

RANDGOLD RESOURCES LTD  
Form 20-F  
May 15, 2009

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 20-F**

- o **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008**  
**OR**
- o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
**OR**
- o **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell company report \_\_\_\_\_  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission file number: 000-49888**

**RANDGOLD RESOURCES LIMITED**

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

JERSEY, CHANNEL ISLANDS

(Jurisdiction of incorporation or organization)

La Motte Chambers, La Motte Street, St. Helier, Jersey JE1 1BJ, Channel Islands

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class

Name of each exchange on which registered

Ordinary Shares, par value US \$0.05 per Share\*

Nasdaq Global Select Market

American Depositary Shares each represented  
by one Ordinary Share

\* Not for trading, but only in connection with the listing of American Depositary Shares on the Nasdaq Global Select Market pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

(Title of Class)

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Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report.

As of December 31, 2008, the Registrant had outstanding 76,506,150 ordinary shares, par value \$0.05 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If the report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  International Financial Reporting Standards as issued by the International Accounting Standards Board  Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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**GLOSSARY OF MINING TECHNICAL TERMS**

The following explanations are not intended as technical definitions, but rather are intended to assist the reader in understanding some of the terms as used in this Annual Report.

<b>Aureole:</b>	A zone of altered country rock around an igneous intrusion.
<b>bcm:</b>	Bank cubic meter, a volumetric mining measure, equivalent to a cubic meter.
<b>Birimian:</b>	Geological time era, about 2.1 billion years ago.
<b>Carbonate:</b>	A mineral salt typically found in quartz veins and as a product of hydrothermal alteration of sedimentary rock.
<b>Clastic:</b>	Rocks built up of fragments of pre-existing rocks which have been produced by the processes of weathering and erosion.
<b>Cut-off grade:</b>	The lowest grade of material that can be mined and processed considering all applicable costs, without incurring a loss or gaining a profit.
<b>Development:</b>	Activities required to prepare for mining activities and maintain a planned production level.
<b>Dilution:</b>	Mixing of ore grade material with non-ore grade/waste material in the mining process.
<b>Discordant:</b>	Structurally unconformable.
<b>Disseminated:</b>	A term used to describe fine particles of ore or other minerals dispersed through the enclosing rock.
<b>Dyke:</b>	A sheet-like body of igneous rock which is discordant to bedding or foliation.
<b>EEP:</b>	Exclusive exploration permit.
<b>EP:</b>	Exploration permit.
<b>Exploration:</b>	Activities associated with ascertaining the existence, location, extent or quality of mineralized material, including economic and technical evaluations of mineralized material.
<b>Fault:</b>	A fracture or a zone of fractures within a body of rock.
<b>Feldspar:</b>	An alumino-silicate mineral.
<b>Fold:</b>	A flexure of planar structures within the rocks.
<b>Foliation:</b>	A term used to describe planar arrangements of minerals or mineral bands within rocks.
<b>Footwall:</b>	The underlying side of a fault, orebody or stope.
<b>Fragmentation:</b>	The breakage of rock during blasting in which explosive energy fractures the solid mass into pieces; the distribution of rock particle sizes after blasting.



<b>g/t:</b>	Gram of gold per metric tonne.
<b>Gabbro:</b>	A dark granular igneous rock composed essentially of labradorite and augite.
<b>Gold reserves:</b>	The gold contained within proven and probable reserves on the basis of recoverable material (reported as mill delivered tonnes and head grade).
<b>Gold sales:</b>	Represents the sales of gold at spot and the gains/losses on hedge contracts which have been delivered into at the designated maturity date. It excludes gains/losses which have been rolled forward to match future sales. This adjustment is considered appropriate because no cash is received/paid in respect of such contracts.
<b>Grade:</b>	The quantity of metal per unit mass of ore expressed as a percentage or, for gold, as grams of gold per tonne of ore.
<b>Greenstone:</b>	A field term used to describe any weakly metamorphosed rock.
<b>Greywacke:</b>	A dark gray, coarse grained, indurated sedimentary rock consisting essentially of quartz, feldspar, and fragments of other rock types.
<b>Head grade:</b>	The grade of the ore as delivered to the metallurgical plant.
<b>Hydrothermal:</b>	Pertaining to the action of hot aqueous solutions on rocks.
<b>Igneous:</b>	A rock or mineral that solidified from molten or partially molten material.
<b>In situ:</b>	In place or within unbroken rock or still in the ground.
<b>Kriging:</b>	An interpolation method that minimizes the estimation error in the determination of reserves.
<b>Landsat:</b>	Spectral images of the Earth's surface.
<b>Leaching:</b>	Dissolution of gold from the crushed and milled material, including reclaimed slime, for absorption and concentration on to the activated carbon.
<b>Lower proterozoic:</b>	Era of geological time between 2.5 billion and 1.8 billion years before the present.
<b>Measures:</b>	Conversion factors from metric units to US units are provided below:

<b>Metric Unit</b>		<b>US Equivalent</b>
1 tonne	= 1 t	1.10231 tons
1 gram	= 1 g	0.03215 ounces
1 gram per tonne	= 1 g/t	0.02917 ounces per ton
1 kilogram per tonne	= 1 kg/t	29.16642 ounces per ton
1 kilometer	= 1 km	0.621371 miles
1 meter	= 1 m	3.28084 feet
1 centimeter	= 1 cm	0.3937 inches

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1 millimeter	= 1 mm	0.03937 inches
1 square kilometer	= 1 sq km	0.3861 square miles
	2	

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<b>Metamorphism:</b>	A change in the structure or constitution of a rock due to natural agencies, such as pressure and heat.
<b>Mill delivered tonnes:</b>	A quantity, expressed in tonnes, of ore delivered to the metallurgical plant.
<b>Milling/mill:</b>	The comminution of the ore, although the term has come to cover the broad range of machinery inside the treatment plant where the gold is separated from the ore.
<b>Mineable:</b>	That portion of a mineralized deposit for which extraction is technically and economically feasible.
<b>Mineralization:</b>	The presence of a target mineral in a mass of host rock.
<b>Mineralized material:</b>	<p>A mineralized body which has been delineated by appropriately spaced drilling and/or underground sampling to support a sufficient tonnage and average grade of metals to warrant further exploration.</p> <p>A deposit of mineralized material does not qualify as a reserve until a comprehensive evaluation based upon unit cost, grade, recoveries, and other material factors conclude legal and economic feasibility.</p>
<b>Moz:</b>	Million troy ounces.
<b>Mt:</b>	Million metric tonnes.
<b>Open pit:</b>	Mining in which the ore is extracted from a pit. The geometry of the pit may vary with the characteristics of the orebody.
<b>Orebody:</b>	A continuous, well-defined mass of material containing sufficient minerals of economic value to make extraction economically feasible.
<b>Orogenic:</b>	Of or related to mountain building, such as when a belt of the Earth's crust is compressed by lateral forces to form a chain of mountains.
<b>Ounce:</b>	One troy ounce, which equals 31.1035 grams.
<b>Oxide Ore:</b>	Soft, weathered rock that is oxidized.
<b>Payshoot:</b>	A defined zone of economically viable mineralization.
<b>Portal:</b>	An entrance to a tunnel or mine.
<b>Probable reserves:</b>	Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven reserves, is high enough to assume continuity between points of observation.



<b>Prospect:</b>	An area of land with insufficient data available on the mineralization to determine if it is economically recoverable, but warranting further investigation.
<b>Prospecting license or permits:</b>	An area for which permission to explore has been granted.
<b>PL:</b>	Prospecting License.

<b>PLR:</b>	Prospecting License (reconnaissance).
<b>Proven reserves:</b>	Reserves for which quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling; and the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
<b>Pyrite:</b>	A brassy-colored mineral of iron sulfide (compound of iron and sulfur).
<b>Quartz:</b>	A mineral compound of silicon and oxygen.
<b>Quartzite:</b>	Metamorphic rock with interlocking quartz grains displaying a mosaic texture.
<b>Refining:</b>	The final stage of metal production in which final impurities are removed from the molten metal by introducing air and fluxes. The impurities are removed as gases or slag.
<b>Regolith:</b>	Weathered products of fresh rock, such as soil, alluvium, colluvium, sands, and hardened oxidized materials.
<b>Rehabilitation:</b>	The process of restoring mined land to a condition approximating its original state.
<b>Reserve:</b>	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.
<b>Reverse circulation (RC) drilling:</b>	A drilling method.
<b>Rotary Air Blast (RAB) drilling:</b>	A drilling method.
<b>Sampling:</b>	Taking small pieces of rock at intervals along exposed mineralization for assay (to determine the mineral content).
<b>Sedimentary:</b>	Pertaining to or containing sediment. Used in reference to rocks which are derived from weathering and are deposited by natural agents, such as air, water and ice.
<b>Shear zone:</b>	An elongated area of structural deformation.
<b>Silica:</b>	A naturally occurring dioxide of silicon.
<b>Sinistral:</b>	A geological term relating to left lateral movement.
<b>Stockpile:</b>	A store of unprocessed ore.
<b>Stripping:</b>	The process of removing overburden to expose ore.

<b>Stripping ratio:</b>	Ratio of waste material to ore material in an open pit mine.
<b>Sulfide:</b>	A mineral characterized by the linkages of sulfur with a metal or semi-metal, such as pyrite or iron sulfide. Also a zone in which sulfide minerals occur.
<b>Tailings:</b>	Finely ground rock from which valuable minerals have been extracted by milling.
<b>Tonalite:</b>	A type of igneous rock.
<b>Tonnage:</b>	Quantities where the ton or tonne is an appropriate unit of measure. Typically used to measure reserves of gold-bearing material in situ or quantities of ore and waste material mined, transported or milled.
<b>Tonne:</b>	One tonne is equal to 1,000 kilograms (also known as a metric ton).
<b>Total cash costs:</b>	Total cash costs, as defined in the Gold Institute standard, include mine production, transport and refinery costs, general and administrative costs, movement in production inventories and ore stockpiles, transfers to and from deferred stripping where relevant and royalties.
<b>Trend:</b>	The arrangement of a group of ore deposits or a geological feature or zone of similar grade occurring in a linear pattern.
<b>Waste:</b>	Rock mined with an insufficient gold content to justify processing.
<b>Weathered:</b>	Rock broken down by erosion.

*Statements in this Annual Report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are forward-looking statements as that term is defined under the United States federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under Item 3. Key Information D. Risk Factors in this Annual Report as well as those discussed elsewhere in this Annual Report and in our other filings with the Securities and Exchange Commission.*

We are incorporated under the laws of Jersey, Channel Islands with the majority of our operations located in West Africa. Our books of account are maintained in US dollars and our annual and interim financial statements are prepared on a historical cost basis in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, or IFRS. IFRS differs in significant respects from generally accepted accounting principles in the United States, or US GAAP. This Annual Report includes our audited consolidated financial statements prepared in accordance with IFRS. We have also included in this Annual Report the audited financial information for the years ended December 31, 2008, 2007 and 2006 of Société des Mines de Morila SA, or Morila SA. The financial information included in this Annual Report has been prepared in accordance with IFRS and, except where otherwise indicated, is presented in US dollars. For a definition of cash costs, please see Item 3. Key Information A. Selected Financial Data .

Unless the context otherwise requires, us , we , our , or words of similar import, refer to Randgold Resources Limited and its subsidiaries and affiliated companies.

## **PART I**

### **Item 1. Identity of Directors, Senior Management and Advisers**

Not applicable.

### **Item 2. Offer Statistics and Expected Timetable**

Not applicable.

**Item 3. Key Information****A. SELECTED FINANCIAL DATA**

The following selected historical consolidated financial data have been derived from, and should be read in conjunction with, the more detailed information and financial statements, including our audited consolidated financial statements for the years ended December 31, 2008, 2007, and 2006 and as at December 31, 2008 and 2007, which appear elsewhere in this Annual Report. The historical consolidated financial data as at December 31, 2006, 2005 and 2004, and for the years ended December 31, 2005 and 2004 have been derived from our audited consolidated financial statements not included in this Annual Report, as adjusted for the accounting changes relating to stripping costs under IFRS.

The financial data have been prepared in accordance with IFRS, unless otherwise noted.

	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2007</b>	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
<b>\$000:</b>					
STATEMENT OF OPERATIONS DATA:					
<b>Amounts in accordance with IFRS</b>					
Revenues	338,572	282,805	258,304	151,502	73,330
Profit from operations <sup>#</sup>	75,937	63,539	71,616	49,437	7,227
Net profit attributable to equity shareholders	41,569	42,041	47,564	45,507	13,707
Basic earnings per share (\$)	0.54	0.60	0.70	0.74	0.23
Fully diluted earnings per share (\$)	0.54	0.60	0.69	0.71	0.23
Weighted average number of shares used in computation of basic earnings per share (2)	76,300,116	69,588,983	68,391,792	61,701,782	58,870,632
Weighted average number of shares used in computation of fully diluted earnings per share (2)	77,540,198	70,271,915	69,331,035	63,828,996	59,996,257
<b>Other data</b>					
Total cash costs (\$ per ounce) (1)	467	356	296	201	208

# Profit from operations is calculated as profit before income tax under IFRS, excluding finance income/(loss)-net and profit on sale of Syama.

