, the chief executive officer, who currently fulfils the dual role of chief executive officer and finance director.

The Audit and Risk Committee's terms of reference and responsibilities include, amongst 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, overseeing the internal audit function and assisting the board by overseeing the effectiveness of the enterprise-wide risk management process;
- 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 Audit and Risk Committee also meets with the external and internal auditors outside of formal committee meetings as frequently as is necessary.

Refer to page 44 of this document for the report from the Audit and Risk Committee and to page 17 of this document, for the Risk Management Report. The Audit and Risk Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## NOMINATIONS COMMITTEE

The Nominations Committee mandate was originally approved and adopted on 24 March 2004. A revised charter, to take account of the changes in company law, the JSE Listings Requirements and King IV™, was approved and adopted by the Nominations Committee on 8 March 2018. The document is reviewed annually and updated as required. It sets out the Nomination Committee's terms of reference, including objectives, duties, proceedings at meetings and membership.

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

Assist the board to ensure that:

- The board has the appropriate composition for it to execute its duties effectively;
- Directors are appointed through a formal process; and
- Induction and ongoing training and development of directors takes place.

Formal succession plans for the board, chief executive officer and senior management appointments are in place.

The duties of the Nomination Committee, as set out in its terms of reference, include the following:

- Recommend the appointment of new executive, non-executive and independent non-executive directors (including recommending the general composition of the Board and the balance between executive, non-executive and independent non-directors appointed to the Board);
- Regularly review the board structure, size and composition and make recommendations with regard to any adjustments that are deemed necessary;
- Identify and nominate candidates to fill board vacancies as and when they arise, as well as put in place plans for their succession;
- Recommendations regarding the continuation (or not) in service of any director that has reached the age of 75;
- Recommend directors that are retiring by rotation, or re-election; and
- Report to shareholders as required.

In addition to the above, the Nominations Committee formally approved and adopted a policy on gender diversity on 10 March 2017. At the date of adopting the policy, the Nomination Committee's aim was to ensure that at least one female director is appointed by March 2022, and that on merit females will specifically be considered for all vacant board positions going forward. No new board appointments have been made since adoption of the policy or in the past financial period. The policy will be followed when decisions regarding new appointments to the board are made.

Furthermore, The Nominations Committee formally approved and adopted a policy on race diversity on 8 March 2018. At the date of adopting the policy the Nomination Committee's aim was to ensure that at least 1 member of the board consists of directors who are "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003 (as amended). The Board is satisfied with the current composition of the Board and that black people on merit will specifically be considered for all vacant board positions going forward. No new board appointments have been made since adoption of the policy or in the past financial period. The policy will be followed when decisions regarding new appointments to the board are made.

Although no new board appointments were made during the reporting period, the Nomination Committee focussed on its other duties, as set out above, and the Nomination Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## **REMUNERATION COMMITTEE REPORT**

The Remuneration Committee mandate was approved and adopted with effect from 24 March 2004. A revised charter to take account of the changes brought by the Act, the JSE Listings Requirements and King IV™ has been reviewed by the Remuneration Committee and was approved by the board on 8 March 2018. The document is reviewed annually and updated as required.

No remuneration consultants have been used during the reporting period.

The Remuneration Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

The Remuneration Committee will continue to implement the policy as approved by shareholders effectively in order to comply with all requirements and discharge their duties.

The group's remuneration policy, which is set out in part I of this report, and the implementation report, which is set out in part II of this report, will be proposed to shareholders for a non-binding advisory vote at the annual general meeting in May 2019.

## PART I: REMUNERATION POLICY

The group's remuneration philosophy is based on the following principles:

- 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.

In applying these principles to remuneration practices, management aims to be market competitive and ensures that good governance is observed in relation to all remuneration practices. In applying these principles, the Remuneration Committee aims to be transparent and achieve fair and responsible remuneration for management.

No benchmark is currently used to determine remuneration. The Remuneration Committee determines the remuneration of executive directors and other senior executive managers. The basic "cost to company" package consists of a basic salary. These packages are linked to expertise and knowledge required in the position. Basic "cost to company" is fixed for a period of 12 months and is subject to an annual review. Executive directors' increases are proposed by the chairman of the board, but are subject to prior review by the Remuneration Committee and final approval of the board. 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.

Please refer to our website [www.randgoldexp.co.za](http://www.randgoldexp.co.za) where the remuneration policy is stored for public access.

### Executive directors' remuneration

Randgold's executive remuneration structure currently comprises only guaranteed remuneration. No variable recurring bonus arrangement is currently in place. There is no variable pay and directors are, due to company size and complexity and activities not rewarded for individual performance. As a result, it is not deemed necessary to provide an illustration of the potential impact on the total remuneration for executive management, on a single, total figure basis, of applying the remuneration policy under minimum, on-target and maximum performance outcomes.

The remuneration paid to executive directors is disclosed on page 17 of the annual report.

### Guaranteed remuneration

Executive directors, along with all employees, receive guaranteed packages. These guaranteed packages are reviewed annually in March. Salaries are set in relation to the scope and nature of an individual's role, experience and performance, to ensure market competitiveness and sustainable performance. The average salary increase for the executive directors for the 2018 financial year was 6.05%.

### Variable remuneration

Not applicable.

### Executive service conditions

There are no fixed-term service conditions.

There are no obligations in executive employment contracts which give rise to payments on termination of employment or office.

### **Non-executive directors' fees**

Non-executive directors receive fees for serving on the board and board committees. No non-executive director has an employment contract with the company and no consulting fees were paid to directors during the year.

The proposed fees for the 2019 financial year, which are subject to approval by shareholders at the forthcoming AGM in May 2019, are included in the notice of annual general meeting on page 98 of the annual report.

### **Remuneration governance**

The Remuneration Committee operates under formal board-approved terms of reference. Their duties include but are not limited to the following:

Duties:

- To consider the remuneration policy and to set strategic objectives for remuneration management within the company's operations;
- To make all determinations and take any action that is reasonably appropriate or necessary in the course of establishing the compensation of the company's executives;
- To review and approve corporate goals and objectives relevant to the compensation of the chief executive officer, evaluate the performance of the chief executive officer in light of these goals and objectives, and set the compensation level of the chief executive officer based on this evaluation;
- To review, and make recommendations to the board where necessary, all new employment, consulting, retirement and severance agreements and arrangements proposed for the company's executives. The Remuneration Committee periodically evaluate existing agreements with the company's executives for continuing appropriateness;
- To determine specific remuneration packages for each executive director and executive officer of the company, including fringe benefits, and to review these annually; and
- To consider other matters relating to the remuneration of or terms of employment applicable to the executive directors and executive officers that may be referred to the Remuneration Committee by the board.

## PART II: IMPLEMENTATION OF REMUNERATION POLICY

### Director's remuneration

Directors	Basic salary/fees		Bonus		Total	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Executive</b>						
*M Steyn	2 551	2 406	–	–	2 551	2 406
**V Botha	1 483	1 398	–	–	1 483	1 398
<b>Non-executive</b>						
DC Kovarsky	500	471	–	–	500	471
JH Scholes	312	294	–	–	312	294
P Burton	312	294	–	–	312	294
	<b>5 158</b>	4 863	–	–	<b>5 158</b>	4 863

\* Appointed to the dual role of chief executive officer and financial director on 27 February 2019.

\*\* Resigned as financial director on 27 February 2019, and assumed the position of non-executive director on the board of R&E with immediate effect.

No payments were made during the reporting period on termination of employment or office.

The remuneration policy and implementation report set out above are proposed to shareholders in separate non-binding advisory votes in terms of the notice of annual general meeting. In the event that either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the votes exercised at the annual general meeting, the board of directors will engage with such shareholders in order to clarify the nature of and evaluate the validity of such objections and will, where possible and prudent, given the objectives of the remuneration policy, take those objections into consideration when formulating any amendments to the company's remuneration policy.

The Remuneration Committee believes that they applied the remuneration policy effectively and complied with all requirements.

## RISK MANAGEMENT REPORT

The board recognises the importance of effective risk management and acknowledges that it is accountable and responsible for ensuring that adequate procedures and processes are in place to identify, assess, manage and monitor key business risks.

### Risk management

A comprehensive risk assessment was performed during 2013. The product of this process was a Risk Register, which is currently in place, updated continuously and utilised as a working document in the risk management process. A risk policy and management plan was initially approved by the Audit and Risk Committee during 2013 and the document is reviewed and, if necessary, updated annually.

### Risk appetite and tolerance

The board considers itself to be risk averse. The board is satisfied that no member of management has exceeded his or her authority or acted contrary to the board's stated risk policy and that the group has not been exposed to unnecessary risk.

### **Current and imminent risks**

The company's operational activities are limited and the key risks inherent to the organisation and their management relate only to the current basic function of the company. The top five inherent risks on the risk register as at December 2018 were:

- Key knowledge resides in key people, which may result in key knowledge being lost should those members of staff leave the company;
- Key electronic data may be lost;
- The legal representatives of the company may not fulfil their mandate appropriately;
- Not adhering to all applicable JSE regulations, resulting in fines; and
- Unauthorised access to key data.

The Audit and Risk Committee and the board are satisfied that the risks, as stated above, are currently being appropriately mitigated by management, and that the residual risk is well below the level that is considered to be acceptable. The company is therefore not exposed to any undue risk. In future the company will continue to monitor any changes in inherent key risks and address these changes accordingly.

### **SOCIAL AND ETHICS COMMITTEE**

A Social and Ethics Committee charter was adopted at a meeting of the board on 2 August 2011. The charter is reviewed annually and updated as and when required. The Social and Ethics Committee is a formal sub-committee of the board.

Members of the Social and Ethics Committee are appointed by the board and membership must include at least one independent non-executive director. The responsibility of the Social and Ethics 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;
  - The Organisation for Economic Co-operation and Development ("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 the communities in which it operates; and
  - 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 Labor Organisation Protocol on Decent Work and Working Conditions.

During the reporting period the company continued to adhere to its responsibility to model good corporate citizenship and take into account all factors (workplace, economy, society and environment) when making decisions. As 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 and the

environment is limited. The company continues to fulfil its obligations under the post-retirement medical benefit scheme. During 2018, R&E supported the Aitsa! After Care Centre situated in Stellenbosch. The centre provides food, educational stimulation, fun, sport and life skills programs for 210 disadvantaged children. In future the company will continue to focus on these areas and to pursue the values of being a good corporate citizen.

The Social and Ethics Committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

## ATTENDANCE

Attendance of meetings was as follows:

<b>BOARD Directors</b>		<b>8 March 2018</b>	<b>24 August 2018</b>
DC Kovarsky	Independent Non-executive Chairman	P	P
* M Steyn	Chief Executive Officer	P	P
** V Botha	Financial Director	P	P
JH Scholes	Independent Non-executive Director	P	P
P Burton	Independent Non-executive Director	P	P

\* Appointed to the dual role of chief executive officer and financial director on 27 February 2019.

\*\* Resigned as financial director on 27 February 2019, and assumed the position of a non-executive director on the board of R&E with immediate effect.

<b>AUDIT AND RISK COMMITTEE Members</b>		<b>8 March 2018</b>	<b>24 August 2018</b>
JH Scholes	Independent Non-executive Chairman of the Audit and Risk Committee	P	P
DC Kovarsky	Independent Non-executive Chairman of the Board	P	P
P Burton	Independent Non-executive Director	P	P

<b>NOMINATION COMMITTEE Members</b>		<b>8 March 2018</b>	<b>24 August 2018</b>
DC Kovarsky	Independent Non-executive Chairman of the Nomination Committee	P	P
JH Scholes	Independent Non-executive Director	P	P
P Burton	Independent Non-executive Director	P	P

<b>REMUNERATION COMMITTEE Members</b>		<b>8 March 2018</b>	<b>24 August 2018</b>
JH Scholes	Independent Non-executive Chairman of the Remuneration Committee	P	P
DC Kovarsky	Independent Non-executive Chairman of the Board	P	P
P Burton	Independent Non-executive Director	P	P

<b>SOCIAL AND ETHICS COMMITTEE</b>		<b>8 March</b>	<b>8 March</b>
<b>Members</b>		<b>2018</b>	<b>2018</b>
JH Scholes	Independent Non-executive Chairman of the Social and Ethics Committee	P	P
*M Steyn	Chief Executive Officer	P	P
**V Botha	Financial Director	P	P
DC Kovarsky	Independent Non-executive Chairman of the Board	P	P
P Burton	Independent Non-executive Director	P	P

*P* – Indicates present

\* Appointed to the dual role of chief executive officer and financial director on 27 February 2019.

\*\* Resigned as financial director on 27 February 2019, and assumed the position of non-executive director on the board of R&E with immediate effect.

## 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 the electronic news service of the JSE Limited (“SENS”).

No director held any shares, directly or indirectly, in the company during 2017 or 2018 and up to the date of this report.

## COMPLIANCE

Management as a whole takes responsibility for keeping abreast of all legal and regulatory changes that 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. In future the company will stay committed to the process of compliance and will continue to focus on complying with all applicable laws, regulations and frameworks by working closely with legal and tax advisors.

## TECHNOLOGY AND INFORMATION GOVERNANCE

The board has delegated overseeing the governance of information technology (“IT”) to the Audit and Risk Committee, while still remaining ultimately accountable. Management remains responsible for the day to day management of IT within the governance framework established by the board. Given the current size and scope of the company and the limited operations the company is engaged in, the board believes IT is aligned to the complexity of the current operations, and considers it to be appropriate at this time.

During the reporting period there were no significant changes in policy, significant acquisitions or any major incidents to report. In future management will continue to address IT matters in accordance with the governance framework and will evaluate the risk it presents to the operations of the company on a continual basis.

## ENVIRONMENTAL IMPACT

The company does not currently have any active mining operations and its impact on the environment is minimal. When new projects are assessed, a “triple bottom line” approach will be adopted.

## SUSTAINABILITY

Sustainability can be defined as the ability of an organisation to survive and grow for the foreseeable future without adversely impacting on its environment or stakeholders.

The directors 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 at a directors’ meeting on 8 October 2010, the company has sufficient funds and resources to follow the strategy in 2019.

The strategy contained the following key outcomes:

- The continued progression of the litigation in which the company is engaged to recover funds where the most realistic prospect of recovery may exist;
- 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
- Reviewing and investigating any opportunities to expand and maximise wealth creation for R&E’s stakeholders.

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

## DIRECTOR AND OFFICER LIABILITY INSURANCE

The company has directors’ and officers’ liability insurance, which provides cover against legal action by third parties.

### KING IV APPLICATION REGISTER

Herewith the Governance Report as it relates to the application of the 16 (applicable) principles as per part 5 of the King IV Report on Corporate Governance™ for South Africa, 2016 (“King IV™”).