\*

Reflects adjustments resulting from the sub-division of shares.

	At December 31, 2008	At December 31, 2007	At December 31, 2006	At December 31, 2005	At December 31, 2004
<b>\$000:</b>					
<b>BALANCE SHEET: AMOUNTS IN ACCORDANCE WITH IFRS</b>					
Total assets	821,442	780,719	512,164	462,349	253,577
Long-term loans	1,284	2,773	25,666	49,538	40,718
Share capital	3,827	3,809	3,440	3,404	2,961
Share premium	455,974	450,814	213,653	208,582	102,342
Accumulated profit	245,982	213,567	178,400	130,836	85,329
Other reserves	(31,387)	(69,391)	(59,430)	(41,000)	(14,347)
Shareholders equity	674,396	598,799	336,063	301,822	176,285

1. Randgold

Resources has identified certain measures that it believes will assist understanding of the performance of the business. As the measures are not defined under IFRS, they may not be directly comparable with other companies adjusted measures. The non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures or performance, but management has included them as these are considered to be important comparables and key measures

used within the business for assessing performance. These measures are further explained below. Total cash cost and total cash cost per ounce are non-GAAP measures. We have calculated total cash costs and total cash costs per ounce using guidance issued by the Gold Institute. The Gold Institute was a non-profit industry association comprised of leading gold producers, refiners, bullion suppliers and manufacturers. This institute has now been incorporated into the National Mining Association. The guidance was first issued in 1996 and revised in November 1999. Total cash costs, as defined in the Gold Institute's guidance, include mine production, transport and refinery costs, general and administrative costs, movement

in production  
inventories and  
ore stockpiles,  
transfers to and  
from deferred  
stripping where  
relevant, and  
royalties.



Under our accounting policies, there are no transfers to and from deferred stripping. Total cash costs per ounce are calculated by dividing total cash costs, as determined using the Gold Institute guidance, by gold ounces produced for the periods presented. We have calculated total cash costs and total cash costs per ounce on a consistent basis for all periods presented. Total cash costs and total cash costs per ounce should not be considered by investors as an alternative to net profit attributable to shareholders, as an alternative to other IFRS measures or an indicator of our performance. The data does not have a meaning prescribed by IFRS and therefore amounts presented may not be comparable to data presented by gold producers who do not follow the guidance provided by the Gold Institute. In particular depreciation and amortization would be included in a measure of total costs of producing gold under IFRS, but are not included in total cash costs under the guidance provided by the Gold Institute. Furthermore, while the Gold Institute has provided a definition for the calculation of total cash costs and total cash costs per ounce, the calculation of these numbers may vary from company to company and may not be comparable to other similarly titled measures of other companies. However, we believe that total cash costs per ounce is a useful indicator to investors and management of a mining company's performance as it provides an indication of a company's profitability and efficiency, the trends in cash costs as the company's operations mature, and a benchmark of performance to allow for comparison against other companies. Within this Annual Report our discussion and analysis is focused on the total cash cost measure as defined by the Gold Institute.

The following table lists the costs of producing gold, determined in accordance with IFRS, and reconciles this GAAP measure to total cash costs as defined by the Gold Institute's guidance, as a non-GAAP measure, for each of the periods set forth below:

	<b>Year Ended December 31, 2008</b>	<b>Year Ended December 31, 2007</b>	<b>Year Ended December 31, 2006</b>	<b>Year Ended December 31, 2005</b>	<b>Year Ended December 31, 2004</b>
<b>\$000: Costs</b>					
Mine production costs	\$ 186,377	\$ 136,312	\$ 115,217	\$ 66,612	\$ 37,468
Depreciation and amortization	21,333	20,987	22,844	11,910	8,738
Other mining and processing costs	13,675	13,638	13,006	7,438	6,809
Transport and refinery costs	2,053	1,595	711	360	233
Royalties	19,730	18,307	16,979	10,273	5,304
Movement in production inventory and ore stockpiles	(21,865)	(11,534)	(13,373)	(18,744)	(7,425)
Total cost of producing gold determined in accordance with IFRS	221,303	179,305	155,384	77,849	51,127
Less: Non-cash costs included in total cost of producing gold: Depreciation and amortization	(21,333)	(20,987)	(22,844)	(11,910)	(8,738)
Total cash costs using the Gold Institute's guidance	199,970	158,318	132,540	65,939	42,389
Ounces produced *	428,426	444,573	448,242	328,428	204,194
Total production cost per ounce under IFRS (\$ per ounce)	517	403	347	237	250

Total cash cost per ounce (\$ per ounce)	467	356	296	201	208
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\* 40% share of Morila and 100% share of Loulo.

2. Effective June 11, 2004, we undertook a split of our ordinary shares, which increased our issued share capital from 29,273,685 to 58,547,370 ordinary shares. In connection with this share split our ordinary shareholders of record on June 11, 2004 received two ordinary shares, par value \$0.05 per share, for every one ordinary share, par value \$0.10 per share, they held. See Item 4. Information on the Company A. History and Development of the Company .

## **B. CAPITALIZATION AND INDEBTEDNESS**

Not applicable.

**C. REASONS FOR THE OFFER AND USE OF PROCEEDS**

Not applicable.

**D. RISK FACTORS**

In addition to the other information included in this Annual Report, you should carefully consider the following factors, which individually or in combination could have a material adverse effect on our business, financial condition and results of operations. There may be additional risks and uncertainties not presently known to us, or that we currently see as immaterial, which may also harm our business. If any of the risks or uncertainties described below or any such additional risks and uncertainties actually occur, our business, results of operations and financial condition could be materially and adversely affected. In this case, the trading price of our ordinary shares and American Depositary Shares, or ADS, could decline and you might lose all or part of your investment.

**Risks Relating to Our Operations**

*The profitability of our operations, and the cash flows generated by our operations, are affected by changes in the market price for gold which in the past has fluctuated widely.*

Substantially all of our revenues and cash flows have come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors, over which we have no control, including:

the demand for gold for investment purposes, industrial uses and for use in jewelry;

international or regional political and economic trends;

the strength of the US dollar, the currency in which gold prices generally are quoted, and of other currencies;

market expectations regarding inflation rates;

interest rates;

speculative activities;

actual or expected purchases and sales of gold bullion holdings by central banks or other large gold bullion holders or dealers;

hedging activities by gold producers; and

the production and cost levels for gold in major gold-producing nations.

The volatility of gold prices is illustrated in the following table, which shows the approximate annual high, low and average of the afternoon London Bullion Market fixing price of gold in US dollars for the past ten years.

Year	Price Per Ounce (\$)		
	High	Low	Average
1999	326	253	279
2000	313	264	279
2001	293	256	271
2002	349	278	310
2003	416	320	363
2004	454	375	409
2005	537	411	444
2006	725	525	604

Year	Price Per Ounce (\$)		
	High	Low	Average
2007	841	608	695
2008	1,011	712	871
2009 (through April)	947	867	904

In addition, the current demand for, and supply of, gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has tended to retain its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions, and individuals hold large amounts of gold as a store of value, and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

If gold prices should fall below and remain below our cost of production for any sustained period we may experience losses, and if gold prices should fall below our cash costs of production we may be forced to curtail or suspend some or all of our mining operations. In addition, we would also have to assess the economic impact of low gold prices on our ability to recover from any losses we may incur during that period and on our ability to maintain adequate reserves. Our total cash cost of production per ounce of gold sold was \$467 in the year ended December 31, 2008, \$356 in the year ended December 31, 2007, and \$296 in the year ended December 31, 2006. We expect that Morila's cash costs per ounce will rise as the life of the mine advances as a result of expected declining grade, which will adversely affect our profitability in the absence of any mitigating factors. The high grades expected from the underground mining at Loulo will, in the absence of any other increases, have a positive impact on unit costs. *Our mining operations may yield less gold under actual production conditions than indicated by our gold reserve figures, which are estimates based on a number of assumptions, including assumptions as to mining and recovery factors, production costs and the price of gold.*

The ore reserve estimates contained in this Annual Report are estimates of the mill delivered quantity and grade of gold in our deposits and stockpiles. They represent the amount of gold that we believe can be mined, processed and sold at prices sufficient to recover our estimated total cash costs of production, remaining investment and anticipated additional capital expenditures. Our ore reserves are estimated based upon many factors, including:

the results of exploratory drilling and an ongoing sampling of the orebodies;

past experience with mining properties;

gold price; and

operating costs.

Because our ore reserve estimates are calculated based on current estimates of future production costs and gold prices, they should not be interpreted as assurances of the economic life of our gold deposits or the profitability of our future operations.

Reserve estimates may require revisions based on actual production experience. Further, a sustained decline in the market price of gold may render the recovery of ore reserves containing relatively lower grades of gold mineralization uneconomical and ultimately result in a restatement of reserves. The failure of the reserves to meet our recovery expectations may have a materially adverse effect on our business, financial condition and results of operations. *The profitability of operations and the cash flows generated by these operations are significantly affected by the fluctuations in the price, cost and supply of inputs.*

Fuel, power and consumables, including diesel, steel, chemical reagents, explosives and tires, form a relatively large part of our operating costs. The cost of these consumables is impacted, to a greater or lesser extent, by fluctuations in the price of oil, exchange rates and a shortage of supplies.

Such fluctuations have a significant impact upon our operating costs and capital expenditure estimates and, in the absence of other economic fluctuations, could result in significant changes in the total expenditure estimates for mining projects, new and existing, and could even render certain projects non-viable.

In addition, while our revenue is derived from the sale of gold in US dollars, a significant portion of our input costs are incurred in currencies other than the dollar. Accordingly, any appreciation in such other currencies could adversely affect our results of operations.

*Our results of operations have been adversely affected by increases in fuel prices, and we would be adversely affected by future increases in fuel prices or disruptions in the supply of fuel.*

Our results are significantly affected by the price and availability of fuel, which are in turn affected by a number of factors beyond our control. Fuel prices are volatile and increased significantly in 2008. While prices have decreased significantly in 2009, they remain higher than historical standards. In 2008, the cost of fuel and other power generation costs comprised approximately 35% of our operating costs and the annual price increase of our landed fuel was 38%.

Historically, fuel costs have been subject to wide price fluctuations based on geopolitical factors and supply and demand. While we do not currently anticipate a significant reduction in fuel availability, factors beyond our control make it impossible to predict the future availability of fuel. If there are additional outbreaks of hostilities or other conflicts in oil producing areas or elsewhere, or a reduction in refining capacity (due to weather events, for example), or governmental limits on the production or sale of fuel, or restrictions on the transport of fuel, there could be reductions in the supply of fuel and significant increases in the cost of fuel.

We are not parties to any agreements that protect us against price increases or guarantee the availability of fuel. Major reductions in the availability of fuel or significant increases in its cost, or a continuation of current high prices for a significant period of time, would have a material adverse impact on us.

*Our business may be adversely affected if the Government of Mali fails to repay Value Added Tax, or TVA, owing to Morila and Loulo.*

Our mining companies operating in Mali are exonerated by their Establishment Conventions from paying TVA for the three years following first commercial production. After that, TVA is payable and reimbursable. TVA is only reclaimable insofar as it is expended in the production of income. A key aspect in TVA recovery is managing the completion of the Government of Mali's audit of the taxpayer's payments, at which time the Government of Mali recognizes a liability.

By December 2007, Morila had successfully concluded a reimbursement protocol with the Government of Mali for all TVA reimbursements it was owed up to June 2005. Morila was unable to conclude a second protocol subsequent to December 2007, however, and pursuant to its establishment convention, began offsetting TVA reimbursements it was owed against corporate and other taxes payable by Morila to the Government of Mali. As a result of the offsets, the TVA owed by the Government of Mali to Morila declined by \$5.0 million between December 31, 2008 (\$12.3 million) and April 30, 2009 (\$7.3 million). Morila is in discussions with the Malian fiscal authorities in order to ensure that the tax offsets are accurately recorded and recognized, although we cannot assure you that the Government of Mali will ultimately recognize the tax offsets.

At December 31, 2008, TVA owed by the Government of Mali to Loulo stood at \$1.8 million. This amount has increased by \$7.4 million to \$9.2 million at April 30, 2009 due to the end of the exoneration period on November 8, 2008.

If Morila and Loulo are unable to recover these funds, or if the tax offsets are not recognized, then their results of operations and financial position would be adversely affected, as would their ability to pay dividends to their shareholders. Accordingly, our business, cash flows and financial condition will be adversely affected if anticipated dividends are not paid.

*Our business may be adversely affected if the Government of Mali fails to repay fuel duties owing to Morila and Loulo.*

Up to June 2005, Morila was responsible for paying to diesel suppliers the customs duties which were then paid to the Government of Mali. Our operations at Morila and Loulo could claim reimbursement of these duties from the Government of Mali on presentation of a certificate from Société Générale de Surveillance. During the

third quarter of 2003, the Government of Mali began to reduce payments to all the mines in Mali due to irregularities involving certain small exploration companies. The Government of Mali has since given full exoneration from fuel duties to the mining industry so that fuel duties are no longer payable. However, a portion of previously paid duties remain outstanding, principally, the duties paid for the period June 2005 to December 2005. Our share of the amounts owing to Morila was \$2.1 million on December 31, 2008 and \$4 million on December 31, 2007. Amounts owing to Loulo were \$0.7 million on December 31, 2008 and \$0.7 million on December 31, 2007. At April 30, 2009, amounts owing to Loulo were \$0.7 million. At April 30, 2009, Morila's outstanding fuel duties were offset in full against corporate and other taxes payable by the mine.

If Morila and Loulo are unable to recover these amounts, or if the amounts offset are not recognized, then their results of operations and financial position would be adversely affected, as would their ability to pay dividends to their shareholders. Accordingly, our business, cash flows and financial condition will be adversely affected if anticipated dividends are not paid.

*Certain factors may affect our ability to support the carrying value of our property, plant and equipment, and other assets on our balance sheet.*

We review and test the carrying amount of our assets on an annual basis when events or changes in circumstances suggest that the net book value may not be recoverable. If there are indications that impairment may have occurred, we prepare estimates of expected future discounted cash flows for each group of assets. Assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units) for purposes of assessing impairment. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

During 2008, we recorded impairment charges against our auction rate securities, or ARS, which is described in the following paragraph.

*We have invested in debt instruments for which the market has become substantially illiquid.*

We have invested in debt instruments for which the market has become substantially illiquid. We had cash and cash equivalents of \$257.6 million as of December 31, 2008 and \$248.4 million as of March 31, 2009. In addition, we had available-for-sale financial assets with a carrying value of approximately \$38.6 million as of December 31, 2008 and \$37.5 million as of March 31, 2009. The available-for-sale financial assets consist of auction rate securities, or ARS. In the third quarter of fiscal year 2007, ARS with a cost value of \$49 million failed at auctions due to the sudden and unusual deterioration in the global credit and capital markets, and have since experienced multiple failed auctions. Consequently, the funds associated with these investments will not be accessible until a successful auction occurs, a buyer is found outside of the auction process or the underlying securities have matured.

We made provisions against these ARS of \$10.35 million in the second half of 2008 and an additional \$1.09 million in the first quarter of 2009, in each case following the deterioration of the underlying credit ratings of the collateral of certain of the ARS. The trading market for these instruments has become substantially illiquid as a result of unusual conditions in the credit markets. We continue to receive interest payable on these securities. As these investments have been illiquid for more than twelve months and there is no certainty that they will become liquid within the next twelve months, the assets have been reclassified into the non-current section of available-for-sale financial assets to more accurately reflect their nature. Management estimates the fair value of these investments at each reporting period. Management applies a mark to model valuation method. Continued uncertainties in the credit and capital markets may result in additional impairment provisions, which could adversely impact our financial condition, current asset position and reported earnings. Furthermore, there can be no assurance that we will be successful in our actions against the bank or the individual brokers that we have commenced, which are described in this Annual Report under Item 4. Business Overview-Legal Proceedings.

*We may not be able to recover certain funds from MDM Ferroman (Pty) Limited.*

In August 2004, we entered into a fixed lump sum turnkey contract for \$63 million for the design, supply, construction and commissioning of the Loulo processing plant and infrastructure with MDM Ferroman (Pty) Ltd, or MDM. At the end of 2005, after making advances and additional payments to MDM totaling \$26 million in excess of the contract, we determined that MDM was unable to perform its obligations under the MDM Contract, at which time we enforced a contractual remedy which allowed us to act as our own general contractor and to complete the remaining work on the Loulo project that was required under the MDM Contract.

We believe that we are entitled to recover certain amounts from MDM, including advances of \$12.1 million (December 31, 2007: \$12.1 million) included in receivables as at December 31, 2008. Of this latter amount, \$7 million is secured by performance bonds and the remainder is secured by various personal guarantees and other assets. In January 2009, the liquidator declared and paid the first dividend of \$0.1 million from the insolvent estate, leaving an outstanding balance of \$12 million as at April 30, 2009.

As part of our efforts to recoup the monies owed to us, MDM was put into liquidation on February 1, 2006. This resulted in a South African Companies Act Section 417 investigation into the business and financial activities of MDM, its affiliated companies and their directors. The investigation was completed and summons has been issued against those MDM creditors deemed as preferential creditors. These legal proceedings are continuing with pleadings having been closed and court dates been set in the South African courts.

Our ability to recover in full the \$12 million included in receivables is dependent on the amounts which can be recovered from the performance bonds, personal guarantees and other assets provided as security. Any shortfall is expected to be recovered from any free residue accruing to the insolvent estate. The aggregate amount which will ultimately be recovered cannot presently be determined. The financial statements do not reflect any additional provision that may be required if the \$12 million cannot be recovered in full. Our results of operations may be adversely affected if we are unable to recover the amounts advanced by us to MDM. Any part of the \$12 million included in accounts receivable which cannot in fact be recovered will need to be charged as an expense. The ultimate outcome of this claim cannot presently be determined and there is significant uncertainty surrounding the amount that will ultimately be recovered.

*We may incur losses or lose opportunities for gains as a result of our use of our derivative instruments to protect us against low gold prices.*

We use derivative instruments to protect the selling price of some of our anticipated gold production at Loulo. The intended effect of our derivative transactions is to lock in a fixed sale price for some of our future gold production to provide some protection against a subsequent fall in gold prices. No such protection is in place for our production at Morila.

Derivative transactions can result in a reduction in revenue if the instrument price is less than the market price at the time the hedged sales are recognized. Moreover, our decision to enter into a given instrument is based upon market assumptions. If these assumptions are not met, significant losses or lost opportunities for significant gains may result. In all, the use of these instruments may result in significant losses which will prevent us from realizing the positive impact of any subsequent increase in the price of gold on the portion of production covered by the instrument. *Our underground project at Loulo, developing two mines at Yalea and Gara, is subject to all of the risks associated with underground mining.*

Development of the underground mine at Yalea commenced in December 2006 and first ore was mined in April 2008. These planned mines represent our entry into the business of underground mining. In connection with the development of the underground mines, we must build the necessary infrastructure, the costs of which are substantial. The underground mines may experience unexpected problems and delays during their development and construction. Delays in the commencement of gold production could occur and the development costs could be larger than expected, which could affect our results of operations and profitability. Since the commencement of the underground operations at Yalea, we have experienced a number of technical challenges, principally the availability of the underground fleet and the ability to drill and blast up holes. While we believe these issues will ultimately be resolved, the development and operation of the underground mine will be negatively impacted should they continue.





The business of underground mining by its nature involves significant risks and hazards. In particular, as the development commences the operation could be subject to:

rockbursts;

seismic events;

underground fires;

cave-ins or falls of ground;

discharges of gases or toxic chemicals;

flooding;

accidents; and

other conditions resulting from drilling, blasting and the removal of material from an underground mine.

We are at risk of experiencing any and all of these hazards. The occurrence of any of these hazards could delay the development of the mine, production, increase cash operating costs and result in additional financial liability for us.

*Our success may depend on our social and environmental performance.*

Our ability to operate successfully in communities will likely depend on our ability to develop, operate and close mines in a manner that is consistent with the health and safety of our employees, the protection of the environment, and the creation of long-term economic and social opportunities in the communities in which we operate. We seek to promote improvements in health and safety, environmental performance and community relations. However, our ability to operate could be adversely impacted by accidents or events detrimental (or perceived to be detrimental) to the health and safety of our employees, the environment or the communities in which we operate.

*Actual cash costs of production, production results and economic returns may differ significantly from those anticipated by our feasibility studies for new development projects, including Tongon.*

It can take a number of years from initial feasibility studies until development is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of uncertainties inherent in the development and construction of any new mine, including:

the availability and timing of necessary environmental and governmental permits;

the timing and cost necessary to construct mining and processing facilities, which can be considerable;

the availability and cost of skilled labor, power, water and other materials;

the accessibility of transportation and other infrastructure, particularly in remote locations; and

the availability of funds to finance construction and development activities.

At our Tongon project in Côte d'Ivoire, our board approved the development of the new mine based on the strength of a feasibility study. A final draft of the proposed mining convention has been submitted to Côte d'Ivoire's Ministry of Mines and Energy and we expected to sign the convention during the second quarter of 2009. Construction of the mine commenced at the end of 2008 with first gold production scheduled for the fourth quarter of 2010. We cannot provide any assurance that the project will ultimately result in a new commercial mining operation, or that a new commercial mining operation will be successful.

*We conduct mining, development and exploration activities in countries with developing economies and are subject to the risks of political and economic instability associated with these countries.*

We currently conduct mining, development and exploration activities in countries with developing economies. These countries and other emerging markets in which we may conduct operations have, from time to time, experienced economic or political instability. It is difficult to predict the future political, social and economic direction of the countries in which we operate, and the impact government decisions may have on our business. Any political or economic instability in the countries in which we currently operate could have a material and adverse effect on our business and results of operations.

The countries of Mali, Senegal, Burkina Faso, Ghana, Tanzania and Côte d'Ivoire have, since independence, experienced some form of political upheaval with varying forms of changes of government taking place. Côte d'Ivoire has experienced several years of political chaos, including an attempted coup d'état. The political situation in that country is normalizing and national elections are anticipated in the fourth quarter of 2009.

Goods are supplied to our operations in Mali through Ghana, Burkina Faso and Senegal, which routings have, to date, functioned satisfactorily. Our operations at Morila have been adversely affected by the higher transportation costs for diesel that now has to be delivered via Senegal. Any present or future policy changes in the countries in which we operate may in some way have a significant effect on our operations and interests.

The mining laws of Mali, Côte d'Ivoire, Senegal, Burkina Faso, Ghana and Tanzania stipulate that, should an economic orebody be discovered on a property subject to an exploration permit, a permit that allows processing operations to be undertaken must be issued to the holder. Except for Tanzania, legislation in these countries currently provides for the relevant government to acquire a free ownership interest, normally of at least 10%, in any mining project. For example, the Malian government holds a 20% interest in Morila SA and Somilo SA, and cannot be diluted below 10%, as a result of this type of legislation. The requirements of the various governments as to the foreign ownership and control of mining companies may change in a manner which adversely affects us.

*Under our joint venture agreement with AngloGold Ashanti Limited, or AngloGold Ashanti, we jointly manage Morila Limited, and any disputes with AngloGold Ashanti over the management of Morila Limited could adversely affect our business.*

We jointly control Morila Limited with AngloGold Ashanti under a joint venture agreement. Since February 15, 2008, we have been responsible for the day-to-day operations of Morila, subject to the overall management control of the Morila Limited board. Substantially all major management decisions, including approval of a budget for Morila, must be approved by the Morila Limited board. We and AngloGold Ashanti retain equal control over the board, with neither party holding a deciding vote. If a dispute arises between us and AngloGold Ashanti with respect to the management of Morila Limited and we are unable to amicably resolve the dispute, we may have to participate in arbitration or other proceeding to resolve the dispute, which could materially and adversely affect our business.

*The use of mining contractors at certain of our operations may expose it to delays or suspensions in mining activities.*

Mining contractors are used at Loulo and Morila to mine and deliver ore to processing plants. These mining contractors rely on third-party vendors to supply them with required mining equipment, many of which have been adversely affected by the global economic slowdown. Consequently, at these mines, we do not own all of the mining equipment and may face disruption of operations and incur costs and liabilities in the event that any of the mining contractors at these mines, or any of the vendors that supply them, has financial difficulties, or should there be a dispute in renegotiating a mining contract, or a delay in replacing an existing contractor.

*We may be required to seek funding from the global credit and capital markets to develop our properties, and the recent weaknesses in those markets could adversely affect our ability to obtain financing and capital resources.*

We require substantial funding to develop our properties, and may be required to seek funding from the credit and capital markets to finance these activities. Our ability to obtain outside financing will depend upon the price of gold and the market's perception of its future price, and other factors outside of our control. We may not be able to obtain funding on acceptable terms when required, or at all.

The credit and capital markets experienced significant deterioration in 2008, including the failure of significant and established financial institutions in the US and abroad, and may continue to deteriorate in 2009, all of which will have an impact on the availability and terms of credit and capital in the near term. If uncertainties in these markets continue, or these markets deteriorate further, it could have a material adverse effect on our ability to raise capital. Failure to raise capital when needed or on reasonable terms may have a material adverse effect on our business, financial condition and results of operations.

*We may not pay dividends to shareholders in the near future.*

We paid our third dividend to ordinary shareholders in March 2009. It is our policy to pay dividends if profits and funds are available for that purpose. Whether or not funds are available depends on a variety of factors. We cannot guarantee that dividends will be paid in the future.

*If we are unable to attract and retain key personnel our business may be harmed.*

Our ability to bring additional mineral properties into production and explore our extensive portfolio of mineral rights will depend, in large part, upon the skills and efforts of a small group of management and technical personnel, including D. Mark Bristow, our Chief Executive Officer. If we are not successful in retaining or attracting highly qualified individuals in key management positions our business may be harmed. The loss of any of our key personnel could adversely impact our ability to execute our business plan.