	PRINCIPLE	APPLICATION/EXPLANATION
<b>LEADERSHIP</b>		
1.	<b>The governing body should lead ethically and effectively.</b>	<p><i>Ethics</i></p> <p>The board of directors of Randgold constitutes the governing body and the directors hold one another accountable for decision making and ethical behaviour.</p> <p>The board has adopted a code of ethics.</p> <p>The board’s responsibility for setting the tone for an ethical organisational culture is discharged by the company and corporate level governance, monitoring and reporting systems and structures are in place, as detailed in the Corporate Governance Report, to give effect hereto.</p> <p>Board members are under a legal duty to prevent conflicts of interest with the company and are obliged to make full disclosure of any areas or potential areas of conflict prior to any consideration or discussion by the board of such items, and do not take part in any discussions on such matters, being obliged to recuse themselves from any board meeting while such discussions are in progress. Disclosures of other directorships are tabled at the start of each board meeting and this is a standard agenda item.</p> <p><i>Effectiveness</i></p> <p>To ensure that the company’s leadership is effective; board, committee or senior executive appointments are proposed to the board to ensure an appropriate mix of skills and independence of thought. Board members collectively possess a wide range of financial, commercial and technical knowledge, together with experience in the industry within which the company operates.</p> <p>Annual performance evaluations of the board, the Audit and Risk Committee, the Remuneration Committee and the Nomination Committee are undertaken. The results thereof are communicated to the board and/or committees and addressed as needed.</p> <p>Due to the relative simplicity of the company’s operations, hands-on induction of new directors is performed by the chief executive officer, who currently fulfils the dual role of chief executive officer and finance director.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>ORGANISATIONAL ETHICS</b>		
2.	<b>The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.</b>	<p>The ultimate responsibility for the governance of ethics rests with the board. The board serves as the focal point and custodian of corporate governance for the company.</p> <p>The board commits to the Constitution of the Republic of South Africa (including the Bill of Rights) and accepts the principles of fairness, accountability, integrity and transparency. The board strives, as a minimum, to ensure compliance with all applicable legislation and regulations, leading standards and with its own code of ethics.</p> <p>The board is assisted in governing the ethics of the organisation by the Social and Ethics Committee.</p> <p>The board, assisted by its committees, is committed to maintaining an ethical culture, on transformation within the company, on fair, transparent and responsible remuneration and on the continued development and training of its employees.</p> <p>The board has adopted a zero-tolerance approach to fraud and the appropriate remedial action is taken should there be found to be any substance to the matter reported.</p> <p>The code of ethics adopted by the board, commits the company and its employees to the highest ethical standards of conduct.</p> <p>Through the Social and Ethics Committee the board adopted the principles of the United Nations Global Compact in the areas of human rights, labour, the environment and anti-corruption, as well as promoting economic and social well-being of people.</p> <p>The policy on price-sensitive information was renewed and the declarations of interest policy, as set out in the board charter, allows for the governing of conflicts of interest.</p> <p>Planned areas of future focus will include the continued training of employees to ensure that the company embeds a culture of ethical behaviour in all of its operations and at all levels</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>RESPONSIBLE CORPORATE CITIZENSHIP</b>		
3.	<b>The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.</b>	<p>It is the responsibility of the board to ensure that the consequences of the company's activities do not adversely affect its status as a responsible corporate citizen in the areas of the workplace and the economies of the geographical areas within which it operates, with due regard to social and environmental issues.</p> <p>The Social and Ethics Committee is tasked with monitoring the company's activities in respect of good corporate citizenship. Their tasks include:</p> <ul style="list-style-type: none"> <li>• Promotion of equality, prevention of unfair discrimination and reduction of corruption;</li> <li>• Contribution to the development of the communities in which it is predominantly involved; and</li> <li>• Record of sponsorship, donations and charitable giving.</li> </ul> <p>During the period under review there were no fines or penalties incurred.</p> <p>The company will continue to consider its responsibilities in the areas of the workplace, the economy, society in general and the environment; all being key interrelated factors in ensuring the sustainability of the company's businesses.</p> <p>Also refer to the Social and Ethics Committee's report in the corporate governance section.</p>
<b>STRATEGY AND PERFORMANCE</b>		
4.	<b>The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.</b>	<p>The directors individually and collectively work to achieve the company's strategic objectives, to manage the risks and opportunities that could threaten or enhance the company's ability to provide sustainable long-term growth to stakeholders, to maintain and enhance efficiencies within the company's businesses and to support the people who rely on its businesses. The sustainability of the company's businesses is a key consideration and sustainability is evaluated at each board meeting. Formal policies governing environmental, corporate social investment, ethical and remuneration matters, form key components of the value creation process and are effective in ensuring the long-term sustainability of the company.</p> <p>Management has the responsibility of formulating and developing the strategy for the company. Budgets are presented to the board as well as strategic plans, and any risks and opportunities are identified and considered as part of this process within which the company operates.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>RESPONSIBLE CORPORATE CITIZENSHIP</b>		
5.	<b>The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance, and its short, medium and long-term prospects.</b>	<p>The board assumes responsibility for the integrity and transparency of the company's reporting and, assisted by the Audit and Risk Committee and the external auditor, oversees the issue of the company's annual financial statements and annual reports.</p> <p>The annual report provides stakeholders with information relating to the company's performance.</p> <p>Information is also made available to stakeholders via the electronic news service of the JSE Limited ("<b>SENS</b>") and announcements which are also available on the company's website at <a href="http://www.randgoldexp.co.za">www.randgoldexp.co.za</a>.</p> <p>The publication of external reports and press releases, including SENS, requires the prior approval of the company's chief executive officer, who currently fulfils the dual role of chief executive officer and finance director or as may be otherwise instructed.</p>
<b>PRIMARY ROLE AND RESONSIBILITIES OF THE GOVERNING BODY</b>		
6.	<b>The governing body should serve as the focal point and custodian of corporate governance in the organisation.</b>	<p>The board charter documents the board's role and responsibilities, including the focal role of setting the strategic direction of the company, approving policies and plans to give effect thereto, oversight and monitoring of the implementation of policies and plans by management together with reporting and disclosure. All policies are subject to compliance with the overarching policies set at board level. The board is supported by the committees and management reporting structures detailed in the Corporate Governance Report but remains ultimately responsible for corporate governance in the company and for the appropriate and transparent reporting of corporate governance.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>COMPOSITION OF THE GOVERNING BODY</b>		
7.	<p><b>The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.</b></p>	<p>The names of the board members during the review period, together with details of their age, qualifications, knowledge, skills and experience, are disclosed in the annual report.</p> <p>King IV™ requires that the majority of directors shall be non-executive directors, the majority of whom shall qualify as independent and this requirement has been met. The independence of the non-executive directors is reviewed on an annual basis by the board against the criteria stipulated in King IV™.</p> <p>A chief executive officer has been appointed to the board. The chief executive officer fulfils the dual role of joint chief executive officer and financial director.</p> <p>The arrangements for periodic, staggered rotation of non-executive directors are contained within the company's memorandum of incorporation and are duly applied.</p> <p>The process for nomination, election and appointment of board members is formal and transparent, as outlined in the Corporate Governance Report.</p> <p>The board as a whole considers and, if appropriate, approves recommendations, subject to shareholder approval.</p> <p>Due to the relative simplicity of the company's operations, hands-on induction of new directors is performed by the chief executive officer, who currently fulfils the dual role of chief executive officer and finance director.</p> <p>The board has carried out a formal self-evaluation and is satisfied that the composition of the board reflects the appropriate mix of knowledge, skills, experience, diversity and independence.</p>
<b>COMMITTEES OF THE GOVERNING BODY</b>		
8.	<p><b>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</b></p>	<p>Standing board committees have been established, under written terms of reference, in accordance with statutory requirements. These committees assist the board to effectively discharge its duties. The composition of these standing committees ensures that there is an appropriate balance of power and that an independent perspective is brought to board deliberations and that no single director has unfettered powers.</p> <p>The standing committees of the board, which are reported on more fully in the Corporate Governance Report, are the:</p> <ul style="list-style-type: none"> <li>• Audit and Risk Committee;</li> <li>• Social and Ethics Committee;</li> <li>• Remuneration Committee; and</li> <li>• Nomination Committee.</li> </ul>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>EVALUATIONS OF THE PERFORMANCE OF THE GOVERNING BODY</b>		
9.	<b>The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in its performance and effectiveness.</b>	<p>The board, the Audit and Risk Committee, the Social and Ethics Committee, the Nomination Committee and the Remuneration Committee conduct annual assessments as disclosed in the Corporate Governance Report. Items identified for improvement are discussed and followed up to ensure the implementation of recommended actions.</p> <p>An assessment of the suitability and effectiveness of the chief financial officer is conducted annually by the audit and Risk Committee and is confirmed in the Audit and Risk Committee's report in the annual financial statements.</p> <p>The suitability and effectiveness of the company secretary is reviewed by the board on an annual basis.</p> <p>The appointment of the chairman is reviewed by the board on an annual basis.</p>
<b>APPOINT AND DELEGATION TO MANAGEMENT</b>		
10.	<b>The governing body should ensure that the appointment of, and delegation to, management contribute to role clarity and the effective exercise of authority and responsibilities.</b>	<p>The chief executive officer has a clearly defined role and is responsible for the implementation and execution of the board's strategy, policies and proposals presented to and approved by the board.</p> <p>To provide continuity of executive leadership, succession planning is in place for the chief executive officer and chairman. Succession plans are regularly reviewed to provide for succession in both emergency situations and over the longer term.</p> <p>The chief executive officer of Randgold operates under clearly defined guidelines.</p> <p>The chief executive officer of Randgold operates under clearly defined guidelines. The chief executive officer fulfils the dual role of joint chief executive officer and financial director.</p> <p>Statucor (Pty) Ltd is the appointed Company Secretary of R&amp;E represented by Alun Rich. The Board has satisfied itself that they have the required expertise and capacity to carry out this function. The company has taken additional measures by appointing Rayner van Wyk representing Outsourced CFO Proprietary Limited (group financial manager of R&amp;E) as assistant company secretary and appointing an internal audit firm to independently review compliance and corporate governance as it relates to financial controls.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>APPOINT AND DELEGATION TO MANAGEMENT</b>		
<p>The performance and independence of the company secretary is evaluated by the board on an annual basis and the board has satisfied itself as to the appropriateness.</p> <p>The company secretary reports to the board on all statutory, regulatory and governance matters concerning the company and to the chief executive officer on all other duties and administrative matters.</p> <p>In instances where delegation has taken place to management or committees, preapproved materiality levels and terms of references apply, respectively.</p> <p>Although the board has delegated certain powers and authorities to executive management and to board committees, the ultimate responsibility for retaining full and effective control of the company rests with the board. Decisions on strategy and other material matters are reserved for the board and there is a clear delineation of power between the board and management at all times.</p>		
<b>RISK GOVERNANCE</b>		
<p><b>11.</b></p>	<p><b>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</b></p>	<p>The board assumes responsibility for the governance of risk by setting the direction for how risk is to be approached and addressed by the company in order to achieve its strategic group objectives. Without derogating from its overall responsibility for risk management the board delegates the implementation and execution of effective risk management to management.</p> <p>The board receives risk reports from management, which considers the risks that could impact the organisation. The risk reports, which are updated as and when needed, categorise the estimated impact and likelihood of the risks identified, differentiating between residual risks and inherent risks, and advising the board of the controls established/remedial action taken to mitigate the risk identified.</p> <p>Responsibility for effective risk management is spread across the company's workforce and management.</p> <p>The Audit and Risk Committee plays an integral oversight role in ensuring the ongoing effectiveness of these processes. The Audit and Risk Committee assists the board by providing an independent and objective view on the company's financial, accounting and control mechanisms and policies, information systems and internal controls, the going concern status of the company and compliance with all relevant statutory and regulatory requirements. The chief executive officer is responsible for the management of risk.</p> <p>The Audit and Risk Committee receives an annual report from the internal audit function, providing feedback against the financial risks included in the risk register.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>TECHNOLOGY AND INFORMATION GOVERNANCE</b>		
12.	<b>The governing body should govern technology and information in a way that supports the organisation setting and achieving its strategic objectives.</b>	Given the current size and scope of the company and the limited operations the company is engaged in, the board believes IT is aligned to the complexity of the current operations, and considers it to be appropriate at this time.
<b>COMPLIANCE GOVERNANCE</b>		
13.	<b>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</b>	<p>Responsibility for the implementation and execution of effective compliance management is delegated by the board to management. The board, however, retains ultimate responsibility for compliance with applicable laws, adopted non-binding rules, codes and standards.</p> <p>Through its board, committee and reporting structures, the board, the Audit and Risk Committee and the Social and Ethics Committee will be apprised of any incidences of non-compliance with legislative and regulatory requirements and/or internal compliance benchmarks set by the company. Management is required to highlight any areas of non-compliance with the legislative or regulatory requirements applicable to the activities of the company which need to be addressed. Any material incidences of non-compliance and/or significant fines or penalties incurred are reported to the board and/or the Audit and Risk Committee and/or the Social and Ethics Committee of the board to ensure that appropriate remedial action is taken.</p> <p>Key applicable legal and regulatory matters are periodically brought to the board's attention as and when updates and/or changes occur.</p> <p>Should any material or repeated regulatory penalties, sanctions or fines for non-compliance with the company's statutory obligations be incurred, or should the company face criminal sanction or prosecution in respect thereof, details will be disclosed in the company's annual report.</p> <p>During the review period there were no material findings of non-compliance with applicable legislation or regulations and there were no criminal sanctions or prosecutions. The company continues to operate as a responsible corporate citizen.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>REMUNERATION GOVERNANCE</b>		
14.	<b>The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.</b>	<p>The board assumes responsibility for the governance of remuneration and sets the direction for remuneration in the company.</p> <p>The board has appointed a Remuneration Committee to ensure that the company's executives and managers are fairly rewarded for their individual and joint contributions to the company's performance and that the company remunerates fairly, responsibly and transparently in the context of overall remuneration in the company to enable the company to achieve its strategic objectives and to secure positive outcomes in the short, medium and long term. To this end the board has approved a remuneration policy. The main provisions of this policy are disclosed in the company's annual report, together with a background statement and an implementation report.</p> <p>The remuneration policy, together with the implementation report, will be presented to shareholders at the company's annual general meeting to be held on 17 May 2019 for a non-binding, advisory vote by shareholders. Voting at annual general meetings on the remuneration policy and implementation report and any required actions following from the exercise by shareholders of their votes, will be conducted in compliance with the requirements of the Companies Act of South Africa ("the Act"), the Listings Requirements of the JSE Limited and King IV™.</p> <p>Directors' remuneration has been disclosed comprehensively in the company's annual financial statements.</p>
<b>ASSURANCE</b>		
15.	<b>The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.</b>	<p>The board sets the direction for assurance services and functions but the responsibility for overseeing such arrangements is delegated to the Audit and Risk Committee, which is charged with supporting the integrity of information for internal decision-making use and for external reports.</p> <p>A combined assurance model has been developed and formally implemented by the company to effectively cover the company's significant risks and material matters. The model includes but is not limited to the company's established risk management and compliance functions and the external auditors, together with such other external assurance providers as may be appropriate or deemed necessary from time to time, including the company secretary, which provides assurance on aspects of corporate governance and a JSE sponsor which advises on the JSE Listings Requirements.</p> <p>The Audit and Risk Committee has satisfied itself as to the independence of the external auditor as well as the effectiveness of the chief audit executive (internal audit) and the internal audit function.</p>

	PRINCIPLE	APPLICATION/EXPLANATION
<b>STAKEHOLDERS</b>		
16.	<b>In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.</b>	<p>The board determines the stakeholder engagement strategy and delegates to management the responsibility for implementation and execution thereof.</p> <p>Stakeholders are kept apprised of the company's performance by publication of the annual report, the interim and year-end results announcements and, should these be required, trading updates.</p>

# Curricula vitae

AS AT 31 DECEMBER 2018

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## **David Chaim Kovarsky (71) (“David”)**

*Independent 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, 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, he has been involved in finance and strategy consulting functions and served as the chief executive officer or chief financial officer of companies of various sizes, mostly related to resources.

Until August 2011, David was the chief executive officer of International Ferro Metals Limited, a company listed on the London Stock Exchange producing ferrochrome in South Africa. He is currently the Senior Vice President of Sibanye-Stillwater.

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## **Marais Steyn (48) (“Marais”)**

*Joint Chief Executive Officer and Financial Director*  
BComm (Hons), CA(SA)

Date of appointment:  
13 December 2006

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

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## **John Hulme Scholes (52) (“Hulme”)**

*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 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 18 years. He was appointed as a non-executive director of Aquarius Platinum (AQPSA) in 2004 and was a partner at Werksmans Attorneys from 1999 to 2008. In 2008 he was appointed as an executive commercial director of AQPSA. On 1 October 2010 Hulme returned to the legal profession as a mining and mineral law advisor and is now a non-executive director of West Wits Mining Limited, which is listed on the Australian Stock Exchange.

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**Patrick Burton (66)**  
**("Patrick")**

*Independent Non-executive Director*

BComm (Hons) Financial Management, Post Graduate Diploma in Tax Law

Date of appointment:  
23 May 2013

Patrick was one of the founding members of Siphumelele Investments Limited, a black economic empowerment company, established in 1995, with a shareholder base representing in excess of 150 000 previously disadvantaged individuals. His experience as a director includes non-executive positions in fishing, food and financial services. Patrick is a member of the audit committees of PSG Group Limited, PSG Konsult Limited and Quantum Foods Limited.

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**Van Zyl Botha (38)**  
**(Van Zyl)**

*Non-executive 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 also 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. Van Zyl stepped down as financial director on 27 February 2019 and will remain as a non-executive director on the board of R&E.

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# Legal Report

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The following is an update relating to the claims which the R&E group is engaged in. It also addresses claims which third parties have brought against the R&E group.

This report should be considered in conjunction with the company's previously published legal reports, SENS announcements, updates, circulars and annual reports. R&E's shareholders are encouraged to have regard to these. Further detail and background to the claims which the R&E group has been involved since 2006 appear in these documents which are accessible on the company's website at [www.randgoldexp.co.za](http://www.randgoldexp.co.za).