*Our insurance coverage may prove inadequate to satisfy future claims against us.*

We may become subject to liabilities, including liabilities for pollution or other hazards, against which we have not insured adequately or at all, or cannot insure. Our insurance policies contain exclusions and limitations on coverage. Our current insurance policies provide worldwide indemnity of £50 million in relation to legal liability incurred as a result of death, injury, disease of persons and/or loss of or damage to property. Main exclusions under this insurance policy, which relates to our industry, include war, nuclear risks, silicosis, asbestosis or other fibrosis of the lungs or diseases of the respiratory system with regard to employees, and gradual pollution. In addition, our insurance policies may not continue to be available at economically acceptable premiums. As a result, in the future our insurance coverage may not cover the extent of claims against us.

*It may be difficult for you to affect service of process and enforce legal judgments against us or our affiliates.*

We are incorporated in Jersey, Channel Islands and a majority of our directors and senior executives are not residents of the United States. Virtually all of our assets and the assets of those persons are located outside the United States. As a result, it may not be possible for you to effect service of process within the United States upon those persons or us. Furthermore, the United States and Jersey currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Consequently, it may not be possible for you to enforce a final judgment for payment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon United States Federal securities laws against those persons or us.

In order to enforce any judgment rendered by any Federal or state court in the United States in Jersey, proceedings must be initiated by way of common law action before a court of competent jurisdiction in Jersey. The entry of an enforcement order by a court in Jersey is conditional upon the following:

the court which pronounced the judgment has jurisdiction to entertain the case according to the principles recognized by Jersey law with reference to the jurisdiction of the foreign courts;

the judgment is final and conclusive it cannot be altered by the courts which pronounced it;

there is payable pursuant to a judgment a sum of money, not being a sum payable in respect of tax or other charges of a like nature or in respect of a fine or other penalty;

the judgment has not been prescribed;

the courts of the foreign country have jurisdiction in the circumstances of the case;

the judgment was not obtained by fraud; and

the recognition and enforcement of the judgment is not contrary to public policy in Jersey, including observance of the rules of natural justice which require that documents in the United States proceeding were properly served on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal.

Furthermore, it is doubtful whether you could bring an original action based on United States Federal securities laws in a Jersey court.

*We are subject to significant corporate regulation as a public company and failure to comply with all applicable regulations could subject us to liability or negatively affect our share price.*

As a publicly traded company, we are subject to a significant body of regulation. While we have developed and instituted a corporate compliance program based on what we believe are the current best practices in corporate governance and continue to update this program in response to newly implemented or changing regulatory requirements, we cannot provide absolute assurance that we are or will be in compliance with all potentially applicable corporate regulations. For example, we cannot provide assurance that in the future our management will not find a material weakness in connection with its annual review of our internal control over financial reporting pursuant to Section 404 of the US Sarbanes-Oxley Act of 2002. If we fail to comply with any of these regulations, we could be subject to a range of regulatory actions, fines or other sanctions or litigation. If we must disclose any material weakness in our internal control over financial reporting, our share price could decline.

#### **Risks Relating to Our Industry**

*The exploration of mineral properties is highly speculative in nature, involves substantial expenditures, and is frequently unproductive.*

Exploration for gold is highly speculative in nature. Our future growth and profitability will depend, in part, on our ability to identify and acquire additional mineral rights, and on the costs and results of our continued exploration and development programs. Many exploration programs, including some of ours, do not result in the discovery of mineralization and any mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Our mineral exploration rights may not contain commercially exploitable reserves of gold. Uncertainties as to the metallurgical recovery of any gold discovered may not warrant mining on the basis of available technology. Our operations are subject to all of the operating hazards and risks normally incident to exploring for and developing mineral properties, such as:

encountering unusual or unexpected formations;

environmental pollution;

personal injury and flooding; and

decrease in reserves due to a lower gold price.

If we discover a viable deposit, it usually takes several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change.

Moreover, we will use the evaluation work of professional geologists, geophysicists, and engineers for estimates in determining whether to commence or continue mining. These estimates generally rely on scientific and economic assumptions, which in some instances may not be correct, and could result in the expenditure of substantial amounts of money on a deposit before it can be determined whether or not the deposit contains economically recoverable mineralization. As a result of these uncertainties, we may not successfully acquire additional mineral rights, or identify new proven and probable reserves in sufficient quantities to justify commercial operations in any of our properties.



If management determines that capitalized costs associated with any of our gold interests are not likely to be recovered, we would recognize an impairment provision against the amounts capitalized for that interest. All of these factors may result in losses in relation to amounts spent which are found not to be recoverable.

*Title to our mineral properties may be challenged which may prevent or severely curtail our use of the affected properties.*

Title to our properties may be challenged or impugned, and title insurance is generally not available. Each sovereign state is the sole authority able to grant mineral property rights, and our ability to ensure that we have obtained secure title to individual mineral properties or mining concessions may be severely constrained. Our mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. In addition, we may be unable to operate our properties as permitted or to enforce our rights with respect to our properties.

*Our ability to obtain desirable mineral exploration projects in the future may be adversely affected by competition from other exploration companies.*

In conducting our exploration activities, we compete with other mining companies in connection with the search for and acquisition of properties producing or possessing the potential to produce gold. Existing or future competition in the mining industry could materially and adversely affect our prospects for mineral exploration and success in the future.

*Our operations are subject to extensive governmental and environmental regulations, which could cause us to incur costs that adversely affect our results of operations.*

Our mining facilities and operations are subject to substantial government laws and regulations, concerning mine safety, land use and environmental protection. We must comply with requirements regarding exploration operations, public safety, employee health and safety, use of explosives, air quality, water pollution, noxious odor, noise and dust controls, reclamation, solid waste, hazardous waste and wildlife as well as laws protecting the rights of other property owners and the public.

Any failure on our part to be in compliance with these laws, regulations, and requirements with respect to our properties could result in us being subject to substantial penalties, fees and expenses, significant delays in our operations or even the complete shutdown of our operations. We provide for estimated environmental rehabilitation costs when the related environmental disturbance takes place. Estimates of rehabilitation costs are subject to revision as a result of future changes in regulations and cost estimates. The costs associated with compliance with government regulations may ultimately be material and adversely affect our results of operations and financial condition.

*If our environmental and other governmental permits are not renewed or additional conditions are imposed on our permits, our financial condition and results of operations may be adversely affected.*

Generally, compliance with environmental and other government regulations requires us to obtain permits issued by governmental agencies. Some permits require periodic renewal or review of their conditions. We cannot predict whether we will be able to renew these permits or whether material changes in permit conditions will be imposed. Non-renewal of a permit may cause us to discontinue the operations requiring the permit, and the imposition of additional conditions on a permit may cause us to incur additional compliance costs, either of which could have a material adverse effect on our financial condition and results of operations.

*Labor disruptions could have an adverse effect on our operating results and financial condition.*

Our operations in West Africa are highly unionized, and strikes are legal in the countries in which we operate. Therefore, our operations are at risk of having work interrupted for indefinite periods due to industrial action, such as strikes by employee collectives. Should long disruptions take place on our operations, the results from our operations and their financial condition could be materially and adversely affected.

*AIDS poses risks to us in terms of productivity and costs.*

The incidence of AIDS in Mali and Côte d'Ivoire, which has been forecasted to increase over the next decade, poses risks to us in terms of potentially reduced productivity and increased medical and insurance costs. The exact extent to which our workforce is infected is not known at present. The prevalence of AIDS could become significant. Significant increases in the incidence of AIDS infection and AIDS-related diseases among members of our workforce in the future could adversely impact our operations and financial condition.

#### **Item 4. Information on the Company**

##### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

Randgold Resources Limited was incorporated under the laws of Jersey, Channel Islands in August 1995, to engage in the exploration and development of gold deposits in Sub-Saharan Africa. Our principal executive offices are located at La Motte Chambers, La Motte Street, St. Helier, Jersey, JE1 1BJ, Channel Islands and our telephone number is (011 44) 1534 735-333. Our agent in the United States is CT Corporation System, 111 Eighth Avenue, New York, New York 10011.

We discovered the Morila deposit during December 1996 and we subsequently financed, built and commissioned the Morila mine.

During July 2000, we concluded the sale of 50% of our interest in Morila Limited (and also a shareholder loan made by us to Morila Limited) to AngloGold Ashanti for \$132 million in cash.

We have an 80% controlling interest in Société des Mines de Loulo S.A., or Somilo, through a series of transactions culminating in April 2001. The Loulo mine commenced operations in October 2005 and mines the Gara (formerly Loulo 0) and Yalea deposits. We discovered the Yalea deposit in 1997.

We conduct our mining operations through:

a 50% joint venture interest in Morila Limited (which in turn owns an 80% interest in the Morila mine); and

an 80% interest in Somilo.

In July 2002, we completed a public offering of 5,000,000 of our ordinary shares, including American Depositary Shares, or ADSs, resulting in gross proceeds to us of \$32.5 million. These proceeds were used to repay a syndicated term loan and revolving credit facility in November 2002 and for feasibility studies and development activities. In connection with this offering, we listed our ADSs on the Nasdaq National Market (Our ADSs are now listed on the Nasdaq Global Select Market).

In April 2003, we entered into a heads of agreement with Resolute Mining Limited, or Resolute. Under this agreement we gave Resolute a 12 month option to acquire our entire interest in our wholly-owned subsidiary, Randgold Resources (Somisy) Limited, or RRL Somisy, for \$6 million, plus a quarterly royalty payment based on the gold price, and the assumption of certain liabilities. RRL Somisy owned 80% of Somisy which owned the Syama mine.

As of June 13, 2003, Randgold & Exploration owned approximately 43% of our outstanding share capital. Since that time, a number of transactions have taken place resulting in all of our shares which were held by Randgold & Exploration being sold. Currently Randgold & Exploration has no interest in us.

In February 2004, we announced that we would develop a new mine at Loulo in western Mali. Construction continued through 2005 and the new open pit mine went into production in October 2005. In addition, our board agreed to proceed with the development of the underground mine and, after the award of the development contract, work commenced with the construction of the boxcut at the Yalea mine in August 2006. This boxcut has been completed and the first blast into hard rock took place on December 22, 2006. First ore was mined in the second quarter of 2008 and full production is scheduled for 2009. Development at Loulo's second underground mine, Gara, is due to start at the beginning of 2010 with first ore being delivered to the plant by the end of that year.



In April 2004, Resolute exercised its option to acquire the Syama mine. Resolute has subsequently paid us \$6 million in cash and has assumed liabilities of \$7 million, of which \$4 million owing to ourselves has been settled. The agreement entered into in June 2004 between the parties makes provision for the payment of a royalty by Resolute. At a gold price of more than \$350 per ounce, we would receive a royalty on Syama's production of \$10 per ounce on the first million of ounces attributable to Resolute and \$5 per ounce on the next three million of attributable ounces entered. This royalty payment is capped at \$25 million. In April 2007, Resolute officially reopened the mine and announced that it would commence a recommissioning. We did not receive any royalties in respect of the years ended December 31, 2008, 2007 or 2006.

Effective on June 11, 2004, we undertook a split of our ordinary shares, which increased our issued share capital from 29,263,385 to 58,526,770 ordinary shares. In connection with this share split our ordinary shareholders of record on June 11, 2004 received two \$0.05 ordinary shares for every one \$0.10 ordinary share they held. Following the share split, each shareholder held the same percentage interest in us; however, the trading price of each share was adjusted to reflect the share split. ADS holders were affected the same way as shareholders and the ADS ratio remains one ADS to one ordinary share.

On November 1, 2005, we completed a public offering of 8,125,000 of our ordinary shares, including ADSs, resulting in gross proceeds to us of \$109.7 million. The new shares were allocated to institutional shareholders in the United Kingdom, the United States, Canada and the rest of the world.

On December 6, 2007, we completed a public offering of 6,821,000 of our ordinary shares, including ADSs, resulting in gross proceeds to us of \$240 million. The proceeds from the offering are being used for the development of the Tongon project, together with such organic and corporate opportunities, including possible acquisitions, as might arise.

During 2007, peace initiatives in Côte d'Ivoire continued and we completed a feasibility study which allowed our board to approve the development of the new mine subject to the approval of the mining convention by the Côte d'Ivoire Minister of Mines and Energy. Construction of the mine started at the end of 2008 and first gold production is scheduled for the fourth quarter of 2010.

Developments during 2008 relating to MDM are discussed more fully in Item 4. Information on the Company B. Business Overview Legal Proceedings .

### **Principal Capital Expenditures**

Capital expenditures incurred for the year ended December 31, 2008 totaled \$85 million compared to \$47.9 million for the year ended December 31, 2007 and \$61.5 million for the year ended December 31, 2006. As of December 31, 2008, our capital commitments amounted to \$40.3 million, principally for the Loulo underground project and Tongon Project. The capital expenditures will be financed out of internal funds. The capital cost for both Loulo underground mines is expected to amount to \$113 million for the next three years. The capital cost for the Tongon mine is expected to amount to \$247 million for the next three years.