## **PART I: THE CURRENT CLAIMS PURSUED BY THE R&E GROUP**

### **(a) *The action against Gold Fields Operations Limited (formerly Western Areas Limited)***

1. On 20 August 2008, R&E and its subsidiary, African Strategic Investment (Holdings) Limited ("**ASI**") issued summons out of the High Court of South Africa, Gauteng Local Division, Johannesburg ("**the Johannesburg High Court**") against Gold Fields Operations Limited ("**Gold Fields**"), under case number 27627/2008.
2. The action is comprised of five claims. Claims 1 to 4 relate to the alleged theft of Randgold Resources Limited ("**RRL**") shares and Claim 5 relates to the alleged theft of 94 million shares in Aflase Limited ("**Aflase**").
3. It is the contention of R&E and ASI ("**the claimants**") that Gold Fields and JCI Limited ("**JCI**") each acting through their respective controlling wills and minds devised and implemented schemes to misappropriate such shares in order to raise funds to provide JCI, JCI's subsidiaries and Gold Fields with working capital to fund their ongoing operations, commitments and liabilities, to otherwise provide them with sufficient funds to maintain their ongoing financial stability, to reward the persons constituting the directing and controlling wills and minds of JCI and Gold Fields and those who assisted them in achieving these objectives and in so doing, develop corrupt relationships.
4. Damages based on the highest value at which the shares have traded since their theft is claimed by the claimants as the primary relief as well as such dividends as have been declared in respect of the RRL shares. In the alternative to the main claims, such amount as represents the value of the shares under each claim on the date when and if Gold Fields is found to be liable is sought, together with such amount as represents the dividends that would have been declared had the shares not been misappropriated. In the further alternative, damages representing the market value of the shares on the date of their theft is claimed together with an amount equivalent to the growth that would have accrued on the shares but for their unlawful appropriation and such amount as represents the dividends. Interest on the claim amounts comprising each of the claims is also sought.
5. In mid-2013, after the claimants made discovery, Gold Fields agreed that the matter be held in abeyance pending the conclusion of the litigation in which R&E was engaged against PricewaterhouseCoopers Incorporated ("**PwC**").
6. Following the PwC litigation being settled in June 2014, Gold Fields was called upon to deliver its plea, which it did on 22 April 2015. Gold Fields denies any liability to the claimants, contending that the conduct of Brett Kebble, Roger Kebble, Chris Lamprecht and Hendrik Buitendag, or some or more of them should not be ascribed to Gold Fields. Gold Fields places reliance on the Apportionment of Damages Act 34 of 1956 for two specific defences, contending firstly that R&E's and ASI's claims have as a result of settlements with other wrongdoers been

compromised, and secondly, that the claim against Gold Fields stands to be reduced by the extent to which the claimants could have recovered from the other wrongdoers with whom settlements were concluded.

7. Gold Fields also raises that R&E ought to have put in place controls to detect the wrongful conduct complained of and has joined JCI, the estate late Brett Kebble, Chris Lamprecht and Roger Kebble from whom a contribution is claimed by Gold Fields.
8. Both Chris Lamprecht and JCI have defended the claim, denying that they are liable to Gold Fields. They have raised two special pleas, the first that Gold Fields' right to join them has prescribed and the second that its right to do so has lapsed. As far as the Brett Kebble and Roger Kebble estates are concerned, neither have defended the proceedings.
9. JCI has in turn served a third-party notice on R&E. It asks the Court to find that if it is liable to Gold Fields, Gold Fields' liability to the claimants should be reduced in accordance with the indemnity provided for in the settlement agreement reached between R&E and JCI on 20 January 2010.
10. In 2016 Judge Francis was appointed to case manage the matter to trial. Following his appointment, a number of pre-trial steps were embarked upon, including the holding of two pre-trial conferences, the exchange of requests for admissions and seeking further particulars about the claims and defences relied upon, resulting in both the claimants and Gold Fields amending their respective pleadings.
11. On 14 January 2019, the claimants served a substantive application seeking the Court's permission to adduce the evidence of the foreign witnesses (which includes witnesses in the United States, United Kingdom and Australia) at the trial by way of video-conference link, to be established between the Johannesburg High Court and designated venues in the foreign jurisdictions ("**the foreign witness application**"). Gold Fields delivered a notice to oppose the foreign witness application on 18 February 2019 and will shortly be required to file an answering affidavit to the foreign witness application.
12. A new Commercial Court Practice Directive came into force on 3 October 2018, which allows any party to apply to the Johannesburg High Court to have a matter classified as a commercial case. A joint application was submitted by the parties to the Deputy Judge President in early February 2019 for the matter to be certified as such.
13. On 21 February 2019, the parties were notified that the matter has been classified as a commercial case, and that Judge Ingrid Opperman has been allocated as the Judge who will case manage the action. This is likely to include adjudicating the foreign witness application, any interlocutory applications which may arise and hearing the trial.
14. The claimants will shortly be approaching Judge Opperman to convene a management conference to crystallise the way forward and whether the provisional trial date of 29 January 2020 previously allocated, can be utilised for the trial.
15. In the interim the claimants are forging ahead with preparation for the trial.

**(b) The action against Charles Orbach and Company**

16. In August 2008, R&E issued a claim against its former auditor, Charles Orbach and Company (“**Charles Orbach**”) in the Johannesburg High Court. R&E claimed damages arising from the issue by Charles Orbach of a negative assurance on the provisional results of R&E for the financial year ended 31 December 2004, which R&E alleged Charles Orbach was negligent in issuing.
17. Charles Orbach contested R&E’s claim and raised a special defence that any claim which R&E enjoyed was limited. R&E successfully separated out and had such defence dismissed with costs. Following the service by it of a substantial request to be furnished with further detail regarding Charles Orbach’s defence, the parties engaged in settlement discussions.
18. In October 2018, R&E and Charles Orbach reached a final settlement of their dispute (without prejudice to any of R&E’s claims against third parties), against payment by Charles Orbach to R&E of an amount of R21 750 000.00.
19. The settlement amount has been paid to R&E in full, and the matter has thus resulted in a favourable resolution.

**(c) (The summons against certain former directors/employees of R&E**

20. During August 2008, R&E, ASI and First Wesgold Mining Proprietary Limited (“**First Wesgold**”) issued summons out of the Johannesburg High Court against Hendrik Buitendag, John Stratton (a former director of JCI), Charles Cornwall (a former director of JCI), Lieben Swanevelder (the former group accountant of JCI), Lunga Ncwana (a former director of R&E and a director of Equitant Trading Proprietary Limited) and Chris Lamprecht (a former financial director of R&E, JCI and Gold Fields).
21. The summons comprises sixteen claims against some or more of such persons. A number of the claims are based on the alleged theft of shares belonging to the R&E group. The remaining claims concern the void issue and allotment of shares in R&E’s issued share capital.
22. The action is defended and R&E, ASI and First Wesgold continue to assess their position in relation to it from time to time.

**(d) The summons action against Bookmark Holdings Proprietary Limited (“Bookmark”), Sello Rasathaba (“Rasathaba”) and Chris Lamprecht**

23. On 11 August 2008, R&E and ASI proceeded with an action out of the Johannesburg High Court against Bookmark Holdings Proprietary Limited, Sello Rasathaba and Chris Lamprecht.
24. The claim relates to the alleged cover-up of various RRL share thefts and the damages which flowed therefrom.
25. The action is defended by Bookmark, Rasathaba and Lamprecht and is also assessed by the Board from time to time.

**(e) Summons against Hendrik Buitendag, Chris Lamprecht and John Stratton**

26. During August 2008, R&E issued summons against Hendrik Buitendag, Chris Lamprecht and John Stratton.
27. The summons was issued out of the Johannesburg High Court and relates to a trading account ostensibly conducted by R&E at Tlotlisa Securities Proprietary Limited, which is alleged to have been used for the scrip lending/borrowing of shares for the benefit of the JCI Group and others associated with it.
28. The action is defended and is evaluated from time to time.

**(f) The summons against Patricia Beale**

29. On 30 October 2008, R&E and ASI issued a summons out of the Johannesburg High Court against Patricia Beale. The summons extends to seven claims and a number of alternatives to each of the main claims.
30. R&E and ASI are seeking damages from Beale for her role in the unlawful conduct complained. She is defending the action.

**(g) Action against Brett Kebble**

31. In March 2009, R&E and First Wesgold issued a claim out of the Western Cape Division of the High Court, Cape Town, against Brett Kebble's estate.
32. The action is one for damages in respect of further claims enjoyed by R&E and First Wesgold in addition to the claims which have previously been established by R&E against Brett Kebble in excess of R2,7 billion.
33. The action is from time to time assessed by R&E.

**PART II: CLAIMS BROUGHT AGAINST THE R&E GROUP**

**(a) The minority shareholders application**

34. On 29 March 2011, David Smyth, Patrick Smyth, Anglorand Securities Limited, James Gubb, Elizabeth Gubb, Milkwood Investments Limited and Jag Investments Proprietary Limited (collectively "**the main applicants**"), proceeded with an application out of the Gauteng Division of the High Court, Pretoria, against Investec Bank Limited ("**Investec**") (as first respondent) and R&E (as second respondent) ("**the main application**").
35. The relief which the main applicants claimed was for an order declaring that the settlement agreement entered into between R&E, JCI and JCI Investment Finance Proprietary Limited ("**JCIIF**") on 20 January 2010 ("**the Settlement Agreement**") constitutes or involves an act or omission which is unfairly prejudicial, unjust, or inequitable having regard to certain provisions of the Companies Act, No. 61 of 1973 ("**the 1973 Companies Act**") and that the agreement concluded between R&E, 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. In terms of the main application, Investec is being asked to purchase the shares of the applicants in R&E at a price of R288.56 per share (or such other sum as the Court may determine), plus the ruling share price of an R&E share at the time of such purchase. No monetary relief is claimed against R&E.
36. On 18 March 2014, an agreement to separate a number of issues was signed by the parties. The separation agreement provided that the right of Standard Bank Nominees (Transvaal) Proprietary Limited, Shap-Aaron Nominees Proprietary Limited and BNS Nominees Proprietary Limited (the registered shareholders of certain of the main applicants' shares) ("**the nominee applicants**") to intervene in and to be joined in the main application as well as the right of forty further intervening applicants ("**the forty intervening parties**") to be joined in the main application should also be determined before all other issues in the application. (R&E did not oppose the applications of the nominee applicants and the forty intervening parties).
37. The separated issues were heard in the Pretoria High Court before Judge Rabie in June and November 2014 whereafter Judge Rabie handed down judgment on 17 September 2015, in favour of Investec and R&E ("**the 2015 judgment**").
38. The nominee applications were however granted, which permitted them to join the application. Certain of the intervening applicants were also permitted to join the application on the basis that they had registered their R&E shares in their own names, having formerly held such shares in the names of nominees. Investec and R&E were ordered to make payment of the costs in respect of the nominee applications, which Investec has indemnified R&E for.

39. The main applicants delivered an application for leave to appeal against certain of the orders handed down in the 2015 judgment, and on 23 July 2016, Judge Rabie granted the main applicants leave to appeal to the Supreme Court of Appeal.
40. On 14 October 2016, R&E served an affidavit addressing the main applicants' replying affidavit, subject to the leave of the Court to file such affidavit being obtained at the appropriate time ("**R&E's further affidavit**").
41. The appeal was argued before the Supreme Court of Appeal on 13 September 2017 resulting in judgment being handed down on 26 October 2017. The Supreme Court of Appeal dismissed the appeal with costs and upheld the 2015 judgment.
42. On 11 June 2018, several of the intervening applicants delivered a substitution application, seeking to be substituted for Shap-Aaron Nominees Proprietary Limited in the main application. R&E has not opposed the substitution application however has delivered a counter application seeking the formal leave of the Court to deliver R&E's further affidavit.
43. On 2 November 2018, the applicants delivered their replying affidavit to R&E's further affidavit.
44. Investec has recently made application to the Deputy Judge President of the Gauteng Division of the High Court, Pretoria, to have the main application classified as a commercial matter and to have a Judge appointed to regulate the future conduct of the matter. A decision on the classification of the matter as a commercial case is awaited.

**(b) Certification application for permission to institute a class action against various companies, including R&E, brought by mineworkers/their dependants arising from silicosis and/or tuberculosis allegedly contracted on gold mines in South Africa –**

45. On 20 August 2013, an order to consolidate an application by various former mineworkers, alternatively dependants of former mineworkers (who sought permission to proceed with a class action against several mining companies), with three further applications where similar relief was being claimed ("**the certification application**") was granted by the Johannesburg High Court. The mining companies included in such application extended to Anglo American South Africa Limited ("**Anglo**"), Gold Fields, AngloGold Ashanti Limited, Harmony Gold Limited, Sibanye Gold Limited, Durban Roodepoort Deep Limited and R&E amongst others.
46. R&E served a notice of intention to oppose the certification application and all claims.
47. The certification application sought permission for the certification of two classes, as follows:
  - 47.1. in the first instance, a **silicosis class** made up of:
    - 47.1.1. current and former mineworkers of the respondents who have contracted silicosis, and the dependants of mineworkers who died of silicosis (whether or not accompanied by any other disease):
      - 47.1.1.1. where such mineworkers worked or have worked for at least two years on one or more of the gold mines referred to in the application papers;
      - 47.1.1.2. whose claims are not among the claims which, by agreement, are to be determined by arbitration in the matter of *Blom and Others v Anglo American South Africa Limited*; and
      - 47.1.1.3. who are not named plaintiffs in the action instituted in the United Kingdom against Anglo under certain specified case numbers;

- 47.2. secondly, a **tuberculosis class** comprised of current and former mineworkers of the respondents who have or had contracted pulmonary tuberculosis, and the dependants of deceased mineworkers who died of pulmonary tuberculosis (but excluding silico-tuberculosis), where such mineworkers worked or have worked for at least two years on one or more of the gold mines as indicated in an annexure to the application papers.
48. In addition, the Court was requested to declare that the applicants have standing to represent the classes and certifying that the applicants' legal representatives may be class representatives. The balance of the relief which the applicants seek is purposed at securing a court order regulating the further conduct of the class action.
49. In addition to such orders, the applicants also requested the Court to grant:
- 49.1. a declaration that the applicants have the requisite *locus standi* to:
- 49.1.1. prosecute a class action law suit against the respondents based on a claim for damages sustained as a result of allegedly contracting silicosis (whether or not accompanied by any other disease) or pulmonary tuberculosis; and
- 49.1.2. represent the members of the classes in pursuing a claim for damages against the respondents.
- 49.2. the following regulatory orders:
- 49.2.1. an order that the judgment or judgments handed down in the class action be applied to and bind all members of the classes;
- 49.2.2. an order that the classes be notified of the class action by means of the delivery, publication and broadcasting of defined notices and radio announcements alerting them thereto;
- 49.2.3. an order that the respondents (including R&E) and any other party opposing the application be jointly and severally liable for payment of the costs of the application and half of the applicants' costs of publicising the notices and broadcasts.
50. R&E delivered its answering affidavit to the certification application on 30 May 2014 and on 12 September 2014 the applicants filed their replying affidavit. They thereafter brought an application to join R&E as a respondent in respect of the tuberculosis class (which R&E did not oppose) however filed papers in opposition to the certification of the tuberculosis class.
51. The certification application was heard in the Johannesburg High Court in October 2015. R&E chose to abide the outcome of the certification hearing without prejudice to its rights.
52. On 13 May 2016, the Johannesburg High Court handed down judgment, ruling in favour of the Applicants. The Court found in essence that sufficient common issues existed to warrant certifying two industry wide classes, namely a silicosis class and a tuberculosis class. The Court ordered a two-stage process which entails firstly, the resolution of common issues and affording the affected persons the option to opt out and secondly, to allow the affected persons to opt in to the classes concerned, to make claims against the respondents. The High Court also ordered that claims for general damages may be transmitted from the estate of a deceased mine worker who dies after the date of the certification application.
53. A number of the respondents (excluding R&E) filed an application with the Johannesburg High Court for leave to appeal to the Supreme Court of Appeal ("SCA"). The High Court refused the application for leave to appeal against the certification of the silicosis and tuberculosis classes, whereupon the majority of the respondents (excluding R&E) petitioned the SCA for leave to appeal. On 21 September 2016 the SCA granted the respondents leave to appeal to the SCA against of the entirety of the class certification judgment handed down on 13 May 2016.

54. The SCA appeal was due to be heard during the week of 19 to 23 March 2018, however, was postponed in January 2018 by agreement between the parties, on the basis that there may be scope for concluding an overall settlement between certain of the respondents and the applicants to such litigation, which the parties agreed to pursue.
55. R&E initially participated in the settlement discussions with these parties, however ultimately decided that in relation to the limited period that it is alleged to have controlled and/or managed the mines it is claimed to have between 1993 to 1996 (which it denies), the terms of the settlement were not favourable to it.
56. On 3 May 2018 the applicants and several of the larger mining companies concluded a settlement agreement and are at present engaged in Court proceedings of a procedural nature, to have the settlement agreement approved by the Court.
57. R&E continues to monitor its position in the matter.

## **GENERAL**

58. Apart from what is disclosed elsewhere in this annual report, no other formal legal proceedings were instituted against the company and its subsidiaries out of a court or by way of arbitration in respect of the period 1 January to 31 December 2018, which have had or may have a material effect on the R&E group's financial position.
59. The Board of R&E continues to assess the matters in which it and the R&E group remain engaged and to evaluate the commercial and other practicalities associated with such matters.

# Prospecting rights

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## **PLATINUM PROSPECTING RIGHTS**

### **The Doornbosch Project**

This right was sold during the 2017 financial year.

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## **Preparation of these annual financial statements**

Mr Marais Steyn CA(SA), Financial Director, is responsible for these annual financial statements and has supervised the preparation thereof in conjunction with Mr Rayner van Wyk CA(SA) representing Outsourced CFO (Pty) Ltd (Group Financial Manager). These annual financial statements have been audited in terms of S30 of the South African Companies Act.

# Audit and Risk Committee Report

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## **COMPANIES ACT COMPLIANCE**

The company has complied with section 94 of the Companies Act (Act No. 71 of 2008, as amended) (the Companies Act) and the King Report on Corporate Governance for South Africa (King IV). In addition, the board is of the opinion that the requirements of regulation 42 of the Companies Act, which requires at least one third of the members of a company's audit committee to have academic qualifications, or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resource management, have been met.

## **FUNCTIONING OF THE COMMITTEE**

The Audit and Risk Committee operates within formal terms of reference approved by the board. The committee is satisfied that it has met its responsibilities as stipulated in the terms of reference. The committee is also satisfied that it has complied with its legal, regulatory and other responsibilities.

The committee discharges its responsibilities by meeting formally at least twice a year to review the group's interim and annual results before publication, to receive and review internal audit reports and reports from the external auditor. They also meet with management to review their progress on key issues relating to financial controls and risks and deal with other matters falling within its terms of reference. Committee members review company trading statements on an ad hoc basis. The findings and recommendations of the committee are reported to the board at the following board meeting.

The committee meets informally on an ad hoc basis with the internal auditor, the external auditor and management to address key issues as the need arises, specifically to consider risk assessment and management, review the audit plans of the external and internal auditors and to review accounting, auditing, financial reporting, corporate governance, and compliance matters. The internal audit plan and internal audit conclusions are similarly reviewed and approved by the committee.

The committee discharges all audit and risk committee responsibilities of all the subsidiaries within the group. The external and internal auditors have unrestricted access to the committee.

The committee is responsible for overseeing the internal audit function.

## **EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE**

The Audit and Risk Committee has satisfied itself that the external auditor is independent of the company, as set out in section 94(8) of the Companies Act, which includes considering previous appointments of the auditor, the extent of other work undertaken for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The committee ensured that the appointment of the auditor complied with the Companies Act and any other legislation relating to the appointment of auditors. There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. In general, the auditor is not engaged for non-attest services, unless, in the opinion of the committee, the extent of the service is not significant. No non-audit services were provided by the external auditor during the current reporting period.

The committee has agreed to the audit fee for the 2018 financial year. The fee is considered appropriate for the work foreseen at the time.

The committee has reviewed the engagement partner's quality reports and have considered the performance and quality to be satisfactory.

No significant changes occurred in the management of the organisation during the external audit firm's tenure.

The Audit and Risk Committee has satisfied itself that the audit firm and designated auditor are accredited on the JSE list of auditors and their advisors.

The committee has satisfied itself that the external auditor is suitable for reappointment by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE listing requirements. The committee has taken into account the length of service and the possibility of rotation by the external auditor and reviewed the performance of the external auditor. The committee has in the light of a formal evaluation nominated, for approval by the shareholders at the forthcoming annual general meeting, KPMG, an eligible registered auditor, as the external auditor for the 2019 financial year, with Ivan Engels, a registered auditor and director at KPMG, as the individual who will undertake the audit. Upon appointment at the forthcoming AGM, this will be Ivan's second year of performing the external audit of the company.

#### **KEY AUDIT MATTER**

The Audit and Risk Committee notes the key audit matter raised by the external auditors and set out in their independent auditor's report. The committee has considered and evaluated this matter and is satisfied that it has been addressed correctly.

#### **FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES**

The Audit and Risk Committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards. The committee has reviewed the annual financial statements and recommended them to the board for approval.

#### **INTERNAL FINANCIAL CONTROLS**

In considering the integrity of the company's financial information and the effectiveness of internal financial controls, the committee relies on the work performed by the internal auditor, representations by management and the external auditor's management report. In particular, in accordance with the King Report on Corporate Governance for South Africa, the internal audit function performed a formal, documented review of the design, implementation and effectiveness of the company's system of internal financial controls during the year. No exceptions were noted.

Based on these interactions, nothing has come to the attention of the committee that would lead it to believe that an adequate and appropriate system of internal control is not in place. The committee has advised the board accordingly.

#### **INTEGRATED REPORTING AND COMBINED ASSURANCE**

The Audit and Risk Committee has considered the company's sustainability information and has assessed its consistency with operational and other information known to the committee members, and for consistency with the annual financial statements. Nothing has come to the committee's attention that would lead to the conclusion that the sustainability information is not reliable.

The sustainability strategy of Randgold contains the following key points:

1. A continuation of the litigation program to recover funds where there is the most realistic prospect of recovery.
2. Retain the listing of the company's shares on the JSE.
3. Continue to review the company's cost base in view of the adopted strategy.
4. Review and investigate any opportunities to expand and maximize wealth creation for Randgold's stakeholders.

The company's risk register (as mentioned in the risk management report) forms the basis when evaluating combined assurance. The board has delegated the responsibility for implementing combined assurance to Management; the Audit and Risk Committee fulfils an oversight function and, in consultation with management, establishes the level of assurance necessary on each risk, as contained in the risk register, when engaging with service providers. The committee is satisfied that the combined assurance model implemented by the company is effective to address significant risks and material matters.

The committee has however decided that, due to the limited operations of the company, an integrated report is onerous at this stage and the committee has recommended to the board that annual financial statements be compiled excluding an integrated report. The committee has reviewed the annual financial statements and recommended it to the board for approval.

### **GOING CONCERN**

The Audit and Risk Committee has considered the going concern status of the company and of the group and has made recommendations in this regard. The board's statement on the going concern status of the company and of the group is supported by the Audit and Risk Committee.

### **GOVERNANCE OF RISK**

The role of the committee is to assist the board to ensure that the company has implemented an effective policy and plan for risk management that will enhance the company's ability to achieve its strategic objectives; and that the disclosure regarding risk is comprehensive, timely and relevant. The committee believes that the organisation has an effective risk management process that is appropriate to its size and limited scope of operations.

### **EVALUATION OF THE EXPERTISE AND EXPERIENCE OF FINANCIAL DIRECTOR AND FINANCE FUNCTION**

In accordance with the JSE Listings Requirements, as well as the recommended practices of King IV, the Audit and Risk Committee must on an annual basis consider and be satisfied with the appropriateness of the expertise and experience of the financial director. The committee has satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that the financial director of the company, Mr Marais Steyn, as well as the finance function of the company, has the appropriate expertise and experience.

The committee is satisfied that in respect of the financial year and to the date of this report:

- Financial reporting risks have been identified and mitigated;
- A satisfactory system of internal financial controls is in place;
- Fraud risks relating to financial reporting have been considered and mitigated; and
- IT risks relating to financial reporting have been considered and mitigated.

No material weaknesses in financial controls that resulted in material financial loss, fraud or errors were identified during the year under review.

On 9 November 2018 the Audit and Risk Committee made a request to the JSE for dispensation regarding the role of a fulltime financial director as contemplated in paragraph 3.84(f) of the Listings Requirements and to allow for a joint financial director and chief executive officer. The Audit and Risk Committee proposed to appoint the current chief executive officer, Mr. Marais Steyn, to the dual role of chief executive officer and financial director on the basis that the R&E has limited operations. On 16 January 2019 the JSE granted dispensation from the requirements of paragraph 3.84(f) of the Listings Requirements to allow for a joint financial director and chief executive officer as requested. On 27 February 2019, Mr. Van Zyl Botha assumed the position of non-executive director.

## INTERNAL AUDIT

The board appointed an outsourced independent service provider, Moore Stephens Risk Services, to provide internal audit services with effect from 23 August 2013.

The Audit and Risk Committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the board of directors and these functions.

The committee considered and recommended the internal audit charter for approval by the board. The charter governs the authority and responsibilities of the various role players. The engagement partner of the outsourced service provider has been appointed as the chief audit executive in terms of the charter and reports directly to the committee.

In 2013 the committee approved a three-year risk-based audit programme in terms of which the outsourced service provider will address those risks and controls identified by the committee as being key to financial reporting, sustainability and stakeholder reporting. The three-year contract was evaluated and extended until 31 December 2018. Deliverables include written reports to the committee on the respective audit areas.

The chief audit executive appointed performs his duties effectively and diligently.

# Directors' responsibility statement

**FOR THE YEAR ENDED 31 DECEMBER 2018**

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The directors have the pleasure in presenting their report for the year ended 31 December 2018.

The directors are responsible for the preparation and fair presentation of the group annual financial statements and annual financial statements of Randgold & Exploration Company Limited, comprising the statements of financial position at 31 December 2018 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 in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors' report.

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.

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 going concerns in the year ahead.

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

## **APPROVAL OF GROUP ANNUAL FINANCIAL STATEMENTS AND ANNUAL FINANCIAL STATEMENTS**

The group annual financial statements and annual financial statements of Randgold & Exploration Company Limited, as identified in the first paragraph, were approved by the board of directors on 22 March 2019 and signed by:

**David Kovarsky**

*Authorised Director*

22 March 2019

Johannesburg, South Africa

# Declaration by the company secretary

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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 appear true, correct and up to date in respect of the financial period reported on.

**Statucor (Pty) Ltd**

*Company Secretary*

22 March 2019

Johannesburg, South Africa

# Directors' report

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The directors have pleasure in presenting their report for the year ended 31 December 2018.

## **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 located at Suite 25, Third floor, Katherine & West Building, 114 West Street, Sandown, Sandton, 2196. The group annual financial statements for the year ended 31 December 2018 comprise the company and its subsidiary companies (together referred to as “the group” and individually as “group entities”). R&E is a company that invests in cash reserves, currently pursuing legal claims.

R&E was incorporated in South Africa as a public company on 29 September 1992 to take over the gold interests of Rand Mines Limited, being South Africa's oldest mining house.

R&E contends that it was the victim of widespread frauds and thefts of its assets, in the period 1999 to 2005, which resulted in the company being deprived of the majority of its assets. On 1 August 2005 R&E was suspended on the JSE as a result of it not being able to produce audited financial statements for the financial year ended 31 December 2004, as required under the JSE Listings Requirements. Following its suspension, R&E appointed forensic auditors to determine (amongst other matters) the whereabouts of R&E's substantial investment in Randgold Resources Limited (which comprised the majority of R&E's asset base).

Based on the forensic investigations, legal assessments and the opinion of counsel, R&E embarked on a process of attempting to recover damages in respect of the alleged misappropriation of its assets and frauds perpetrated against it. Some significant recoveries have been made to date.

Following the publication of audited financial results for the financial years ended 31 December 2007, 2008 and 2009, the board of R&E sought a re-listing of its ordinary shares on the JSE, thereby allowing shareholders to trade their ordinary shares in R&E.

The JSE subsequently approved the relisting of R&E effective 4 June 2010 under the abbreviated name “Randgold” and share code “RNG”.

The board of R&E remains focused on the recovery of claims relating to assets allegedly misappropriated from it and frauds perpetrated against R&E, while simultaneously safeguarding the company's existing asset base.

## **FINANCIAL YEAR ENDED 31 DECEMBER 2018**

### **Recoveries made from third parties**

During 2018 R&E received a settlement payment from Charles Orbach and Company (“Charles Orbach”), a former auditor of R&E, of R21.75 million.

## **FINANCIAL YEAR ENDED 31 DECEMBER 2017**

### **Recoveries made from third parties and the disposal of certain prospecting rights**

During 2017 R&E received liquidation dividends from The Insolvent Deceased Estate of Roger Brett Kebble of R1.1 million. R&E also received proceeds of R 9.1 million from the disposal of the Doornbosch prospecting right.

## **SHARE CAPITAL**

Full details of the company's ordinary share capital are set out in note 13 to the group financial statements.

### Material resolutions

Special resolutions passed at the annual general meeting held 18 May 2018:

1. Authorise company to remunerate non-executive directors for services as recommended by the remuneration committee; and
2. Authorise the board of the company to provide financial assistance to related or inter-related companies.

Ordinary resolutions passed at the annual general meeting held 18 May 2018:

1. Reappointment of auditors;
2. Re-election JH Scholes as a director;
3. Reappointment of DC Kovarsky as a member of the Audit and Risk Committee;
4. Reappointment of JH Scholes as a member of the Audit and Risk Committee;
5. Reappointment of P Burton as a member of the Audit and Risk Committee;
6. Non-binding advisory vote on remuneration policy; and
7. Non-binding advisory vote on the implementation of the remuneration policy

Corporate resolutions passed at the directors' meeting held 8 March 2018:

1. Authorisation granted to the company secretary to sign the annual compliance certificate as required by the listings requirements of the JSE;
2. Authorise that the company may provide financial support to its subsidiaries; and
3. Authorisation granted to DC Kovarsky to sign the annual financial statements of R&E for the year ended 31 December 2017.

### EXTERNAL AUDITORS REPORT OF THE SUBSIDIARIES

None of the subsidiaries have any modified conclusions in the independent review reports for the year ended 31 December 2018.

### DIVIDENDS

No dividends were declared during the year. (2017: None)

### SUBSIDIARIES

Particulars of the subsidiaries of the R&E group are given on page 89 to 90. The attributable interest of the group in the income and losses of its subsidiaries for the years ended 31 December 2018 is:

	<b>2018</b> <b>R'000</b>	<b>2017</b> <b>R'000</b>
Aggregate amount of profit after taxation	942	44
Aggregate amount of losses after taxation	(237)	(3 640)

## DIRECTORATE

Directors in office for the year at the date of this report are:

Name	Designation
DC Kovarsky	Independent Non-executive Chairman
M Steyn	Joint Chief Executive Officer and Financial Director
P Burton	Independent Non-executive
JH Scholes	Independent Non-executive
V Botha	Non-executive

Mr Van Zyl Botha stepped down as financial director of the company on 27 February 2019, and assumed the position of non-executive director on the board of R&E to preserve the corporate memory of the last 10 years of litigation.

Furthermore, on 27 February 2019 the Issuer Regulation Division of the JSE Limited granted dispensation to allow Mr Marais Steyn to fulfil the dual role as chief executive officer and financial director of the company on a permanent basis.

## DIRECTORS' INTEREST

No director held any shares in the group, directly or indirectly, for the 2018 or 2017 financial years and up to the date of this report.

## COMPANY SECRETARY

The company secretary in office at the date of this report was Statucor (Pty) Ltd.

## PUBLIC OFFICER AND FINANCIAL DIRECTOR

Mr M Steyn CA(SA) is the present incumbent who was appointed as Public Officer on 27 February 2019.

## AUDITORS

KPMG Inc. will continue in office as auditors for the company and its subsidiaries in accordance with section 90 of the Companies Act of South Africa.

At the annual general meeting shareholders will be requested to reappoint KPMG Inc. as the independent external auditors of R&E.

## SUBSEQUENT EVENTS

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

## GOING CONCERN

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecast and available cash resources.

The group made a net profit for the year ended 31 December 2018 of R3.5 million (2017 net loss: R70 million) and the total assets as of that date exceeded its total liabilities by R156.5 million (2017: R152.7 million).