### **Recent Developments**

During 2008, we concluded an addendum to our joint venture agreement in Côte d'Ivoire. As a result, we acquired a further 5% interest in the joint venture increasing our stake from 76% to 81%. During the third quarter of 2008, our joint venture partner agreed that we should fund their portion of the capital required for the Tongon project in exchange for an additional 3% interest in the project. The funding of their share of the capital will be repaid from the project's cashflows. This increases our participation in the project to 84% and reduces their participation to 6%. Government participation remains at 10% and will also be funded by us and repaid from project cashflows.

## **B. BUSINESS OVERVIEW**

### **Overview**

We engage in gold mining, exploration and related activities. Our activities are focused on West and East Africa, some of the most promising areas for gold discovery in the world. In Mali, we have an 80% controlling interest in the Loulo mine through Somilo SA.

The Loulo mine is currently mining from two open pits and one underground mine and is developing a further underground mine. We also own 50% of Morila Limited, which in turn owns 80% of Morila SA, the owner of the Morila mine in Mali. In addition, we own an effective 84% controlling interest in the development stage Tongon project located in the neighboring country of Côte d'Ivoire, which is scheduled to be in production by the end of 2010. We also own an effective 83% controlling interest in the Massawa project in Senegal where we completed a scoping study in March 2009, and where we have now commenced a prefeasibility study which is expected to be completed by the end of 2009. We also have exploration permits and licenses covering substantial areas in Mali, Côte d'Ivoire, Burkina Faso, Ghana, Senegal and Tanzania. At April 30, 2009, we declared proven and probable reserves of 8.87 million ounces attributable to our percentage ownership interests in Loulo, Morila, and Tongon.

Our strategy is to create value through the discovery, development and profitable exploitation of resource opportunities, focusing on gold. We seek to discover significant gold deposits, either from our own phased exploration programs or the acquisition of early stage to mature exploration programs. We actively manage both our portfolio of exploration and development properties and our risk exposure to any particular geographical area. We also routinely review opportunities to acquire development projects and existing mining operations and companies.

#### Loulo

In February 2004, we announced that we would develop a new mine at Loulo in western Mali. In 2005, we commenced open pit mining operations at the Gara and Yalea pits, as well as other smaller satellite pits. In 2008, its third year of production, the Loulo mine produced 258,095 ounces of gold at a total cash cost of \$511 per ounce. We estimate that the mine will produce approximately 360,000 ounces in 2009. We currently anticipate that mining at Loulo will continue through 2029.

We commenced development of the Yalea underground mine in August 2006 and first ore was accessed in the April of 2008 with full production scheduled for the end of 2009. We anticipate that we will commence development of Loulo's second underground mine, Gara, in the first quarter of 2010 with first ore scheduled to be delivered to the plant at the end of that year.

The focus of exploration at Loulo is to continue to explore and discover additional orebodies within the 372 square kilometer permit. To date, we have succeeded in identifying numerous additional targets including one significant advanced stage target, Goukoto, which are subject to further exploration and drilling.

#### Morila

In 1996, we discovered the Morila deposit, which we financed and developed and has been our major gold producing asset to date. Since production began in October 2000, Morila has produced more than 5 million ounces of gold at a total cash cost of \$187 per ounce. Morila's total production for 2008 was 425,828 ounces, with mining continuing through to April 2009 and processing of lower grade stockpiles continuing through 2013.

Morila focuses its exploration activities on extending the existing orebody and discovering new deposits that can be processed using the Morila plant. We continually seek to extend the life of mine at Morila, and have targeted areas within the Morila joint venture for further drilling. Outside of the Morila joint venture, we hold exploration permits covering 382 square kilometers in the Morila region, where we are engaged in early stage exploration work.

#### Tongon

At our Tongon project located in Côte d'Ivoire we have initiated a 433 hole, 39,099 meter advanced grade control program over the planned pits of the southern and northern zones, prior to the start of mining which is scheduled for early 2010. Construction has commenced and the issuing of the mining license has progressed with the new mining area having been agreed and drafting of the decree for final signature and approval is in progress.

## Massawa

At our Massawa project located in Senegal, we have successfully completed a 5,000 meter drilling program as part of the scoping study that was completed in March 2009. The results of the study have demonstrated that the project is economic and we have commenced a further 35,000 meter drilling program as part of a prefeasibility study which is expected to be completed by the end of 2009.

## Exploration

We have a quality portfolio of exploration projects in both West and East Africa. In 2008, we concentrated our exploration activities on the extension of known orebodies and on the discovery of new orebodies both at producing mines and exploration sites. We continued with our strategy to expand our footprint in Africa, including newly emerging countries. We are exploring in six African countries with a portfolio of 177 targets on 12,126 square kilometers of groundholding. Our business strategy of organic growth through exploration has been validated by our discovery and development track record, including the Morila and Loulo mines, the Tongon project and the Massawa discovery.

## Ownership of Mines and Subsidiaries

The Morila mine is owned by a Malian company, Morila SA. The mine is controlled by a 50/50 joint venture management committee, created pursuant to a joint venture agreement between AngloGold Ashanti and us. Effective on February 15, 2008, responsibility for day-to-day operations of the mine passed to us.

Under the joint venture agreement, we and AngloGold Ashanti are each entitled to appoint four directors to the board of directors of Morila Limited, which owns 80% of Morila SA. Pursuant to terms of an addendum to the joint venture agreement concluded in April 2008, we are entitled to appoint one of our four directors as chairman, which position does not possess an additional vote. A quorum of the board for any meeting may only be achieved if at least two directors appointed by each of us are present. We have further agreed that all major decisions involving Morila Limited must be decided upon at the board level on a consensus basis, though following the conclusion of an addendum to the operating agreement, responsibility for and authority regarding the day-to-day operation of Morila has been transferred to us. Under the joint venture agreement, if either party wishes to sell its interest in Morila Limited, the other has a right of first refusal regarding that interest.

The Loulo mine is owned by a Malian company, Somilo, which in turn is owned 80% by Randgold Resources (Somilo) Limited, our wholly-owned subsidiary, and 20% by the State of Mali. Randgold Resources is the operator of the Loulo mine.

During the first quarter of 2009, we formed a new Côte d'Ivoire company in which ownership of the Tongon Project vests. Our interest of 84% in this company will be held through our wholly-owned subsidiary Randgold Resources (Côte d'Ivoire) Limited. The Government of Côte d'Ivoire has a 10% free-carried interest and the right to acquire additional shares at market prices. The remaining 6% is held by New Mining CI, our joint venture partner in Côte d'Ivoire.

## Geology

We target profitable gold deposits that have the potential to host mineable gold reserves of two million ounces or more.

West Africa is one of the more geologically prospective regions for gold deposits in the world. Lower Proterozoic rocks are known to contain significant gold occurrences and exist in West Africa in abundance. The Birrimian greenstone belts, part of the Lower Proterozoic, which are younger than the Archaean greenstones of Canada, Australia and South Africa, contain similar types of ore deposits and are located in Ghana, Côte d'Ivoire, Burkina Faso, Guinea, Mali, Senegal and Niger. Although a significant amount of geological information has been collected by government and quasi-government agencies in West Africa, the region has largely been under-explored by mining and exploration companies using modern day technology. Most of our exploration properties are situated within the Birrimian Formation, a series of Lower Proterozoic volcanic and sedimentary rocks. The West African Birrimian sequences host a number of world class gold deposits and producing gold mines.

Our strategy was initiated before the current entry of our competitors into West Africa and we believe that this enabled us to secure promising exploration permits in the countries of Côte d'Ivoire, Mali, Burkina Faso, and Senegal at relatively low entry costs.

### Reserves

Only those reserves which qualify as proven and probable reserves for purposes of the SEC's industry guide number 7 are presented in this Annual Report. Pit optimization is carried out at a gold price of \$650 per ounce. Underground reserves are also based on a gold price of \$650 per ounce.

Morila reserves have been estimated by Mr. D. Kamugisha, Morila Mine Planner and signed off by Mr. S. Ndede, Morila Manager Mining. The Loulo mine and Tongon project reserves were estimated by Mr. O. Ten Brinke, Chief Mine Planning Engineer. All reserves were verified and approved by Mr. R.B. Quick, our General Manager: Project Development, Evaluation and Environment.

Total reserves as of December 31, 2008, amounted to 109.46 million tonnes at an average grade of 3.27 g/t, for 11.51 million ounces of gold of which 8.87 million ounces are attributable to us. In calculating proven and probable reserves, current industry standard estimation methods are used. The reserves were calculated using classical geostatistical techniques, following geological modeling of the borehole information. The sampling and assaying is done to internationally acceptable standards and routine quality control procedures are in place.

All reserves are based on feasibility level studies. Factors such as grade distribution of the orebody, planned production rates, forecast working costs, dilution and mining recovery factors, geotechnical parameters and metallurgical factors as well as current forecast gold price are all used to determine a cut-off grade from which a life of mine plan is developed in order to optimize the profitability of the operation.

The following table summarizes the declared reserves at our mines and project as of December 31, 2008:

Operation/ Project	Proven Reserves			Probable Reserves			Total Reserves		
	Tonnes (Mt)	Grade (G/T)	Gold (Moz)	Tonnes (Mt)	Grade (G/T)	Gold (Moz)	Tonnes (Mt)	Grade (G/T)	Gold (Moz)
Morila +	13.74	2.02	0.89	6.88	1.14	0.25	20.62	1.72	1.14
Loulo * +	7.08	3.38	0.77	43.51	4.60	6.43	50.59	4.42	7.20
Tongon +				38.25	2.57	3.16	38.25	2.57	3.16

\* Includes Loulo underground.

+ Our attributable share of Morila is 40%, of Loulo 80% and Tongon 84%.

At Loulo and Morila mines a 10% mining dilution at zero grade and an ore loss of 5% has been incorporated into the estimates of reserves and are reported as mill delivered tonnes and head grades. At the Tongon project a dilution of 15% at zero grade and an ore loss of 2% has been modelled for the Southern zone and for the Northern zone, dilution has been set at 10% with ore loss at 3%. Metallurgical recovery factors have not been applied to the reserve figures. The approximate metallurgical recovery factors are 91.5% for the Morila mine, 89.6% for the Loulo mine and 90.9% for the Tongon project.

### Mining Operations

#### Loulo

Loulo is controlled by a Malian company, Société des Mines de Loulo (Somilo), which is owned 80% by us and 20% by the Malian government.

The mine is located within the Kedougou-Kéniéba inlier of Birimian rocks which hosts several major gold deposits, namely Gara and Yalea on the Loulo lease as well as Sadiola and Yatela in Mali and the Senegalese deposits

of Sabodala and Massawa.

The mine was officially opened on November 12, 2005 with initial production from the two main open pit mines of Yalea and Gara. An underground mine is now being developed at Yalea to access the deeper high grade ore. Work on a second underground mine at Gara is planned to start in 2010. Since commissioning, Loulo has produced over 800,000 ounces at approximately 250,000 ounces per year, and is planned to ramp up to 400,000 ounces by 2011 once the underground mines are fully operational.

Increased plant throughput in 2008 partially offset the impact of lower head grades caused by the delay of the underground development which limited access to higher grade ore. Gold production for the year was 258,095 ounces, compared to 264,647 ounces in 2007. Industry-wide consumable cost pressures in 2008, especially from diesel, steel and reagents, together with the strengthening of the Euro and the slightly lower head grade, resulted in higher total cash costs of \$511 per ounce compared to \$372 per ounce in the previous year. Despite numerous challenges the mine still managed to come within 3% of forecast production.

## LOULO: PRODUCTION RESULTS

<b>12 months ending December 31,</b>	<b>2008</b>	<b>2007</b>
Total mined (Mt)	26.23	21.00
Ore mined (Mt)	3.40	2.43
Mined grade (g/t)	3.02	3.32
Strip ratio (waste:ore)	6.9:1	7.6:1
Ore milled (Mt)	2.72	2.70
Head grade (g/t)	3.22	3.30
Recovery (%)	91.2	93.3
Ounces produced (oz)	258,095	264,647
Average gold price received (\$/oz)	738	612
Cash operating cost (excluding royalty) (\$/oz)	469	337
Total cash cost (\$/oz)	511	372
Profit from mining activity (\$ million)	58.52	63.60

*Note to table:*

*We own 80% of Loulo and the Government of Mali the remaining 20%. The government's share is not a free carried interest. We have funded the government portion of the investment in Loulo by way of shareholder loans and therefore control 100% of the cash flows from Loulo until the shareholder loans are repaid.*

## MINERALIZED MATERIAL AND RESERVES

Low grade material on stockpile increased during 2008 due to an effort to mine more material from the pits to offset lower production tonnes from underground.