# Independent Auditor's Report

## TO THE SHAREHOLDERS OF RANDGOLD & EXPLORATION COMPANY LIMITED

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### Report on the Audit of the Consolidated and Separate Financial Statements

#### *Opinion*

We have audited the consolidated and separate financial statements of Randgold & Exploration Company Limited (the group and company) set out on pages 57 to 95, which comprise the statements of financial position as at 31 December 2018, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Randgold & Exploration Company Limited as at 31 December 2018, 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.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants' (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recognition and disclosure of legal matters

*Refer to note 15 in the consolidated financial statements and note 15 in the separate financial statements. For further detail with regard to this matter also refer to the Legal Report in the Annual report. This matter relates to both the consolidated and separate financial statements.*

### Recognition and disclosure of legal matters

Refer to note 14 in the consolidated financial statements and note 14 in the separate financial statements. For further detail with regard to this matter also refer to the legal report in the annual report. This matter relates to both the consolidated and separate financial statements

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Key audit matter	How the matter was addressed in our audit
<p>The company is involved in a number of historical legal actions at year end.</p> <p>These legal actions include claims to recover losses relating to the misappropriation of assets in past. However, given the status of these cases the directors do not believe that it would be appropriate to disclose a contingent asset at year end.</p> <p>The company is also a respondent in a class action brought by mineworkers and their dependents arising from silicosis and/or tuberculosis contracted on gold mines in South Africa in the past. The quantification of damages and the extent of the group and company's liability (if any) cannot be determined with any degree of certainty. Therefore, a contingent liability has been disclosed.</p> <p>We focused on this area due to the significant potential impact these matters may have on the consolidated and separate financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We assessed the competence and objectivity of external legal counsel representing the group and company in the legal proceedings through performing an assessment on the qualifications, experience, memberships and possible independence threats of the group and company's legal counsel.</li> <li>• We obtained written confirmation from the group's and company's external legal counsel of pending legal claims, probable outcomes and probable losses in relation thereto.</li> <li>• We obtained an understanding of any new developments in relation to the historical legal matters affecting the group and company in the current year by inspecting public information on these matters and analysing the Legal Report provided by the group and company's legal counsel.</li> <li>• We assessed whether the recognition and/or disclosure of these legal matters in the consolidated and separate financial statements meet the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets based on our updated understanding of these matters.</li> </ul>

*Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit and Risk Committee Report and the Declaration by the company secretary as required by the Companies Act of South Africa and the Directors' responsibility statement and the Annual Report. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### *Responsibilities of the Directors for the Consolidated and Separate Financial Statements*

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or company or to cease operations, or have no realistic alternative but to do so.

### *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements*

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## Independent auditor's report

Tot the shareholders of Randgold & Exploration Company Limited continued

### Report on Other Legal and Regulatory Requirements

In the terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that KPMG Inc. has been the auditor of Randgold & Exploration Company Limited for twelve years.

#### **KPMG Inc.**

*Registered Auditor*

Per Ivan Engels  
Chartered Accountant (SA)  
Registered Auditor  
Director  
22 March 2019

The Halyard  
4 Christiaan Barnard Street  
Foreshore  
Cape Town  
8000

## Group statement of comprehensive income for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated)*
Dividends received – Investments in listed securities		317	294
(Loss)/profit on disposal of listed securities		(360)	33
Recoveries	2	21 750	1 158
Other income		602	150
Personnel expenses	3	(6 908)	(6 711)
Profit on disposal of prospecting rights	9	–	9 120
Change in fair value of investments in listed securities	4	1 937	462*
Other operating expenses	6	(25 957)	(24 528)
<b>Loss from operating activities</b>		<b>(8 619)</b>	<b>(20 022)</b>
Finance income	5	12 072	13 005
Finance expense	5	–	–
<b>Profit/(loss) before taxation</b>		<b>3 453</b>	<b>(7 017)</b>
Taxation	7	–	–
<b>Profit/(loss) for the year</b>		<b>3 453</b>	<b>(7 017)</b>
<b>Other comprehensive income/(loss)</b>			
Items of other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss			
Actuarial gains/(losses)	16	366	(42)
<b>Total comprehensive income/(loss) for the year</b>		<b>3 819</b>	<b>(7 059)</b>
Basic and diluted earnings/(loss) per share (cents)	14	5	(10)

\* These amounts have been reclassified to better reflect their nature, please refer to note 22 for detail. This reclassification does not change the loss for the year.

## Group statement of financial position as at 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated)*
<b>ASSETS</b>			
<b>Non-current assets</b>			
Equipment	8	12	17
Intangible assets	9	–	–
<b>Current assets</b>			
Investments in listed securities	10	167 881	164 901*
Other receivables	11	1 085	85
Cash and cash equivalents	12	318	1 675*
<b>Total assets</b>		<b>169 296</b>	<b>166 678</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>			
Ordinary share capital	13	716	716
Retained earnings		155 820	152 001
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Post-retirement medical benefit obligation	16	10 496	11 404
<b>Current liabilities</b>			
Other payables	18	2 264	2 557
<b>Total equity and liabilities</b>		<b>169 296</b>	<b>166 678</b>

\* These amounts have been reclassified to better reflect their nature, please refer to note 22 for detail. This reclassification does not change total or current assets and does not affect retained earnings. Management have therefore deemed it not necessary to disclose a 3rd statement of financial position.

## Group statement of changes in equity for the year ended 31 December 2018

	Note	Attributable to equity holders of the company		
		Ordinary share capital R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 1 January 2017</b>		716	159 060	159 776
Total comprehensive loss for the year			(7 059)	(7 059)
Loss for the year			(7 017)	(7 017)
Other comprehensive loss			(42)	(42)
<b>Balance at 31 December 2017</b>		716	152 001	152 717
Total comprehensive income for the year			<b>3 819</b>	<b>3 819</b>
Profit for the year			3 453	3 453
Other comprehensive income			366	366
<b>Balance at 31 December 2018</b>	13	<b>716</b>	<b>155 820</b>	<b>156 536</b>

## Group statement of cash flows

### for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated)*
<b>Cash flow from operating activities</b>		<b>(270)</b>	(20 058)*
Cash utilised in operating activities	21	(10 916)	(31 601)*
Interest received	5	12 072	13 005
Post-retirement medical benefit liability – benefits paid	16	(1 426)	(1 462)
<b>Cash flow from investing activities</b>		<b>(1 087)</b>	16 824*
Dividends received from listed equity securities		317	294
Proceeds from disposal of prospecting rights		-	9 120
Acquisition of Investments in listed securities		(3 580)	(2 269)
Proceeds from disposal of Investments in listed securities		2 176	9 679*
<b>Cash flow from financing activities</b>		<b>-</b>	-
<b>Decrease in cash and cash equivalents</b>		<b>(1 357)</b>	(3 234)*
Cash and cash equivalents at the beginning of the year		1 675	4 909*
<b>Cash and cash equivalents at the end of the year</b>	12	<b>318</b>	1 675*

\* These amounts have been reclassified to better reflect their nature, please refer to note 22 for detail.

## Accounting policies (continued) for the year ended 31 December 2018

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### REPORTING ENTITY

Randgold & Exploration Company Limited (the “company” or “R&E”) is a company domiciled and incorporated in the Republic of South Africa. The group financial statements of the company for the year ended 31 December 2018 comprise the company and its subsidiaries (together referred to as the “group” and individually as “group entities”). Where reference is made to “the group” in the accounting policies, it should be interpreted as referring to the company where the context requires, unless otherwise noted.

### BASIS OF PREPARATION

#### Statement of compliance

The group and company financial statements relate to the consolidated and separate financial statements. The group financial statements and financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Accountants Council, the JSE Listing Requirements and the requirements of the Companies Act of South Africa. The group financial statements and financial statements were authorised for issue by the board of directors on 22 March 2019.

#### Basis of measurement

The group and company financial statements have been prepared on the historical cost basis except for the following:

Financial instruments held for trading are measured through profit or loss.

Post-retirement medical benefit obligation is measured at fair value.

#### Functional and presentation currency

The financial statements of the group are presented in South African Rand, which is the functional currency of the company and the presentation currency of the group. All financial information presented in rand has been rounded to the nearest thousand unless otherwise indicated.

#### 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 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 group financial statements where applicable.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about the assumptions and estimation uncertainties at 31 December 2018 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in note 15 (contingencies and commitments).

#### Use of estimates and judgements: Financial assets

These assets mainly comprise investments in listed equity securities, cash and cash equivalents, loans receivable from subsidiary companies (note 6 of company financial statements) and other receivables.

At each reporting date, the group evaluates whether there is any objective evidence that a financial asset is impaired. If there is objective evidence that loans or receivables are impaired, the amount of the loss is determined with reference to expected credit losses.

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.

## Accounting policies (continued)

### for the year ended 31 December 2018

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#### Significant accounting policies

IFRS 9 has been adopted by the group and company during the current year IFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaced IAS 39 Financial Instruments: Recognition and measurement. There were no adjustments made to any IFRS 9 related balances during the current financial year and therefore the adoption of IFRS 9 had no material impact on the financial statements.

IFRS 15 is effective from 1 January 2018 however the group and company did not generate any revenue during the current financial year and therefore IFRS 15 had no impact on the annual financial statements.

A number of other new standards are also effective from 1 January 2018 but they do not have a material effect on the group and company's financial statements.

All other accounting policies applied by the group and company are the same as at and for the year ended 31 December 2018.

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

#### BASIS OF CONSOLIDATION

##### Subsidiaries

Subsidiaries are investees controlled by the group. The group controls an investee when it is exposed to, or has rights to, variable returns from its involvement in the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the group 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.

When the group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

##### Investment in subsidiaries

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

##### Transactions eliminated on consolidation

Inter-group balances and transactions, and any unrealised gains arising from inter-group transactions, are eliminated in preparing the group 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.

#### FINANCIAL INSTRUMENTS

##### i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### ii. Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; or fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model from managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in business model.

## Accounting policies (continued) for the year ended 31 December 2018

A financial asset is measured at amortised cost if it meets both of the following conditions and it is not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at fair value through profit or loss. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest:

For the purposes of this assessment, the 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period or of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial assets – Subsequent measurement and gains and losses:

Financial assets at fair value through profit or loss	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
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Financial liabilities – Classified, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is held for trading, it is a derivative or is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

### iii. Derecognition

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial assets.

## Accounting policies (continued)

### for the year ended 31 December 2018

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#### Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

R&E is a company that invests in cash reserves, cash is invested in listed securities to earn a return, these instruments are carried at fair value through profit or loss.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash investments, cash balances and call deposits, and are stated at amortised cost.

#### Other receivables

Other receivables are stated at amortised cost using the effective interest method less impairment losses.

#### Other payables

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 method less impairment losses in the company financial statements.

#### 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. Each ordinary share entitles the holder to one voting right.

##### *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.

#### Equipment

##### *Recognition and measurement*

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

If significant parts of an item of equipment have different useful lives, then they are accounted for as separate items (major components) of equipment.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the group.

Repairs and maintenance are expensed as incurred.

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

## Accounting policies (continued) for the year ended 31 December 2018

### Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each item of equipment.

The estimated useful lives are as follows:

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### 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 and have indefinite useful lives. 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

The group recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost.

At each reporting date, the group measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the group measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses.

Impairment losses on financial assets carried at amortised cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognised.

All impairment losses are 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.

#### 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).

## Accounting policies (continued)

### for the year ended 31 December 2018

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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. 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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability. Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

- **Investments in listed securities**

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

- **Amounts due from subsidiaries; other receivables; other payables**

The fair value of amounts due from subsidiaries, other receivables 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 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. The discount rate used to discount post-employment benefit obligations is determined with reference to market yield on high-quality corporate bonds or on government bonds if high-quality corporate bonds are not available. In a South African context, government bonds are used. 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 through other comprehensive income, interest cost is recognised as part of operating expenses.

#### 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.

#### CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the statement of financial position unless the outflow of economic resources is probable and the amount of the liability can be reasonably estimated. Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

##### Dividends received

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

##### Management fees

The holding company charges its subsidiaries management fees for services rendered.

## Accounting policies (continued) for the year ended 31 December 2018

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### FINANCE INCOME AND EXPENSES

Finance expense is 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 interest received on cash and cash equivalents.

### 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 or receivable, calculated on the basis of the expected taxable income or loss for the year, using the tax rates enacted or substantively enacted at the reporting date, and any adjustment of taxation payable for previous years. The amount of income tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Interest and penalties on taxation payable is included in taxation in profit or loss. Current tax assets and liabilities are offset only if certain criteria are met.

#### Deferred tax

Deferred tax is recognised 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 in a transaction that is not a business combination and 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.

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.

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.

As per note 17, a deferred tax asset has 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.

### 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) 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 14.

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

#### SUMMARY OF STANDARDS AND INTERPRETATIONS NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following IFRS statements and interpretations, some of which are not yet effective, were not applied in preparing these financial statements. Management has assessed the impact of these standards and concluded that the impact would not be significant.

Standards/interpretations	Effective date periods beginning on or after
<p>IFRIC 23</p> <p><i>Uncertainty over Income Tax Treatments</i></p> <p>IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the financial statements.</p> <p>IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:</p> <ul style="list-style-type: none"> <li>• Judgments made;</li> <li>• Assumptions and other estimates used; and</li> <li>• The potential impact of uncertainties that are not reflected.</li> </ul> <p>The group and company have begun assessing the potential impact of IFRIC 23 on the financial statements. No material changes to the financial statements are anticipated as the group and company have material assessed losses being carried forward.</p>	1 January 2019
<p>IFRS 16</p> <p><i>Leases</i></p> <p>IFRS 16 was published in January 2016. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). IFRS 16 replaces the previous leases Standard, IAS 17 Leases, and related Interpretations. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the Statement of Financial Position. No significant changes have been included for lessors. IFRS 16 also includes extensive new disclosure requirements for both lessees and lessors.</p> <p>The group and company have begun assessing the potential impact of IFRS 16 on the financial statements. No material changes to the financial statements are anticipated.</p>	1 January 2019
<p>IFRS 9</p> <p><i>Prepayment Features with Negative Compensation - Amendments to IFRS 9</i></p> <p>The amendments clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.</p> <p>There are no financial assets containing prepayment features with negative compensation within the group and company.</p>	1 January 2019

## Notes to the group financial statements (continued) for the year ended 31 December 2018

### 1. SEGMENT REPORTING

The group operates in a single reportable operating segment as an investment holding company with cash resources. No segment reporting is therefore provided.

	2018 R'000	2017 R'000 (Restated*)
<b>2. RECOVERIES</b>		
Recoveries include amounts received in relation to the various litigation matters being pursued by the group.		
Charles Orbach and Company	21 750	–
Gold Fields – recovery of costs	–	17
The Insolvent Deceased Estate of Roger Brett Kebble – liquidation dividend	–	1 141
	<b>21 750</b>	<b>1 158</b>
<b>3. PERSONNEL EXPENSES</b>		
Personnel expenses include non-directors' salary and the post-retirement medical benefit obligation expense.		
Directors' emoluments (refer to note 20 for additional disclosure)	5 158	4 863
Post-retirement medical benefit expense (refer to note 16 for additional disclosure)	884	975
<b>4. CHANGE IN FAIR VALUE OF INVESTMENTS IN LISTED SECURITIES</b>		
Fair value movements of Investments in listed securities	<b>1 937</b>	462*

Fair value movements represent the change in capital value (net asset value) of the money market investments. Investments are held in the Investec High Income Fund and Nedgroup Investments Core Income Fund. These funds are mostly term deposits and hold a spread of high-grade fixed income instruments, predominantly of a floating rate nature.

\* These amounts have been reclassified to better reflect their nature, please refer to note 22 for detail.

	2018 R'000	2017 R'000
<b>5. NET FINANCE INCOME</b>		
Interest received	12 072	13 005
<b>6. OTHER OPERATING EXPENSES</b>		
Legal fees	19 378	19 081
Audit fees - forensic	3 613	3 367
Other expenses	2 965	2 080
	<b>25 957</b>	<b>24 528</b>

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

	2018 %	2017 %
<b>7. TAXATION</b>		
<i>Recognised in profit or loss</i>	–	–
<b>Reconciliation of effective taxation rate</b>		
South African normal tax rate	28	28.0
Capital gains tax rate differential	85.3	(30.9)
Exempt income	(180)	51.0
Income – capital in nature	(163.4)	48.0
Dividends received	(2.3)	1.1
Fair value adjustments	(14.2)	1.8
Other	(0.1)	0.1
Expenses not deductible for taxation purposes	141.3	(74.5)
Expenses – capital in nature	141.3	(74.5)
Assessed losses utilised	(67.6)	24.7
Change in unrecognised deferred tax asset	(7)	1.7
Effective tax rate	–	–

Refer to note 17 where more information is given regarding the assessed loss.

	2018		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
<b>8. EQUIPMENT</b>			
<b>Owned assets</b>			
Computer equipment	132	(121)	11
Furniture and fittings	145	(145)	–
Office equipment	74	(74)	–
Computer software	28	(27)	1
	379	(367)	12

## Notes to the group financial statements (continued) for the year ended 31 December 2018

	2018			Carrying value at end of the year R'000
	Carrying value at beginning of the year R'000	Additions/ (disposals) R'000	Depreciation R'000	
<b>8. EQUIPMENT (CONTINUED)</b>				
<b>Owned assets</b>				
Computer equipment	16	–	(5)	11
Furniture and fittings	–	–	–	–
Office equipment	–	–	–	–
Computer software	1	–	–	1
	<b>17</b>	<b>–</b>	<b>(5)</b>	<b>12</b>

	2017		
	Cost R'000	Accumulated depreciation and impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Computer equipment	132	(116)	16
Furniture and fittings	145	(145)	–
Office equipment	74	(74)	–
Computer software	28	(27)	1
	<b>379</b>	<b>(362)</b>	<b>17</b>

The carrying amount of assets can be reconciled as follows:

	2017			Carrying value at end of the year R'000
	Carrying value at beginning of the year R'000	Additions/ (disposals) R'000	Depreciation R'000	
<b>Owned assets</b>				
Computer equipment	22	–	(6)	16
Furniture and fittings	–	–	–	–
Office equipment	–	–	–	–
Computer software	1	–	–	1
	<b>23</b>	<b>–</b>	<b>(6)</b>	<b>17</b>

## Notes to the group financial statements (continued) for the year ended 31 December 2018

	2018		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000
<b>9. INTANGIBLE ASSETS</b>			
<b>Owned assets</b>			
Prospecting rights	–	–	–

The carrying amount of assets can be reconciled as follows:

	2018		
	Carrying value at beginning of the year R'000	Additions/ (disposals) R'000	Carrying value at end of the year R'000
<b>Owned assets</b>			
Prospecting rights	–	–	–

	2017		
	Cost R'000	Accumulated impairment R'000	Carrying value R'000
<b>Owned assets</b>			
Prospecting rights	–	–	–

	2017		
	Carrying value at beginning of the year R'000	Additions/ (disposals) R'000	Carrying value at end of the year R'000
<b>Owned assets</b>			
Prospecting rights	1	(1)	–

During 2017 the R&E group disposed of certain of its prospecting rights that had a carrying value of R1 to a third party realising a profit of R9.1 million.

## Notes to the group financial statements (continued) for the year ended 31 December 2018

	2018 R'000	2017 R'000 (Restated*)
<b>10. INVESTMENT IN LISTED EQUITY SECURITIES</b>		
Financial assets at fair value through profit and loss		
Listed equity securities	167 881	164 901*
<p>The financial instruments are designated at fair value through profit or loss, as purchase and sale decisions are made continuously. The share portfolio is conservatively managed with lower volatility than the general equity market. Investments in listed securities are held in the Investec High Income Fund and Nedgroup Investments Core Income Fund. These funds are mostly term deposits and hold a spread of high-grade fixed income instruments, predominantly of a floating rate nature.</p>		
<b>11. TRADE AND OTHER RECEIVABLES</b>		
Prepayments and deposits	1 085	37
VAT receivable	–	48
	1 085	85
<b>12. CASH AND CASH EQUIVALENTS</b>		
Bank balances	238	260
Call deposits	22	1 357*
Secured call deposit	58	58
	318	1 675*

The secured call deposit balance is secured by the following guarantees:

Beneficiaries	Expiry date	Amount
Department of Mineral Resources	Unlimited	20
Department of Mineral Resources	Unlimited	20
Department of Minerals and Energy	Unlimited	8
Department of Minerals and Energy	Unlimited	10

\* These amounts have been reclassified to better reflect their nature, please refer to note 22 for detail.

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

	2018 R'000	2017 R'000
<b>13. ORDINARY SHARE CAPITAL</b>		
<b>Authorised</b>		
105 000 000 (2017: 105 000 000) ordinary shares of 1 cent each	1 050	1 050
<b>Issued</b>		
74 585 065 (2017: 74 585 065) ordinary shares of 1 cent each	746	746
2 999 893 treasury shares of 1 cent each reclassified	(30)	(30)
	<b>716</b>	<b>716</b>
<b>Treasury shares</b>		
At the reporting date, a subsidiary of R&E held 2 999 893 R&E shares as treasury shares (2017: 2 999 893).		
	2018 Per share (in cents)	2017 Per share (in cents)
<b>14. LOSS PER SHARE</b>		
<b>Basic loss and diluted loss per ordinary share</b>	5	(10)
The calculation of basic and diluted earnings per share is based on profits of R3.5 million (2017 losses: R 7.0 million) attributable to ordinary shareholders of the company and a weighted average of 71 585 172 (2017: 71 585 172) ordinary shares in issue during the period.		
<b>Headline loss and diluted headline loss per share</b>	5	(23)
The calculation of headline and diluted headline earnings per share is based on headline profits of R3.5 million (2017 losses: R16.1 million) attributable to ordinary shareholders of the company and a weighted average of 71 585 172 (2017: 71 585 172) ordinary shares in issue during the period.		
	2017 R'000	2016 R'000
<b>Reconciliation between basic earnings for the year and headline earnings</b>		
<b>Profit/(loss) for the year attributable to equity holders of the company</b>	3 453	(7 017)
<b>Adjusted for:</b>		
Profit on disposal of prospecting rights	–	(9 120)
<b>Headline earnings for the year attributable to equity holders of the company</b>	<b>3 453</b>	<b>(16 137)</b>

## Notes to the group financial statements (continued) for the year ended 31 December 2018

### 15. CONTINGENCIES AND COMMITMENTS

The company is involved in a number of historical legal actions at year end, including claims to recover damages arising from the alleged misappropriation of assets previously held by the R&E group. The directors have assessed whether any of these legal actions give rise to provisions, contingent assets or contingent liabilities at year end.

#### 15.1 Contingent assets

Given the status of these claims and the nature of litigation generally, the directors are unable to confirm that the claims will be successful and therefore do not believe that there are any contingent assets that require disclosure in the financial statements at year end.

#### 15.2 Contingent liabilities

As indicated in the Legal Report (pp. 34 to 40 of this Annual Report) the Company is cited as a respondent in an application brought by various former mineworkers, alternatively dependants of former mineworkers who requested permission to proceed with a class action against several mining companies (including Anglo American South Africa Limited, Gold Fields Limited, AngloGold Ashanti Limited, Harmony Gold Limited, Sibanye Gold Limited, Durban Roodepoort Deep Limited and R&E amongst others), with three further applications where similar relief was being claimed.

Judgment in the certification application was handed down by the Johannesburg High Court, on 13 May 2016, in favour of the applicants. On 21 September 2016 the Supreme Court of Appeal (SCA) granted the respondents leave to appeal to the SCA against the entirety of the class certification judgment handed down on 13 May 2016.

The SCA appeal was due to be heard during the week of 19 to 23 March 2018, however, was postponed in January 2018 by agreement between the parties, on the basis that there may be scope for concluding an overall settlement between certain of the respondents and the applicants to such litigation, which the parties agreed to pursue.

R&E initially participated in the settlement discussions with these parties, however ultimately decided that in relation to the limited period that it is alleged to have controlled and/or managed the mines it is claimed to have between 1993 to 1996 (which it denies), the terms of the settlement were not favourable to it.

On 3 May 2018 the applicants and several of the larger mining companies concluded a settlement agreement in the application and are at present engaged in Court proceedings of a procedural nature to have the settlement agreement made an order of Court.

It remains to be seen whether the applicants wish to pursue the matter further against those respondents who were not a party to the settlement agreement, including R&E.

Should the applicants wish to pursue the matter further against those respondents who were not a party to the settlement agreement, and the judgment of the Johannesburg High Court not be overturned on appeal, the applicants will be required to formally institute action against the remaining respondents (including R&E) for damages. The quantification of such damages and the extent of R&E's liability (if any), is not possible to determine with any degree of certainty at this stage. There is a multiplicity of reasons for this which may include the following:

1. one of the grounds relied upon by the applicants for the inclusion of R&E as a respondent to the certification application is based on the allegation that R&E owned, operated and/or advised Harmony Gold Mine, the ERPM Gold Mine, the Durban Roodepoort Deep Gold Mine, the Blyvooruitzicht Gold Mine, the Doornfontein Gold Mine and the Buffelsfontein Gold Mine (the mines) during the period 1993 to 1996;
2. in its answering affidavit R&E stated that it at no stage owned the mines, nor did it exercise control over them. For this reason, R&E adopted the view that it was wrongly joined to the certification proceedings. R&E disputes that a claim can be brought against it on the basis that it either owned or controlled the mines. This issue will be raised during the second stage of the proceedings, if the SCA finds in favour of the applicants at the appeal stage;

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

#### 15. CONTINGENCIES AND COMMITMENTS (CONTINUED)

##### 15.2 Contingent liabilities (continued)

3. the application raises a number of complex factual and legal questions, which will also arise in any subsequent summons action against R&E. These questions include such matters as: (i) where the gold miner who suffered from tuberculosis or silicosis (referred to for convenience as the gold miner) worked; (ii) in which section of the mine he worked; (iii) whether the mine in question had greater or lesser concentrations of silica dust; (iv) the silicosis prevention programs of each mine; (v) the type of equipment used to combat silica dust; (vi) the extent (or otherwise) to which health and safety procedures were followed by the gold miner; and (vii) what steps were taken by the gold miner to minimise the extent of silica dust in the air as well as other relevant considerations. The gold miner may in addition have moved to one of the mines allegedly owned or operated by R&E (which it denies) to a mining section for three years, whereafter he may have left that mine and joined another gold mine in a moderate silica environment;
4. in these circumstances, it is difficult to determine which gold mine is liable to compensate the gold miner and to what extent;
5. it is also unclear as to how damages will be quantified. Assuming that a Court were to hold all of the mines liable, the extent of liability to be apportioned between the respective gold mines will also need to be determined;
6. a further consideration is that there is insufficient information at this stage regarding the identity of the gold miners who are alleged to enjoy a claim against R&E and what the dynamics of their employment history at any one or other of the mines is.

##### 15.3 Commitments

The group does not have any significant commitments.

#### 16. POST-RETIREMENT MEDICAL BENEFIT OBLIGATION

The company pays post-retirement medical benefits to 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 2018, which include appropriate mortality tables and assuming long-term estimates of increases in medical costs and appropriate discount rates.

	2018 R'000	2017 R'000
<b>Present value of post-retirement medical benefit liability</b>		
Defined benefit liability	10 496	11 404
Net defined benefit liability	10 496	11 404
<b>Movement in net defined benefit liability</b>		
<b>Opening balance</b>	11 404	11 849
Employer contribution	(1 426)	(1 462)
Benefits paid during the year	(1 426)	(1 462)
Amounts recognised in profit or loss	884	975
Interest cost	884	975
Amounts recognised in other comprehensive income	(366)	42
Actuarial gain – financial assumptions	(434)	(202)
Actuarial loss – other sources	68	244
<b>Closing balance</b>	10 496	11 404

## Notes to the group financial statements (continued) for the year ended 31 December 2018

	2018 %	2017 %
<b>16. POST-RETIREMENT MEDICAL BENEFIT OBLIGATION (CONTINUED)</b>		
<b>Actuarial assumptions</b>		
The following were the principal actuarial assumptions at the reporting date:		
Healthcare cost inflation	6.39%	6.64%
Discount interest rate	8.73%	8.26%
Post-retirement mortality rate	PA90-1 Ultimate	PA90-1 ultimate

### Sensitivity analysis

The assumption that tends to have the greatest impact on the sensitivity analysis results is the rate of healthcare cost inflation relative to the discount rate. These actuarial assumptions are listed above.

	2018 R'000	2017 R'000
A one percentage point change in inflation in healthcare cost will change the liability to the amounts below:		
One percent increase	11 075	12 072
One percent decrease	9 966	10 795
A one percentage point change in discount rate on healthcare cost will change the liability to the amounts below:		
One percent increase	9 936	10 759
One percent decrease	11 119	12 124
A one-year decrease in post-retirement mortality on healthcare cost will affect the liability as follows:	11 044	12 010

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

	2018 R'000	2017 R'000
<b>17. DEFERRED TAXATION</b>		
<b>Deferred taxation is attributable to the following:</b>		
Post-retirement medical benefit obligation	2 939	3 193
Employee-related payables	32	44
Calculated tax losses	242 653	247 129
	<b>245 624</b>	<b>250 366</b>
<b>Deferred tax assets have not been recognised to the following extent</b>		
Unrecognised deferred tax assets	<b>(245 624)</b>	<b>(250 366)</b>
	–	–
Deferred tax assets have not been recognised because management has assessed it is not probable that future taxable profit will be available against which the group entities can utilise the benefits.		
<b>18. OTHER PAYABLES</b>		
Trade payables	1 832	1 060
Employee-related payables	432	454
Other payables	–	542
South African Revenue Service	–	501
	<b>2 264</b>	<b>2 557</b>

The fair value of trade and other payables approximate their carrying value.

### 19. FINANCIAL RISK MANAGEMENT

The group's activities expose it to a variety of financial risks, including the effects of changes in equity market prices and 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.

#### 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 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 allowances for impairment is maintained. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

## Notes to the group financial statements (continued) for the year ended 31 December 2018

### 19. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### 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 undiscounted financial liabilities are as follows:

	Contractual cash flow R'000	Within one year R'000
Trade payables (refer note 18)		
<b>31 December 2018</b>	<b>1 832</b>	<b>1 832</b>
31 December 2017	1 602	1 602

#### 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 12).

The analysis is prepared assuming the amount of cash and cash equivalents held at the reporting date was held for the full year.

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. This analysis assumes that all other variables remain constant.

	Profit/(loss) for the year	
	1% increase R'000	1% decrease R'000
<b>31 December 2018</b>	<b>3</b>	<b>(3)</b>
31 December 2017*	17	(17)

\* Restated for effects of note 22.

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

#### *Other receivables, other payables and cash and cash equivalents*

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

#### *Investments in listed securities*

The fair value of publicly traded instruments is based on quoted market prices (level one in fair value hierarchy).

The fair value of financial instruments approximates their carrying value.

## Notes to the group financial statements (continued)

### for the year ended 31 December 2018

#### 20. RELATED PARTIES

##### Key management

Other than the directors, there were no other key members of management during 2017 or 2018. (Refer to note 7 in the company financial statements for details regarding investment in subsidiaries.)

##### DIRECTORS' REMUNERATION

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

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

Directors	Basic salary/fees		Bonus		Total	
	2018 R'000	2017 R'000	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Executive</b>						
M Steyn*	2 551	2 406	–	–	2 551	2 406
V Botha**	1 483	1 398	–	–	1 483	1 398
<b>Non-executive</b>						
DC Kovarsky	500	471	–	–	500	471
JH Scholes	312	294	–	–	312	294
P Burton	312	294	–	–	312	294
	<b>5 158</b>	<b>4 863</b>	<b>–</b>	<b>–</b>	<b>5 158</b>	<b>4 863</b>

\* Appointed to the dual role of chief executive officer and financial director on 27 February 2019.

\*\* Resigned as financial director on 27 February 2019, and assumed the position of non-executive director on the board of R&E with immediate effect.

Mr Van Zyl Botha stepped down as financial director of the company on 27 February 2019, and will remain as a non-executive director on the board of R&E to preserve the corporate memory of the last 10 years of litigation.

Furthermore, on 27 February 2019 the Issuer Regulation Division of the JSE Limited granted dispensation to allow Mr Marais Steyn to fulfil the dual role as chief executive officer and financial director of the company on a permanent basis.

JH Scholes, a director of R&E, is also a director of Malan Scholes Attorneys, which provides legal prospecting right consulting services to R&E on an ad hoc basis.

The cost of these services amounted to R1 224 during 2018. (2017: R45 790).

No other related party transactions or balances are applicable. Refer to separate statements for the rest.