## LOULO: ORE RESERVES

<b>As at</b>		<b>Tonnes</b>	<b>Tonnes</b>	<b>Grade</b>	<b>Grade</b>	<b>Ounces</b>	<b>Ounces</b>
<b>December 31,</b>	<b>Category</b>	<b>(Mt)</b>	<b>(Mt)</b>	<b>(g/t)</b>	<b>(g/t)</b>	<b>(Moz)</b>	<b>(Moz)</b>
		<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
<b>ORE RESERVES</b>							
Stockpiles	Proven	0.86	0.42	1.73	1.83	0.05	0.02
Gara open pit	Proven	4.49	5.57	3.32	3.16	0.48	0.57
	Probable	0.11	0.13	3.60	3.79	0.01	0.02
Yalea open pit	Proven	1.47	2.96	4.59	3.94	0.22	0.37
	Probable		0.03		2.04		0.002
Gara West open pit	Probable	1.07	1.07	2.03	2.03	0.07	0.07
Loulo 3 open pit	Proven	0.26		3.02		0.02	
	Probable	0.12		3.75		0.02	
P129 open pit	Probable	0.15	0.15	2.65	2.70	0.01	0.01
<b>Total surface reserve</b>	<b>Proven</b>	<b>8.53</b>	<b>10.33</b>	<b>3.20</b>	<b>3.21</b>	<b>0.88</b>	<b>1.07</b>
	<b>and</b>						
	<b>probable</b>						
Gara UG	Probable	17.35	17.08	4.07	3.91	2.27	2.14
Yalea UG	Probable	24.71	27.01	5.09	4.82	4.05	4.19



As at		Tonnes	Tonnes	Grade	Grade	Ounces	Ounces	Attributable
December 31,	Category	(Mt)	(Mt)	(g/t)	(g/t)	(Moz)	(Moz)	ounces
Total underground reserve	Probable	2008	2007	2008	2007	2008	2007	(80%)
Total proven mine reserves		7.08	8.95	3.38	3.36	0.77	0.97	0.62
Total probable mine reserves		43.51	45.47	4.60	4.40	6.43	6.43	5.14
<b>Total mine reserves</b>		<b>50.59</b>	<b>54.42</b>	<b>4.42</b>	<b>4.23</b>	<b>7.20</b>	<b>7.40</b>	<b>5.76</b>

*Pit and underground optimizations carried out at a gold price of \$650 per ounce for reserve definition. Dilution and ore loss are incorporated into calculation of reserves. Stockpiled ore included. For details on our attributable ounces, please see the reserve table on page 44 of this Annual Report.*

#### PRODUCTION EXPANSION

During 2008, headway was made with a number of capital projects as the mine sought to expand production throughput and increase the Yalea high grade feed. The main projects were:

Start of power plant expansion with two new medium speed generator units increasing power supply to 27.5 MW.

Tailings thickener and clarifier installed, together with cyanide destruction module.

Oxygen plant capacity expanded together with the installation of high shear reactors to improve the quantity and efficiency of oxygen supply into the circuit.

New stockpile project started to link overland conveyor system from Yalea underground with current crushing plant feeding system together with crusher modifications to increase monthly process plant throughput to 300,000 tonnes per month.

#### UNDERGROUND

Loulo remains a very dynamic operation, particularly during this period of transition from a principally open pit operation to one that will be dominated by underground production. Delays during the year on underground development, largely due to poor availability of the development loaders, has been managed through the incorporation of extra open pit mining from the main pits and the smaller satellite pits at Loulo 3, together with the stockpiling of lower grade ores. The first six months of 2009 will require further waste push backs at Gara to ensure the mine retains this flexibility, together with a concerted exploration and drill out effort on Loulo 3 which is expected to deliver more open pit ounces in the short term.

The underground developments clearly represent the future of Loulo and there has been a determined effort between management and the equipment suppliers and service providers to overcome a series of technical challenges that delayed the project during the year, principally the availability of the underground fleet and the ability to drill and blast up holes. The service providers have agreed to stock more spares on site including complete engines and drive trains - and to increase the number of mechanics, thus ensuring better equipment availability. Furthermore, high-speed development crews are being recruited to add their specialist skills to the team. Despite delays some significant milestones were achieved during the year:

A total of 3,861 meters of development was completed and 107,805 tonnes of ore at a grade of 4.42g/t was mined from the initial stopes below P125 pit. The Yalea declines have now been advanced to a distance of 1,150 meters from surface and a vertical depth of 180 meters.

The first and second belts in the underground conveyor system were installed and commissioned and are currently making use of a temporary tipping arrangement, awaiting the introduction of the overland conveyor



system planned for completion in the first half of 2009.

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A waste backfill trial was successfully completed during the final quarter of the year, utilizing waste rock from development. Drilling of backfill slurry holes from surface started in January 2009 with the first sill casting expected early in quarter two of 2009.

Construction work on the concrete tunnels was completed and the filling of the box cut is nearly complete.

Following a rescheduling exercise, the Life of Mine plan has been modified. The optimized plan envisages an increase in tonnes mined from the Yalea underground mine in 2009, while delaying the commissioning of the Gara underground development until 2010. The revised plan foresees a build-up to a production rate of 120,000 tonnes a month from the Yalea underground by year end. The new plan has the following key benefits:

The ounces produced from the mine over the next five years will be more evenly distributed.

The mine can commit more resources to ensuring the successful implementation of the Yalea underground operation before starting with the second underground mine development.

The increased tonnes from Yalea are higher in grade than ounces that were previously planned to be mined from Gara in 2009.

The capital costs associated with the Gara development can be deferred at a time when capital costs are at historical highs but could reduce in future.

During 2008 work continued on the positioning of the Gara portal, with sterilization and geotechnical drilling being completed. A position inside the south-western wall of the Gara pit has been identified as the most suitable for portal placement, allowing for the rapid access of ore from Gara underground.

#### Morila

Morila is owned by a Malian company Morila SA, (Morila) which in turn is owned 80% by Morila Limited and 20% by the state of Mali.

Morila Limited is jointly owned by ourselves and AngloGold Ashanti Limited and the mine is controlled by a 50:50 joint venture management committee. Responsibility for the day-to-day operations was transferred from AngloGold Ashanti to us with effect from 15 February 2008.

Morila produced its 5 millionth ounce during the year and has distributed an amount in excess of \$1.3 billion to its stakeholders since the mine began production in October 2000.

Drilling of fringe areas during the year within the final pit resulted in model changes and a revised forecast. The mine produced 425,828 ounces at a total cash cost of \$400 per ounce for the year. Morila did well in constraining costs which peaked in the third quarter due to world wide inflationary pressures.

A summary of the salient production and financial statistics as well as a comparison with the previous year's results is shown below.

#### MORILA: PRODUCTION RESULTS

<b>12 months ending December 31,</b>	<b>2008</b>	<b>2007</b>
Total mined (Mt)	19.8	23.9
Ore mined (Mt)	4.9	5.0
Mined grade (g/t)	3.19	3.48
Strip ratio (waste:ore)	3.0	3.8
Ore milled (Mt)	4.3	4.2
Head grade (g/t)	3.4	3.7
Recovery (%)	91.2	91.6
Ounces produced (oz)	425,828	449,815
Average gold price received (\$/oz)	870	710

<b>12 months ending December 31,</b>	<b>2008</b>	<b>2007</b>
Cash operating cost (excluding royalty) (\$/oz)	347	282
Total cash cost (\$/oz)	400	332
Profit from mining activity (\$ million)	200.2	169.8

**MINERALIZED MATERIAL AND RESERVES**

Infill pit drilling resulted in a decrease in the high grade, with high grade material being replaced by significant lower grade tonnes. The net result is a gain in overall Life of Mine ounces, but a decrease in available head grade for 2009.

Grade control drilling has confirmed a small tongue of high grade material extending beneath the northern extension of the final pit and a scoping study is underway to determine if it is possible to mine these ounces from underground.

Due to the ore body morphology and the fact that the pit is in its final stages, optimizations at higher gold prices do not affect the pit size – no push backs are warranted. Ore reserves, based on the current ore body model and including depletion from mining to December 31, 2008, are shown below. Mining activities will cease during April 2009 which with processing of stockpiles is estimated to continue until 2013, dependent on the achieved gold price, throughput and input costs at the time.

Mining operations were carried out under contract by Somadex, a subsidiary of DTP Terrassement, the mining arm of the French construction company Bouygues. A partnership agreement, which incorporates the principle of sharing the potential savings achieved by the contractor, using agreed productivity assumptions and allowing for an agreed return, has been successful particularly in productivity improvements. A planned rightsizing program has been designed together with Somadex and the union of mineworkers to align the workforce to the operation's requirements after April 2009.

**MORILA: ORE RESERVES**

	<b>Tonnes (Mt)</b>	<b>Tonnes (Mt)</b>	<b>Grade (g/t)</b>	<b>Grade (g/t)</b>	<b>Gold (Moz)</b>	<b>Gold (Moz)</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Proven	13.74	13.11	2.02	2.21	0.89	0.93
Probable	6.88	9.95	1.14	2.01	0.25	0.64
Proven and probable	20.62	23.06	1.72	2.13	1.14	1.58

*Cut-off grade for reserves = 1g/t. Reserves are updated within the \$650 per ounce pit design. Stockpiled ore included. Dilution and ore loss are included in reserve calculation. For details on our attributable ounces, please see the reserve table on page 44 of this Annual Report.*

**Tongon project**

The Tongon project is located within the Nielle exploration permit in the north of Côte d'Ivoire, 55 kilometers south of the border with Mali.

We hold an effective 84% interest in the project. The Côte d'Ivoire state holds a carried interest of 10% with the option to acquire a further 10% participatory right at market rates. New Mining CI, (NMCI), by virtue of a joint venture agreement with us, holds a 6% interest. Funding for their interest in the project will be provided by ourselves and repaid from project cash flows, as will the state's carried interest of 10%.

Following the approval of the environmental impact assessment, we have fulfilled all the prerequisites for the mining license and await its issuance. The fiscal regime governing the mine has been agreed and incorporated in a mining convention which is progressing through the interministerial approval process.

## GEOLOGY AND ORE RESERVES

The Tongon deposits are located within the Lower Proterozoic Senoufo Belt, which is a 200 kilometers long, volcanisedimentary belt of greenschist grade metamorphism bounded on either side by variably tectonized granitoid gneiss terranes.

Mineralization at Tongon is defined in two zones. In the Northern Zone, the major part of the mineralization is located within volcanoclastic rocks which have been intruded by granodiorite and diorite intrusives and is bounded by sheared footwall and hangingwall shale units. The mineralized zone varies in thickness from 3 meters to 35 meters and averages 25 meters in zones of dilation. The mineralization is associated with increased silicification, sulfidation and fine brecciation.

The Southern Zone is more complex, with mineralization controlled by multiple north-east trending, north-west dipping shears that occur adjacent to a granodiorite intrusive body. Mineralization extends for 2 kilometers along strike and consists of a number of individual lodes. Host rocks include a package of volcanoclastics and intermittent carbonaceous shale units. Alteration is similar to the Northern Zone, being located adjacent to shears and within the predominantly brittle deformed ore zones. Sulfide mineralization includes arsenopyrite, pyrrhotite and pyrite.

Reserve estimation is based on the results of 275 drillholes (252 diamond drillholes and 23 RC drillholes) for a total of 52,686 meters. Fifty-eight additional trenches have been excavated for a total of 8,608 meters. Average drillhole spacing is 50 x 50 meters and in parts of the Southern Zone is reduced to 25 x 25 meters.

## TONGON: PROBABLE ORE RESERVES

	Tonnes (Mt)	Grade (g/t)	Gold content (Moz)
NORTHERN ZONE			
Oxide	0.52	1.97	0.03
Transition	1.23	2.30	0.09
Fresh	5.71	2.32	0.43
Sub total	7.45	2.29	0.55
SOUTHERN ZONE			
Oxide	1.79	2.59	0.15
Transition	2.14	2.88	0.20
Fresh	26.88	2.63	2.27
Sub total	30.80	2.64	2.62
<b>Total probable reserves</b>	<b>38.25</b>	<b>2.57</b>	<b>3.16</b>

*Reserves are calculated within the \$650 per ounce pit design. Dilution and ore loss are included in reserve calculation. For details on our attributable ounces, please see the reserve table on page 44 of this Annual Report.*

## MINING

Mining at Tongon will be by open pit and pit optimization has been based on a spot gold price of \$650 per ounce. Pit designs have been completed using 10 meter benches for waste rock and 5 meter benches for ore. Ramps are 25 meter wide for double lane and 12 meter wide for single lane. Dilution of 15% at zero grade and an ore loss of 2% has been modelled for the Southern Zone, and for the Northern Zone, dilution has been set at 10% with ore loss at 3%. Based on the pit optimization, design and schedule, an ore reserve amounting to 38.25 Mt at a grade of 2.57g/t for gold content of 3.16 Mozs has been estimated.

A mining schedule based on 3.6 Mt per annum plant throughput has been developed. Preference has been given to mining the larger, higher grade Southern Zone pit followed by the Northern Zone pit. The Life of Mine strip ratio is estimated at 4.3:1. The peak mining rate is estimated to reach 25 Mt per annum of waste and ore.

The ore from the pits will be hauled to the crushing point on the ROM (run of mine) pad and will be tipped directly into the crusher bin or stockpiled on the ROM pad in the vicinity of the bin for blending. The ROM pad will have an estimated capacity of some 700,000 tonnes of ore.