## Notes to the group financial statements (continued) for the year ended 31 December 2018

	2018 R'000	2017 R'000 (Restated*)
<b>21. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>Cash utilised in operating activities</b>		
Profit/(loss) before taxation	3 453	(7 017)
<b>Adjustment for:</b>		
Profit on sale of prospecting rights	–	(9 120)
Interest received	(12 072)	(13 005)
Dividends received	(317)	(294)
Change in fair value of investments in listed securities	(1 937)	(462)*
Depreciation	6	6
(Loss)/profit on disposal of investments in listed securities	360	(33)
Post-retirement medical benefit obligation – interest cost	884	975
<b>Cash flows from operations before working capital changes</b>	<b>(9 623)</b>	<b>(28 950)*</b>
(Increase)/decrease in other receivables	(1 000)	33
Decrease in other payables	(293)	(2 684)
<b>Cash utilised in operations</b>	<b>(10 916)</b>	<b>(31 601)*</b>

## 22. CORRECTION OF PRIOR PERIOD ERRORS

Funds held in unit trusts were disclosed as part of cash and cash equivalents in the December 2017 financial statements. To better reflect the nature of these amounts, they have been reclassified to investments in listed securities in the statement of financial position as well as the statement of comprehensive income, and in notes 10, 12 and 4. This has also resulted in the restatement of the cash flow statement. This reclassification does not change total or current assets and does not affect retained earnings. Management have therefore deemed it not necessary to disclose a 3rd statement of financial position.

	1 January 2017 R'000	Restatement R'000	1 January 2017 Restated R'000
<b>Balance sheet restatements:</b>			
<b>Assets</b>			
Investments in listed securities	6 683	165 132	171 815
Cash and cash equivalents	170 041	(165 132)	4 909
<hr/>			
	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
<b>Assets</b>			
Investments in listed securities	6 472	158 429	164 901
Cash and cash equivalents	160 104	(158 429)	1 675
<hr/>			
	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
<b>Statement of comprehensive income restatements:</b>			
Change in fair value of investments in listed securities	(389)	851	462
Change in fair value of cash investments	851	(851)	–

## Notes to the group financial statements (continued) for the year ended 31 December 2018

### 22. CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

Statement of cash flows restatements:	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
Change in fair value of investments in listed securities	389	(851)	(462)
Proceeds from disposal of Investments in listed securities	2 125	7 554	9 679

### 23. EVENTS AFTER THE REPORTING PERIOD

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

### 24. NET ASSET VALUE AND NET TANGIBLE ASSET VALUE PER SHARE

	2018 R'000	2017 R'000
Net asset value per share (cents)	219	213
Net tangible asset value per share (cents)	219	213

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 R156.5 million (2017: R152.7 million) by the total number of ordinary shares outstanding at year-end of 71 585 172 (2017: 71 585 172). 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 of R156.5 million (2017: R152.7 million) less intangible assets of Rnil (2017: Rnil) by the total number of ordinary shares outstanding at year-end of 71 585 172 (2017: 71 585 172). The number of shares outstanding at 31 December 2018 has been adjusted for the 2 999 893 (2017: 2 999 893) treasury shares held.

### 25. GOING CONCERN

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecast and available cash resources.

The group made a profit for the year ended 31 December 2018 of R3.5 million (2017 loss: R7.0 million) and as of that date the total assets exceeded its total liabilities by R156.5 million (2017: R152.7 million).

Company

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# Annual Financial Statements

## Company statement of comprehensive income for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated*)
Dividends received	1	173	172
Management fees received – subsidiary companies		197	244
Recoveries	2	21 750	1 158
Impairment of investment in subsidiaries	7	(177)	(288)
Reversal/(impairment) of loans to subsidiaries	7	942	(3 256)
Change in fair value of investments in listed securities	3	1 833	508*
Other income		–	150
Profit on disposal of prospecting rights		–	9 120
Personnel expenses	15	(6 908)	(6 711)
(Loss)/profit on disposal of investments in listed securities		(233)	47
Other operating expenses	5	(25 181)	(24 344)
<b>Loss from operating activities</b>		<b>(7 604)</b>	<b>(23 200)</b>
Finance income	4	12 017	12 935
Finance expense	4	–	–
<b>Profit/(loss) before taxation</b>		<b>4 413</b>	<b>(10 265)</b>
Taxation	6	–	–
<b>Profit/(loss) for the year</b>		<b>4 413</b>	<b>(10 265)</b>
<b>Other comprehensive income</b>			
Items of other comprehensive income/(loss) that will not be subsequently reclassified to profit or loss			
Actuarial gains/(losses)	15	366	(42)
<b>Total comprehensive income/(loss) for the year</b>		<b>4 779</b>	<b>(10 307)</b>

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail. This reclassification does not change the loss for the year.

## Company statement of financial position as at 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated*)
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>3 748</b>	3 931
Equipment	15	12	17
Investment in subsidiaries	7	3 736	3 914
<b>Current assets</b>		<b>170 776</b>	167 015
Other receivables	8	1 085	35
Loans to subsidiary companies	7	4 800	3 900
Investments in listed securities	9	164 607	161 462*
Cash and cash equivalents	11	284	1 618*
<b>Total assets</b>		<b>174 524</b>	170 946
<b>EQUITY AND LIABILITIES</b>			
<b>Shareholders' equity</b>		<b>161 764</b>	156 985
Ordinary share capital	15	746	746
Retained earnings		161 018	156 239
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Post-retirement medical benefit obligation	15	10 496	11 404
<b>Current liabilities</b>			
Other payables	12	2 264	2 557
<b>Total equity and liabilities</b>		<b>174 524</b>	170 946

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail. This reclassification does not change total or current assets and does not affect retained earnings. Management have therefore deemed it not necessary to disclose a 3rd statement of financial position.

## Company statement of changes in equity for the year ended 31 December 2018

	Attributable to equity holders of the company		
	Ordinary share capital R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 1 January 2017</b>	746	166 546	167 292
Total comprehensive loss for the year		(10 307)	(10 307)
Loss for the period		(10 265)	(10 265)
Other comprehensive loss		(42)	(42)
<b>Balance at 31 December 2017</b>	746	156 239	156 985
Total comprehensive income for the year		4 779	4 779
Profit for the period		4 413	4 413
Other comprehensive income		366	366
<b>Balance at 31 December 2018</b>	746	161 018	161 764

## Company statement of cash flows for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000 (Restated*)
<b>Cash flow from operating activities</b>		<b>38</b>	(19 687)*
Cash utilised in operating activities	14	(10 553)	(31 160)*
Interest received	4	12 017	12 935
Post-retirement medical benefit liability – benefits paid	15	(1 426)	(1 462)
<b>Cash flow from investing activities</b>		<b>(1 372)</b>	16 524*
Dividends received from investments in listed securities	1	173	172
Proceeds from disposal of investments in listed securities		1 265	8 613*
Proceeds from disposal of prospecting rights		–	9 120
Acquisition of investments in listed securities		(2 810)	(1 381)
<b>Cash flow from financing activities</b>		<b>–</b>	–
<b>Decrease in cash and cash equivalents</b>		<b>(1 334)</b>	(3 163)*
Cash and cash equivalents at the beginning of year		1 618	4 782*
<b>Cash and cash equivalents at the end of the year</b>	11	<b>284</b>	1 618*

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail.

## Notes to the company financial statements

### for the year ended 31 December 2018

	2018 R'000	2017 R'000 (Restated*)
<b>1. DIVIDENDS RECEIVED</b>		
Dividends received – listed equity securities	173	172
	<b>173</b>	172
<b>2. RECOVERIES</b>		
Recoveries include amounts received in relation to the various litigation matters being pursued by the company.		
Charles Orbach and Company	21 750	–
Gold Fields – recovery of costs	–	17
The Insolvent Deceased Estate of Roger Brett Kebble – liquidation dividend	–	1 141
	<b>21 750</b>	1 158
<b>3. CHANGE IN FAIR VALUE OF INVESTMENT IN LISTED SECURITIES</b>		
Fair value movements of cash investments	1 833	508*
Fair value movements represent the change in capital value (net asset value) of the money market investments. Investments are held in the Investec High Income Fund and Nedgroup Investments Core Income Fund. These funds are mostly term deposits and hold a spread of high-grade fixed income instruments, predominantly of a floating rate nature.		
* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail.		
<b>4. NET FINANCE INCOME</b>		
Interest received	12 017	12 935
Interest paid	–	–
	<b>12 017</b>	12 935
<b>5. OTHER EXPENSES</b>		
Legal Fees	19 378	19 081
Audit fees – Forensic	3 613	3 367
Other operating expenses	2 189	1 886
	<b>25 181</b>	24 334

## Notes to the company financial statements (continued) for the year ended 31 December 2018

	2018 %	2017 %
<b>6. TAXATION</b>		
<i>Recognised in profit or loss</i>	–	–
<i>Recognised in other comprehensive income</i>	–	–
<b>Reconciliation of effective taxation rate</b>		
South African normal tax rate	28	28.0
Capital gains tax differential	68.13	(21.1)
Exempt income	(146.91)	25.1
Income – capital in nature	(130.6)	32.8
Dividends received	(1)	0.5
Fair value adjustments	(15.2)	(8.2)
Other	(0.1)	–
Expenses not deductible for taxation purposes	112.5	(51.0)
Expenses – capital in nature	112.5	(51.0)
Assessed losses utilised	(56.2)	17.9
Change in unrecognised deferred tax asset	(5.6)	1.1
Effective tax rate	–	–

## 7. INVESTMENT IN AND LOANS TO SUBSIDIARIES

Details of the subsidiaries are set out as follows:

	Issued share capital R'000	Effective holding		Shares at cost		Due from subsidiaries	
		2018 %	2017 %	2018 R'000	2017 R'000	2018 R'000	2017 R'000
<b>Direct holdings</b>							
African Strategic Investment Holdings Limited	*	100	100	–	–	–	–
First Wesgold Mining Proprietary Limited	340	100	100	21 080	21 080	65 218	65 261
Free State Development and Investment Corporation Limited	2 223	100	100	207 518	207 518	–	–
Refraction Investments Proprietary Limited	*	100	100	*	*	45 504	45 504
Southern Holdings Limited	*	100	100	–	–	–	–
				<b>228 598</b>	228 598	<b>110 722</b>	110 765
At cost				<b>(224 862)</b>	(224 684)	<b>(105 922)</b>	(106 865)
Accumulated impairment losses on investments and loans to subsidiaries				<b>3 736</b>	3 914	<b>4 800</b>	3 900

\* Less than R1 000

## Notes to the company financial statements (continued)

### for the year ended 31 December 2018

	Shares at cost	Due from subsidiaries	
		2018 R'000	2017 R'000 (Restated*)
<b>7. INVESTMENT IN AND LOANS TO SUBSIDIARIES (CONTINUED)</b>			
Investment in subsidiaries		3 736	3 914
Amounts due from subsidiaries included in – current assets		4 800	3 900
		<b>8 536</b>	7 814
All amounts due from subsidiaries are unsecured, payable on demand and are interest free.			
<b>8. OTHER RECEIVABLES</b>			
Prepayments and deposits		1 085	35
<b>9. INVESTMENTS IN LISTED SECURITIES</b>			
Financial assets at fair value through profit or loss		164 607	161 462*

The financial instruments are designated at fair value through profit or loss, as purchase and sale decisions are made continuously. The share portfolio is conservatively managed with lower volatility than the general equity market. Investments in listed securities are held in the Investec High Income Fund and Nedgroup Investments Core Income Fund. These funds are mostly term deposits and hold a spread of high-grade fixed income instruments, predominantly of a floating rate nature.

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail.

	2018 R'000	2017 R'000
<b>10. DEFERRED TAXATION</b>		
<b>Deferred taxation is attributable to the following:</b>		
Post-retirement medical benefit obligation	2 939	3 193
Employee-related payables	32	44
Calculated tax losses	130 486	95 922
	<b>133 457</b>	99 159
<b>Deferred tax assets have not been recognised to the following extent</b>		
Unrecognised deferred tax assets	(133 457)	(99 159)
	–	–

Deferred tax assets have not been recognised in respect of these items because management has assessed it is not probable that future taxable profit will be available against which the company can utilise the benefits therefrom.

## Notes to the company financial statements (continued) for the year ended 31 December 2018

	2018 R'000	2017 R'000 (Restated*)
<b>11. CASH AND CASH EQUIVALENTS</b>		
Bank balances	220	239
Call deposits	6	1 321*
Secured call deposit	58	58
	<b>284</b>	<b>1 618*</b>

The secured call deposit balance is pledged by the following guarantees:

Beneficiaries	Expiry date	Amount
Department of Mineral Resources	Unlimited	20
Department of Mineral Resources	Unlimited	20
Department of Minerals and Energy	Unlimited	8
Department of Minerals and Energy	Unlimited	10

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail.

	2018 R'000	2017 R'000
<b>12. OTHER PAYABLES</b>		
Trade payables	1 832	1 060
Employee-related payables	432	454
Other payables	–	542
South African Revenue Service	–	501
	<b>2 264</b>	<b>2 557</b>

The fair value of other payables approximate their carrying value.

### 13. FINANCIAL RISK MANAGEMENT

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.

#### 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 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.

## Notes to the company financial statements (continued)

### for the year ended 31 December 2018

#### 13. FINANCIAL RISK MANAGEMENT (CONTINUED)

##### 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 company 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 12)		
<b>31 December 2018</b>	<b>1 832</b>	<b>1 832</b>
31 December 2017	1 060	1 060

##### Interest rate risk

The company has exposure to interest rate risk on financial assets primarily in the form of cash and cash equivalents (note 11).

The analysis is prepared assuming the amount of cash and cash equivalents held at the reporting date were held for the full year.

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. This analysis assumes that all other variables remain constant.

	Profit/(loss) for the year	
	1% increase R'000	1% decrease R'000
<b>31 December 2018</b>	<b>3</b>	<b>(3)</b>
31 December 2017*	16	(16)

\* Restated for effects of note 19.

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

##### Other receivables, trade payables and cash and cash equivalents

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

##### Amounts due from subsidiaries

The carrying amount approximates the fair value since the amounts are payable on demand.

##### Investments in listed securities

The fair value of publicly traded instruments is based on quoted market prices (level one in fair value hierarchy).

The fair value of financial instruments approximated their carrying value.

## Notes to the company financial statements (continued) for the year ended 31 December 2018

	2018 R'000	2017 R'000 (Restated*)
<b>14. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>Cash utilised in operating activities</b>		
Profit/(loss) before taxation	4 413	(10 265)
<b>Adjustment for:</b>		
Interest received	(12 017)	(12 935)
Dividends received	(173)	(172)
Amounts recovered from subsidiaries	42	44
Impairment of investment in subsidiaries	177	288
Depreciation	6	6
Profit on sale of prospecting rights	–	(9 120)
(Reversal of impairment)/impairment of loans to subsidiaries	(942)	3 256
Change in fair value of investments in listed securities	(1 833)	(508)*
Loss/(profit) on disposal of listed equity securities	233	(47)
Post-retirement medical benefit obligation – interest cost	884	975
<b>Cash flows from operations before working capital changes</b>	<b>(9 210)</b>	<b>(28 478)*</b>
(Increase)/decrease in other receivables	(1 050)	2
Decrease in other payables	(293)	(2 684)
<b>Cash utilised in operations</b>	<b>(10 553)</b>	<b>(31 160)*</b>

\* These amounts have been reclassified to better reflect their nature, please refer to note 19 for detail.

### 15. NOTES TO THE GROUP FINANCIAL STATEMENTS ALSO APPLICABLE TO THE COMPANY FINANCIAL STATEMENTS (GROUP AND COMPANY TRANSACTIONS AND BALANCES ARE THE SAME):

Personnel expenses	3
Equipment	8
Ordinary share capital	13
Contingencies and commitments	15
Post-retirement medical benefit obligation	16

### 16. RELATED PARTIES

#### Subsidiaries

The company has a related party relationship with its subsidiaries.

#### Material related parties balances

	2018 R'000	2017 R'000
Investment in subsidiaries	3 736	3 914
Amounts due from subsidiaries included in current assets	4 800	3 900

All amounts due from subsidiaries are unsecured, payable on demand and are interest free. The carrying amount approximates the fair value since the amounts are payable on demand.

## Notes to the company financial statements (continued)

### for the year ended 31 December 2018

#### 16. RELATED PARTIES (CONTINUED)

##### Key management

The directors and executive officers, and details of emoluments paid – refer to note 20 of the group financial statements. Other than the directors, there were no other members of key management during 2018 and 2017.