The load and haul fleet will consist of three 250 to 300 tonne class excavators, assisted by smaller 125 tonne excavators, loading 90 tonne dump trucks. Mining activities at Tongon, including grade control drilling, drill and blast, load and haul and crusher feeding will be contracted out. Negotiations with potential contractors are expected to be concluded around the middle of the year with the chosen contractor scheduled to start mining early in 2010.

Prior to start of mining we have initiated a 433 hole, 39,099 meter, advanced grade control program over the planned pits of the Southern and Northern Zones. Approximately half the holes have been completed and results to date confirm the existing grade model.

#### METALLURGY AND PLANT DESIGN

As noted above, the plant is designed to process 3.6 Mt per annum with ores being treated through a primary, secondary and tertiary crushing circuit. Milling will comprise two ball mills with the discharge from each mill being pumped into separate cyclone feed pump and classifier systems.

A flash flotation circuit will be used to recover floatable gold, with the balance gravitating to the ball mills for further size reduction. A thickener will be used to enhance the control around the milling and classification circuit, as well as ensuring constant feed density to the CIL (carbon in leach) circuit. The thickener underflow will be pumped to the leach/CIL circuit where gold will be dissolved and adsorbed onto activated carbon. The resultant CIL tailings slurry will be subjected to tailings thickening to recover the maximum amount of process water containing available unused cyanide, which will reduce the amount of fresh cyanide required for leaching as well as the amount of cyanide destruction required. A cyanide destruction process will be incorporated into the process design. The thickened underflow will be pumped to the tailings storage facility which will be located as a valley fill impoundment, approximately 6 kilometers to the west of the plant site.

Gold will be recovered from the flotation concentrates through a combination of fine grinding and cyanidation. Loaded carbon from the CIL circuit will be acid washed prior to elution, followed by regeneration of the eluted carbon. Gold will be deposited onto cathodes following electrowinning of the eluate. The dried gold sludge will be smelted to produce gold doré which will be shipped to the refinery. Average recoveries over the Life of Mine are expected to exceed 90%.

#### INFRASTRUCTURE

The footprint of the mine site has been delineated with the aim of keeping the project area to a minimum, thus reducing its impact on the environment and the local population. The design layout of the infrastructure has been completed. Electrical power will be supplied from the national grid via a dedicated overhead line. A full back-up power generation plant will also be installed. Water will be supplied via a stream diversion dam located approximately one kilometer upstream from the Southern Zone pit.

#### ENVIRONMENTAL IMPACT

A full environmental and social impact assessment study (ESIA) was carried out by independent consultants, Digby Wells & Associates, as required by Côte d'Ivoire legislation as well as our own compliance with Equator Principles and the IFC performance standards on social and environmental sustainability. Project alternatives have been examined and a public participation process completed. The natural pre-mining environment has been described and the potential project impacts evaluated. No fatal flaws have been identified by the specialist studies on hydrology, geohydrology, flora, fauna or archaeology. A relocation action plan for affected farmers has been formulated and agreed with the local communities and state authorities. The ESIA was subjected to a public enquiry process and subsequently approved by the state, and the environmental permit to develop the mine has been issued.

#### HUMAN RESOURCES

Several hundred new job opportunities will be created in Northern Côte d'Ivoire. The highest number of workers, exceeding 800, will be employed during the construction phase. Subsequent to that, during the production phase, employment should total approximately 536 permanent employees of which 278 will be employed by ourselves and 258 by contractors. Recruitment for the construction phase has already started through a labor broker.

## FINANCIAL MODEL

While decreases in costs of diesel, steel, reagents and transport are expected to filter down in future, the financial analysis shown below is based on costs at September 2008, when the feasibility type 4 study was completed. The key parameters are summarized below:

A flat gold price of \$800 per ounce has been used for modelling purposes, with sensitivities applied from \$600 to \$1,000 per ounce.

Total ore mined of 38.25 Mt at a strip ratio of 4.3:1 to give total tonnes mined of 203 Mt and total contained gold of 3.16 Mozs.

Mining costs average of \$3.03 per tonne over the Life of Mine.

Mill throughput of 300,000 tonnes per month.

Plant costs average of \$12.55 per tonne.

G&A cost of \$2.90 per tonne over Life of Mine.

Capital cost of \$280 million.

In order to illustrate the effect of costs reverting to pre-commodity-boom levels, we have detailed below a comparison of the September 2008 cost estimates with input costs approximating those experienced in the third quarter of 2007.

### TONGON: FEASIBILITY STUDY COSTS AND COST COMPARISON

	<b>Feasibility Q3 2008</b>	<b>Cost estimate Q3 2007</b>
Cash operating costs	\$420/oz	\$357/oz
Total cash costs (@ \$800/oz gold price)	\$444/oz	\$381/oz
Life of Mine mining cost (including fleet capital)	\$3.03/tonne*	\$2.64/tonne+
Life of Mine plant operating cost	\$12.56/tonne*	\$9.95/tonne+

\* Based on a diesel cost of \$1.15 per liter or approximately \$111 per barrel of oil.

+ Based on a diesel cost of \$0.80 per liter or approximately \$75 per barrel of oil.

### PRODUCTION PROFILE

Gold production is projected to build up to average over 290,000 ounces in the first two years of operation and then average over 270,000 ounces per annum over 10 years to give a total of 2.88 Mozs. First gold is expected to be poured during the fourth quarter of 2010.

#### CONSTRUCTION

SENET has been appointed as lead E(P)CM contractor, focused on the engineering design and construction management for the process plant. Civil works and procurements, with the initial focus on roads, accommodation and messing facilities, will be managed in house by ourselves.

The civil earthworks contract for the project (outside of the mining earthmoving contract) has been awarded and mobilization of equipment started with the primary focus being the site airstrip, which is now serviceable. Other activities are bush-clearing and plant site terracing to allow the main process plant construction to start on schedule. Water boreholes have been drilled for the supply of water for construction purposes. Additional water boreholes have also been drilled for the communities at the five villages surrounding the mine site.



Early construction of the main village is underway to allow its use for construction accommodation. Ten blocks of single quarter units have been completed together with kitchen, dining hall and laundry facilities. Initial power for construction purposes will be provided by a 265kW generator. The overhead line to the camp/village, crusher and batching plant has been completed together with a mini-substation and associated infrastructure. The geotechnical studies for the process plant area, water storage dam and tailings storage facility (TSF) dam walls have been completed. Design and operations strategy with respect to the process plant, water storage dam and TSF incorporating a return water dam has been finalized.

Orders for long lead-time equipment (both ball mills and mill motors) and key items (reinforcing bar and CIL tank steel) have been placed. A 45 tonne rough terrain mobile crane has been procured and has been commissioned on site.

#### Exploration

In 2008, exploration concentrated on the extension of known orebodies and the discovery of new deposits both at producing mines and exploration sites. Our portfolio of projects covers some of the most prospective gold belts of West and East Africa and it has exploration programs staffed by a team of 50 geologists in six countries, with 177 targets on 12,126 km<sup>2</sup> of groundholding.

In Senegal, at Massawa, we announced a significant new gold discovery during the year. Diamond drilling has delineated bedrock mineralization over a distance of 7 kilometers of which 4 kilometers have been drilled to 100 meter by 50 meter spacing. Following the completion of a positive scoping study on the project, a prefeasibility drilling program has commenced.

At Loulo, a new discovery has been made at Goukoto in the south of the Loulo permit and further drilling is ongoing. New exploration drilling on this target has confirmed continuous mineralization over an 800 meter strike length with high grades open at depth.

Following the successful consolidation of a 1,400 km<sup>2</sup> land package in the Loulo district straddling the highly prospective Senegal-Mali shear zone a helicopter-borne VTEM electromagnetic and magnetic survey has been flown. This work has improved the geological and structural framework of the district and has highlighted large intrusive bodies, extensive folding and large scale boudinage structures. Weak anomalies were also detected over the orebodies and a number of look-alike responses along the known structures in the area are being studied. The interpretation also provided more information on the nature of the extensive iron alteration system in Senegal and across the border in Mali.

In Côte d'Ivoire, the exploration emphasis has shifted to the discovery of new ounces close to the existing orebodies, as well as the development of targets further afield.

In Burkina Faso at the Kiaka deposit, gravity and heap leach testwork suggests a recovery of above 60% while cyanide leach testwork increases this to above 90%. The results of a scoping study on the Kiaka project show that it does not compare to the other projects in our pipeline and, therefore, alternative options of bringing it to account are being contemplated.

During 2009 exploration will concentrate on three strategic areas:

Completing a prefeasibility study at Massawa for a decision to complete a feasibility study.

Adding to the resource base at Tongon through the evaluation of satellite targets in the Nielle permit.

Progressing the Goukoto discovery.

We have deferred field exploration in Ghana, Burkina Faso and Tanzania while we evaluate new opportunities which have arisen as a result of the global economic slowdown.

Mali

Loulo

Exploration concentrated on a two stage strategy:

Providing above ROM grade, open pitable oxide ounces inside a 10 kilometer radius of the plant site.

Evaluation of targets within the greater lease area (372 km<sup>2</sup>) and district to make a new discovery.

At Loulo 3, work concentrated on defining a mining reserve at Loulo 3 North, following the definition of two small oxide reserves, which have subsequently been mined out at the South (11,264 ounces at 3.32g/t) and Central (7,984 ounces at 3.45g/t) targets. Exploration is now evaluating the potential of the greater Loulo 3 target incorporating the Loulo 3 South, Center and North and linking them together, an approximate 1 kilometer of strike length. As a first phase, 6 RC holes with diamond tails have been completed, testing a 600 meter strike to vertical depths of 120 meters below the Northern deposit. Results returned two zones of mineralization, from South to North, which are presented in the table below:

Loulo 3: Drill Results

Hole id	From (m)	To (m)	Downhole width (m)	Grade	
				Au g/t	Including 0.60m @ 20.00g/t
L3NRCDH08	111.50	113.50	2.00	1.37	
	116.50	123.50	7.00	2.21	
	140.50	145.00	4.50	2.37	
L3NRCDH07	131.20	133.70	2.50	2.15	
	144.50	155.00	10.50	3.79	
L3NRCDH01	128.80	137.00	8.20	2.13	
	151.00	152.50	1.60	7.27	
L3NRCDH05	176.60	183.70	7.10	7.77	0.90m @ 46.10g/t
	193.93	194.94	1.00	4.44	
L3NRCDH06	185.50	186.50	1.00	0.89	
	197.65	200.45	2.80	2.46	
L3NRCDH09	102.80	112.55	10.80	1.35	

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The Loulo 2 target includes three (North, Center and South) approximately 100 meter to 300 meter long dilation zones over a 2 kilometer strike and has been the focus of RC drilling during the quarter. The North target returned good gold intersections (13 meters at 6.59 g/t and 17 meters at 16.50 g/t), which confirmed earlier results and have shown that this target could provide a small mineable target. Immediately to the south of the northern zone, the Loulo 2 Center target was also further tested and work returned a number of good intersections (3 meters at 6.31 g/t, 5 meters at 3.03 g/t and 4 meters at 5.56 g/t) which, while significant, were generally narrower and lower grade than those of the northern zone. However, the Loulo 2 target, like most of the larger Yalea structure, remains completely untested at depth. To the south of this target a two kilometer gap between Loulo 2 and Loulo 3 was also tested by a number of RC fences. Low grade anomalism was encountered along this trend in most of the holes and while it indicated that there may be no high grade mineralization at surface, it further confirms the continuity and potential of the Yalea structure in this area.

At P129, a folded and mineralized quartz tourmaline unit, similar to Gara, has been confirmed by reconnaissance diamond drilling. P129QTDDH01 returned 4.85 meters at 2.53g/t from 71.70 meters and 2 meters at 1.40g/t from 99.30 meters.

At Yalea, underground mapping has identified a late structure which is intimately related with high grade mineralization at P125-Yalea. The structure, known as F1, is a late brittle structure which consistently contains a decimetric massive sulphide zone and high grades located along the main orebody at P125. The extension of this structure to the north of P125 is viewed as a high priority follow up target.

At Faraba, located in the southern half of the Loulo mining permit, a 9-hole 2,369 meter diamond drilling program was completed along the mineralized structure, concentrating on the 1.2 kilometer gap area between Faraba Main and Faraba North. Additionally, one hole was drilled in the south at Bandankoto and another hole was drilled to test the southern extension of a narrow structure which is located to the west of Faraba Main Zone. Detailed logging and interpretation resulted in the delineation of an eastern and western zone of mineralization over an 800 meter strike, in the gap area. However, mineralized intersections within these zones are complex, generally low grade, with high value spikes and discontinuous along strike and down dip. Work on this target has been halted while targets such as Goukoto and Toronto are evaluated.