JH Scholes, a director of R&E, is also a director of Malan Scholes Attorneys, which provides legal prospecting right consulting services to R&E on an ad hoc basis.

The cost of these services amounted to R1 224 during 2018 (2016: R45 790).

##### Material related parties transactions

Management fees received – refer to company statement of comprehensive income

Investments in subsidiaries – refer to note 7

#### 17. GOING CONCERN

The going concern basis has been adopted in preparing the financial statements. The directors have no reason to believe that the company will not be a going concern in the foreseeable future based on forecast and available cash resources. These financial statements support the viability of the company.

The company made a profit for the year ended 31 December 2018 of R4.4 million (2017 loss: R10.3 million) and as of that date the total assets exceeded its total liabilities by R161.7 million (2017: R156.9 million).

#### 18. EVENTS AFTER THE REPORTING PERIOD

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

#### 19. CORRECTION OF PRIOR PERIOD ERRORS

Funds held in unit trusts were disclosed as part of cash and cash equivalents in the December 2017 financial statements. To better reflect the nature of these amounts, they have been reclassified to investments in listed securities in the statement of financial position as well as the statement of comprehensive income, and in notes 3, 9 and 11. This reclassification does not change total or current assets and does not affect retained earnings. Management have therefore deemed it not necessary to disclose a 3rd statement of financial position.

Balance sheet restatements:	1 January 2017 R'000	Restatement R'000	1 January 2017 Restated R'000
<b>Assets</b>			
Investments in listed securities	3 727	164 378	168 105
Cash and cash equivalents	169 160	(164 378)	4 782
	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
<b>Assets</b>			
Investments in listed securities	3 727	157 735	161 462
Cash and cash equivalents	159 353	(157 735)	1 618

## Notes to the company financial statements (continued) for the year ended 31 December 2018

### 19. CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

Statement of comprehensive income restatements:	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
Change in fair value of investments in listed securities	(343)	851	508
Change in fair value of cash investments	851	(851)	–

Statement of cash flows restatements:	31 December 2017 R'000	Restatement R'000	31 December 2017 Restated R'000
Change in fair value of investments in listed securities	343	(851)	(508)
Proceeds from disposal of investments in listed securities	1 118	7 495	8 613

## Randgold & Exploration Company: shareholder analysis tables

### MAJOR SHAREHOLDERS

REGISTER DATE: 28 DECEMBER 2018

ISSUED SHARE CAPITAL: 74,585,065 SHARES

SHAREHOLDER SPREAD	No. of shareholders	%	No. of shares	%
1 – 1 000 shares	867	68.16	240 959	0.32
1 001 – 10 000 shares	259	20.36	869 032	1.17
10 001 – 100 000 shares	100	7.86	3 378 995	4.53
100 001 – 1 000 000 shares	37	2.91	10 910 882	14.63
1 000 001 shares and over	9	0.71	59 185 197	79.35
<b>Total</b>	<b>1 272</b>	<b>100</b>	<b>74 585 065</b>	<b>100</b>

DISTRIBUTION OF SHAREHOLDERS	No. of shareholders	%	No. of shares	%
ADRs	2	0.16	4 673 903	6.27
Banks	63	4.95	16 283 729	21.83
Brokers	11	0.86	54 441	0.07
Close Corporations	13	1.02	12 564 836	16.85
Endowment Funds	3	0.24	95 584	0.13
Individuals	1 009	79.32	4 051 881	5.43
Insurance Companies	2	0.16	263 961	0.35
Mutual Funds	10	0.79	6 378 748	8.55
Nominees and Trusts	80	6.29	1 227 801	1.65
Other Corporations	14	1.10	79 229	0.11
Pension Funds	24	1.89	3 737 224	5.01
Private Companies	41	3.22	25 173 728	33.75
<b>Total</b>	<b>1 272</b>	<b>100</b>	<b>74 585 065</b>	<b>100</b>

PUBLIC/NON – PUBLIC SHAREHOLDERS	No. of shareholdings	%	No. of shares	%
<b>Non-public shareholders</b>	2	0.16	19 985 105	26.80
Strategic Holdings (more than 10%)	1	0.08	16 985 212	22.77
R&E subsidiary	1	0.08	2 999 893	4.02
Public shareholders	1 270	99.84	54 599 960	73.20
<b>Total</b>	<b>1 272</b>	<b>100</b>	<b>74 585 065</b>	<b>100</b>

## Randgold & Exploration Company: shareholder analysis tables

<b>Beneficial shareholders holding 3% or more</b>	<b>No. of shares</b>	<b>%</b>
Pacol Investments (Pty) Ltd	16 985 212	22.77
Zerbans Cake & Coffee Shop CC	12 500 000	16.76
Perpetual Metier Fund	8 920 439	11.96
ADRs (American Depositary Receipts)	4 673 903	6.27
Charisma Holdings (Pty) Ltd	3 750 000	5.03
Allan Gray Equity Fund	3 657 226	4.90
Investec Bank Limited	3 280 821	4.40
Refraction Investment (Pty) Ltd.*	2 999 893	4.02
Theodoor Gilissen Bankiers N.V.	2 368 903	3.18

<b>Fund Manager holding 5% or more</b>	<b>No. of shares</b>	<b>%</b>
Allan Gray Proprietary Limited **	10 469 205	14.04
Consilium Capital SA Pty Ltd ***	8 920 439	11.96

\* Refraction Investment Proprietary Limited is a subsidiary of R&E

\*\* Includes the beneficial owner Allan Gray Equity Fund

\*\*\* Includes the beneficial owner Perpetual Metier Fund

# Notice of annual general meeting

## 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 ("the meeting" or "the annual general meeting") of shareholders of R&E will be held at The Westin Cape Town, Convention Square, Lower Long Street, Cape Town, at 11:00 on Friday 17 May 2019, 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, 71 of 2008, as amended ("the Companies Act") and 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.

### 1. AGENDA

Presentation of the audited annual financial statements of the Company, including the remuneration report and the reports of the directors and the audit and risk committee for the year ended 31 December 2018, for shareholders to consider. The annual report of the Company, containing the complete audited annual financial statements, is available at [www.randgoldexp.co.za](http://www.randgoldexp.co.za) or can be obtained from the Company at its registered office.

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

*Note: For any of the ordinary resolutions numbers 1 to 8 to be adopted, more than 50 percent of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof.*

#### 2.1 Retirement, re-election and confirmation of appointment of directors

##### 2.1.1 ORDINARY RESOLUTION NUMBER 1

"Resolved that Mr P Burton (refer to summary curriculum vitae below), 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 a director of the Company."

##### Summary curriculum vitae of Patrick Burton (66) (Patrick)

*Independent Non-executive Director*

BComm (Hons) Financial Management, Post Graduate Diploma in Tax Law

Date of appointment: 23 May 2013

Patrick was one of the founding members of Siphumelele Investments Limited, a black economic empowerment company, established in 1995, with a shareholder base representing in excess of 150 000 previously disadvantaged individuals. His experience as a director includes non-executive positions in fishing, food and financial services. Patrick is a member of the audit committees of PSG Group Limited, PSG Konsult Limited and Quantum Foods Limited.

### 2.1.2 ORDINARY RESOLUTION NUMBER 2

"Resolved that Mr V Botha's appointment as a non-executive director of the Company with effect from 27 February 2019 be and is hereby approved."

#### **Summary curriculum vitae of Van Zyl Botha (38) (Van Zyl)**

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 also 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. Van Zyl stepped down as financial director on 27 February 2019 and will remain as a non-executive director on the Board.

The reason for ordinary resolution number 1 is that the Companies Act and the Listings Requirements of the JSE (Listings Requirements) require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

The reason for ordinary resolution number 2 is that the memorandum of incorporation of the company requires that any new appointments of non-executive directors on the board of the company are to be confirmed by the shareholders at the first AGM held following the appointment. The board of Randgold announced on 27 February 2019 that Van Zyl's role will be changed to that of a non-executive director. Accordingly this resolution is proposed for the sake of prudence.

## 2.2 Re-appointment of the members of the audit and risk committee of the Company

*Note: For avoidance of doubt, all references to the audit and risk 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 Mr DC Kovarsky (refer to summary curriculum vitae below), being eligible, be and is hereby re-appointed as a member of the audit and risk committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

#### **Summary curriculum vitae of David Chaim Kovarsky (71) ("David")**

*Independent 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, 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, he has been involved in finance and strategy consulting functions and served as the CEO or CFO of companies of various sizes, mostly related to resources.

Until August 2011, David was the CEO of International Ferro Metals Limited, a company listed on the London Stock Exchange producing ferrochrome in South Africa. He is currently the Senior Vice President of Sibanye-Stillwater.

Shareholders should note that Mr DC Kovarsky is the chairman of the board of directors and will not chair the audit and risk committee.

## Notice of annual general meeting

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### 2.2.2 ORDINARY RESOLUTION NUMBER 4

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

#### **Summary curriculum vitae of Johan Hulme Scholes (52) ("Hulme")**

Hulme holds a BA Law and LLB degree from the University of 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 18 years. He was appointed as a non-executive director of Aquarius Platinum (AQPSA) in 2004 and was a partner at Werksmans Attorneys from 1999 to 2008. In 2008 he was appointed as an executive commercial director of AQPSA. On 1 October 2010 Hulme returned to the legal profession as a mining and mineral law advisor and is now a non-executive director of West Wits Mining Limited, which is listed on the Australian Stock Exchange.

### 2.2.3 ORDINARY RESOLUTION NUMBER 5

"Resolved that Mr P Burton (refer to the summary curriculum vitae above), subject to the approval of ordinary resolution number 1, being eligible, be and is hereby reappointed as a member of the audit and risk 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 resolutions numbers 3, 4 and 5 is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or reappointed, as the case may be, at each annual general meeting of a company.

## 2.3 Re-appointment of auditor

### ORDINARY RESOLUTION NUMBER 6

"Resolved that, on the recommendation of the Company's audit and risk committee, KPMG Inc. be reappointed as the auditor of the Company for the ensuing financial year."

The reason for ordinary resolution number 6 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.

## 2.4 Non-binding advisory vote on remuneration policy

### ORDINARY RESOLUTION NUMBER 7

"Resolved that the Company's remuneration policy, as set out in the Annexure to this annual general meeting notice, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 7 is that the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™") recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each annual general meeting. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 7, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 7 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy.

## 2.5 Non-binding advisory vote on the Company's implementation report on the remuneration policy

### ORDINARY RESOLUTION NUMBER 8

"Resolved that the Company's implementation report in regard to the remuneration policy, as set out in the Annexure to this annual general meeting notice, be and is hereby endorsed by way of a non-binding vote."

The reason for and effect of ordinary resolution number 8 is that King IV™ recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each annual general meeting. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 8, if passed, will be to endorse the Company's implementation report in relation to its remuneration policy ordinary resolution number 8, is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the Company's remuneration policy and its implementation.

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

*Note: For the special resolutions to be adopted, at least 75 percent 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, provided that this authority will be valid until the next annual general meeting of the Company:

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

3.1.1	Chairman	R530 000
3.1.2	Other non-executive directors	R330 000

(includes serving on the board's sub-committees)"

#### 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 a 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 of the Company.

### 3.2 Inter-company loans

#### SPECIAL RESOLUTION NUMBER 2

"Resolved that, in terms of section 45(3)(a)(iii) of the Companies Act, as a general approval, 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 and in accordance with section 45 of the Companies Act, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

## Notice of annual general meeting

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### Reason for and effect of special resolution number 2

The reason for and effect of special resolution number 2 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company in accordance with section 45 of the Companies Act. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

The board of the Company will ensure that, prior to providing any financial assistance as contemplated above, it is satisfied that, immediately after providing such financial assistance, the Company will satisfy the solvency and liquidity test as set out in the Companies Act and ensure that the terms of any such financial assistance is fair and reasonable.

### 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 15 of this notice, 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 that would make any statement false or misleading and that all reasonable enquiries to ascertain such facts have been made and that this notice of annual general meeting contains all information required by the Listings Requirements.

### VOTING

1. The date on which shareholders must be 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, 15 March 2019**.
2. The date on which shareholders must be recorded as such in the share register for purposes of being entitled to attend and vote at the meeting is **Friday, 10 May 2019** with the last day to trade being **Tuesday, 7 May 2019**.
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 driver's licence 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, which sets out the relevant instructions for its completion, is enclosed for completion by certificated shareholders and own-name registered dematerialised shareholders who wish 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 be completed and returned to the transfer secretaries of the Company at the address given below by no later than 11:00 on **Wednesday, 15 May 2019** provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairman of the annual general meeting prior to the commencement of the annual general meeting, at any time before the appointed proxy exercises any shareholder rights at the annual general meeting.
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 in person 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 them and the CSDP or broker in the manner and time stipulated therein.

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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 Companies Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Companies Act, is set out immediately below:

A 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 of the Company.

A proxy may delegate its 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 Companies 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**

**Statucor (Pty) Ltd**

*Company Secretary*

Johannesburg  
22 March 2019

**Registered office**

Suite 25, Third floor, Katherine & West Building

114 West Street, Sandown  
Sandton, 2196

**Postal address**

PO Box 202, Stellenbosch, 7600

**Transfer secretaries**

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Avenue, Rosebank,  
2196  
(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: ZAE00008819

("R&E" or "the company")

**FORM OF PROXY – FOR USE BY CERTIFICATED AND OWN-NAME DEMATERIALIZED 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/her, the chairman of the annual general meeting as my/our proxy to represent me/us, to talk and vote on my/our behalf at the annual general meeting of the company to be held at The Westin Cape Town, Convention Square, Lower Long Street, Cape Town, at 11:00 on Friday, 17 May 2019, or at any adjournment thereof:

	In favour of	Against	Abstain from voting
<b>Ordinary resolution number 1:</b> To re-elect P Burton as director.			
<b>Ordinary resolution number 2:</b> To confirm V Botha as a non-executive director.			
<b>Ordinary resolution number 3:</b> To re-appoint DC Kovarsky as member of the audit and risk committee.			
<b>Ordinary resolution number 4:</b> To re-appoint JH Scholes as member of the audit and risk committee.			
<b>Ordinary resolution number 5:</b> To re-appoint P Burton as member of the audit and risk committee.			
<b>Ordinary resolution number 6:</b> To re-appoint KPMG Inc. as the auditor of the Company.			
<b>Ordinary resolution number 7:</b> To pass a non-binding advisory vote on the remuneration policy of the Company.			
<b>Ordinary resolution number 8:</b> To pass a non-binding advisory vote on the Company's implementation report on the remuneration policy of the company			
<b>Special resolution number 1:</b> Approval of remuneration of non-executive directors.			
<b>Special resolution number 2:</b> Approval of right to provide financial assistance as contemplated in section 45 of the Companies Act.			

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

Signed at \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ 2019.

Signature \_\_\_\_\_

## Form of proxy

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### NOTES

1. A form of proxy must only be completed by certificated shareholders or dematerialised shareholders with own-name registration.
2. Shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker, other than own-name registered dematerialised shareholders, who wish to attend the annual general meeting, must request the CSDP or broker to provide them with a letter of representation or instruct the CSDP or broker to vote by proxy on their behalf in terms of the custody agreement entered into between the shareholder and the CSDP or broker.
3. A shareholder is entitled to appoint one or more proxies to attend, speak and vote in his/her place at the annual general meeting. The name/s of choice is to be inserted on the form of proxy 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 shareholder'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 on the form of proxy.
5. If a shareholder does not indicate on the form of proxy how his/her proxy is to vote, or gives contradictory instructions, or should any further resolution(s) or any amendment(s) that 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 shareholder'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 the form of proxy must be initialled by the signatory(ies).
8. The completion and lodging of the form of proxy will not preclude the shareholder 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 at the company's registered office by no later than 11:00 on Wednesday, 15 May 2019, at 11:00 provided that any form of proxy not delivered to the Transfer Secretary by this time may be handed to the chairman of the Annual General Meeting prior to the commencement of the Annual General Meeting, at any time before the appointed proxy exercises any shareholder rights at the Annual General Meeting.

#### Company address

Randgold & Exploration Company Limited  
Suite 25, Third floor, Katherine & West Building  
114 West Street, Sandown  
Sandton, 2196

#### Transfer secretaries

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Biermann Ave, Rosebank, 2196  
(PO Box 61051, Marshalltown, 2107)

10. Notwithstanding the foregoing, 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.