#### FARABA: DIAMOND DRILL RESULTS

<b>Hole ID</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Inter- section (g/t)</b>	<b>Including</b>
FADH023	6.00	10.80	4.80	1.54	
	61.20	71.70	10.50	1.76	
	75.50	78.00	2.50	1.00	
	130.80	134.00	3.20	1.43	

Hole ID	From (m)	To (m)	Interval (m)	Inter- section (g/t)	Including 0.80m @ 8.90g/t 1.00m @ 7.76g/t
FADH024	147.40	152.00	4.60	2.14	
	155.00 127.00	161.90 132.80	6.90 5.80	2.90 0.94	2.20m @ 31.80g/t
FADH025	53.40	58.90	5.50	6.91	
	95.25	104.00	8.75	1.16	
	108.90	115.10	6.20	1.19	
	133.10	135.00	1.90	1.95	
	141.00	143.05	2.05	1.56	
FADH027 FADH032	195.45	203.80	8.35	3.46	0.80m @ 13.10g/t 1.00m @ 8.30g/t 0.80m @ 23.20g/t
	227.30	235.90	8.60	4.46	
	140.65	141.45	0.80	12.70	
	32.60 46.50	39.00 56.85	6.40 10.35	1.70 1.42	
FADH031	80.60	90.15	9.55	1.73	1.00m @ 9.70g/t
	162.80	164.90	2.10	2.24	
	168.20	171.50	3.30	7.53	1.00m @ 22.00g/t 0.95m @ 5.34g/t 1.05m @ 5.14g/t
	195.30	205.70	10.40	1.79	
	211.80	224.60	12.80	0.94	
	226.70 237.10	233.00 243.80	6.30 6.70	2.16 4.67	1.10m @ 6.74g/t 1.10m @

					22.70g/t
	253.10	257.00	3.90	1.03	
	286.00	287.70	1.70	1.05	
FADH033	18.60	23.40	4.80	0.56	
FADH004ext	326.10	327.90	1.80	4.27	

Goukoto, a new target identified from electromagnetic data, is located in the southern part of the Loulo mining permit to the north of Faraba. The target is underlain by a 2 kilometer long north-northwest trending plus 30ppb gold in soil anomaly. Initial follow up work consisted of lithosampling which returned a number of strongly mineralized results (24.6g/t, 83.8g/t, 48.6g/t and 7.3g/t). These locations were subsequently trenched and results confirmed the prospectivity of the target (FRT03: 9.70 meters at 15.26g/t and FRT05: 35.75 meters at 10.66g/t). Nine diamond drill holes have now been completed, two of which were initial reconnaissance diamond holes to provide information on the bedrock geology, structure, alteration and mineralization to help assess the potential of this target.

FRDH01 was drilled under FRT05 and intersected 46.60 meters at 13.63g/t from 65.70 meters (including 7.40 meters at 13.78g/t from 65.70 meters and 14 meters at 33.40g/t from 95 meters). FRDH02, drilled beneath FRT03, returned 5.80 meters at 2.55g/t. Both drill holes intersected strong brittle-ductile deformed rocks with intense alteration and sulfide (pyrite) mineralization. RAB drilling, as further follow up, confirms bedrock mineralization along a 1.3 kilometer north-northwest trending structural corridor, which is open in all directions.

The first results have been received from a seven hole diamond drilling program and confirm the target as a new discovery in the south of the Loulo permit 200 meters along strike to the north FRDH0011 (46.60 meters at 13.63 g/t), hole FRDH005 intersected 60.17 meters at 16.53 g/t from 126 meters (including 36.40 meters at 25.83 g/t) in the same heavily altered, consistently mineralized structure. Results from borehole FRDH06, drilled another 225 meters further north, returned an average grade of 43.52 g/t over 10.9 meters. This high grade gold mineralization has so far been identified over 425 meters, however the results for the remaining five holes drilled during this program are pending; all have intersected Goukoto-type alteration of varying widths along the 1.3 kilometer Goukoto-P64 corridor.

At Toronto, exploration has so far identified a 1 kilometer long structure based on anomalous intersections from RAB drilling, pitting and a trench which returned 28 meters at 1.25g/t. Mineralization is hosted in pink, altered quartzites and shear-breccias which dip at a low angle (40°) to the east. The main structure, which strikes between 350° and 020°, is intersected by both northeast and northwest structures and there are prominent quartz tourmaline units within the corridor.

Baboto is part of a more than 5 kilometer mineralized structure which hosts the known targets of Baboto South, Central and North. During the year 4,400 meters of RAB drilling, along 16 lines, were completed. The purpose of this program was to further extend the known targets at Baboto. Weakly mineralized results, including a best intersection of 24 meters at 1.21g/t extended the Baboto South target by an additional 600 meters of strike to the north. At Baboto Center mineralization has been extended by a further 100 meters, with best results of 30 meters at 2.15g/t and 21 meters at 2.93g/t. Two diamond holes were drilled to follow up the RAB results on the Central target. BADH027 returned 1 meter at 5.01g/t from 273 meters and BADH028 returned 1 meter at 1.69g/t from 160 meters.

Despite extensive work at Baboto over the past two years we have been unable to identify above ROM grade mineralization with the average being less than 2g/t gold. While the target area represents a large mineralized structure, albeit at low grade, we have placed short term exploration on hold in order to explore targets with the potential for higher grades.

#### Regional work

Following the successful implementation of the ground consolidation strategy in the Loulo district a VTEM airborne electromagnetic (AEM) and magnetic survey was flown over the area. Interpretation of this data is continuing to develop new ideas and identify zones of interest across the district. A number of faint linear anomalies in the data coincide with known mineralized structures on the permit as well as the Gara and Yalea orebodies. Interpretation is identifying new structural domains, the presence of deep intrusives and improved geological control. A prospectivity analysis is being conducted to prioritize targets for follow up work across the greater Loulo district. Kolya and Mananord targets in the Bambadji permit are at the head of the queue. Kolya is a 2 kilometer long, folded and quartz veined quartz tourmaline unit similar to Gara. Previously this target was tested by 4 RC holes, all returning gold mineralization (4 meters at 1.40g/t, 6 meters at 3.60g/t, 3 meters at 2.50g/t and 5 meters at 3.94g/t). Mananord is an 8.7 kilometer long structural corridor, anomalous in gold, with contrasting geological units and intrusives. Very little follow up work has been conducted and RAB drilling has started on both target areas to delineate locations for reconnaissance diamond drilling in 2009.

#### Morila exploitation lease

At Morila, integration of all data sets shows the deposit to have characteristics which include post-collisional mineralization, arc-related magmatic signatures, the presence of a low-pressure contact metamorphic aureole, structural and lithological controls on mineralization. This all supports a reduced intrusion-related gold system (RIRGS). The intrusives at Morila define two distinct magma series:

A high-K, high-Ti calc-alkaline suite.

A normal medium-K, calc-alkaline suite represented by composite diorite-tonalite-granodiorite-granite intrusions. Conceptual models have been generated for targets at Sirakoro, SW Extension, Eastern Margin and Morila Deeps which require deep diamond drill holes to test.

A diamond drilling program is underway to test conceptual targets at Sirakoro, Eastern Margin, SW Extension and Morila Deeps.

#### Southern Mali

The Southern Mali region is a highly prospective terrain as shown by the discoveries of the Morila and Syama deposits. The entire region is heavily lateritized, however, and rock outcrop is very limited. The most obvious regional soil geochemical anomalies have been investigated and no recent discoveries have been made in the region. We continue with generative programs and the development of conceptual ideas. As part of the regional program our teams have prioritized areas of interest and carried out a number of due diligence reviews.

## Senegal

We made a significant new gold discovery at Massawa during 2008. The Massawa target was first identified in 2007 and is located on the Main Transcurrent Shear Zone (MTZ) at the contact between the Mako volcanic belt and the Dalama sedimentary basin, in the Kounemba permit. During the course of 2008 a total of 58 diamond holes for 11,500 meters were drilled to further evaluate the target and delineate the geometry of gold mineralization.

The host rocks which underlie the target comprise a sequence of intermediate volcanics (lapilli tuff with angular lithic fragments of different sizes and compositions, tuff, ash-tuff, and fine-grained carbonaceous ash-tuff) and sedimentary rocks composed of lithic grit, greywacke, lithic quartzwacke and carbonaceous shale. The bedding strikes 020°, dips 60° to 76° to the west. Graded-bedding is common and suggests the sequence is overturned.

Mineralization locates in various lithologies but is structurally controlled. There are varying degrees to the intensity of alteration (silica-carbonate-sericite-pyrite-arsenopyrite) and locally brecciation and brittle fracturing are associated with the gold mineralization. To date two main zones have been defined: a Central Zone and a Northern Zone. Within these zones there are multiple mineralized lodes but the principal lode in each zone is defined below:

Central Zone 1: 22.68 meters at 2.03g/t over a strike length of 983 meters (based on 13 holes). Mineralization is associated with an altered and sulfidized gabbro, which has intruded along the main structure.

Central Zone 2: 13.29 meters at 2.59g/t over a strike length of 600 meters (based on 8 holes). Mineralization is shear zone hosted; a lapilli tuff acts as a prominent marker horizon in the hangingwall of mineralization.

The Northern Zone is shear zone hosted, at the contact between volcanics and sediments. This has now been divided into two zones:

Northern Zone 1: 8.74 meters at 2.84g/t over a strike length of 1.13 kilometers (based on 17 holes).

Northern Zone 2: 11.30 meters at 6.37g/t over a strike length of 821 meters (based on 10 holes). Mineralization in both zones is similar to the 600 meter shear zone hosted Central Zone.

The results from diamond drilling completed in 2008 are presented in the table below.

## MASSAWA: DIAMOND DRILL RESULTS

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Including
MWDDH008	86.30	89.20	2.90	6.39	
	98.40	105.7	7.30	31.04	
	109.50	125.00	15.50	1.93	
MWDDH009	70.70	121.00	50.30	1.42	
	253.35	259.20	5.85	1.55	
MWDDH010	88.80	94.00	5.20	3.40	
	113.10	119.90	6.80	4.72	
	123.00	142.25	19.25	1.50	
MWDDH011	69.50	73.50	4.00	4.20	
MWDDH012	48.70	49.70	1.00	4.15	
MWDDH013	46.00	53.00	7.00	1.13	
	97.00	103.00	6.00	2.00	
	129.00	137.00	8.00	1.10	
	140.00	141.00	1.00	10.20	
	183.50	193.06	9.56	1.10	
					1.00m @
MWDDH014	30.70	42.00	11.30	5.00	43.70g/t
	114.60	133.50	18.90	1.06	
MWDDH015	26.70	33.70	7.00	3.19	
	39.70	44.70	5.00	1.91	
					0.80m @
	156.20	164.50	8.30	2.30	12.60g/t 1.00m @
MWDDH016	22.80	47.70	24.90	1.61	7.81g/t 1.20m @
					7.94g/t 0.80m @
	119.55	122.40	2.85	3.45	7.37g/t 3.00m @
MWDDH017	10.70	47.10	36.40	0.48	1.31g/t
	126.20	132.35	6.15	0.77	
					1.00m @
MWDDH018	7.70	21.70	14.00	1.55	11.20g/t
	41.70	45.70	4.00	1.20	
MWDDH019	7.70	23.70	16.00	0.94	
					3.00m @
	38.50	53.45	14.95	5.63	14.23g/t



					0.75m
					@
					22.00g/t
					3.00m
					@
MWDDH020	20.70	31.70	11.00	5.32	16.57g/t
					2.00m
					@
MWDDH021	61.70	67.70	6.00	3.96	11.05g/t
MWDDH022	152.40	153.50	1.10	1.14	
					5.00m
					@
MWDDH023	64.50	94.70	30.20	2.83	10.00g/t
					2.00m
					@
					4.40g/t
					2.00m
					@
MWDDH024	40.70	68.70	28.00	2.15	3.18g/t
					2.70m
					@
					6.10g/t
					2.10m
					@
					5.10g/t

<b>Hole ID</b>	<b>From (m)</b>	<b>To (m)</b>	<b>Interval (m)</b>	<b>Grade (g/t)</b>	<b>Including</b>
MWDDH025	25.70	35.70	10.00	0.53	
MWDDH026	10.70	12.70	2.00	3.40	
MWDDH027	76.64	82.00	5.36	1.45	1.20m @ 3.08g/t
	96.20	96.90	0.70	7.80	
MWDDH028	148.50	157.80	9.30	3.43	4.30m @ 5.96g/t
	162.20	165.00	2.80	1.57	
MWDDH029	152.35	167.15	14.80	6.16	7.00m @ 10.00g/t
	176.70	182.00	5.30	1.25	
MWDDH030	99.20	104.20	5.00	0.65	2.00m @ 1.10g/t
	110.20	114.20	4.00	0.53	
	148.80	150.80	2.00	1.20	
MWDDH031	109.00	112.00	3.00	0.87	
	128.50	130.50	2.00	2.22	
MWDDH032	98.60	99.80	1.20	6.30	
	114.00	115.20	1.20	12.00	
MWDDH033	109.00	116.00	7.00	1.52	1.00m @ 4.17g/t
	119.00	135.00	15.40	0.70	
MWDDH034	41.10	45.20	4.10	2.39	0.90m @ 6.63g/t
	66.80	86.70	19.90	0.59	
MWDDH035	21.20	25.85	4.65	0.67	
MWDDH036	73.50	76.50	3.00	3.15	1.00m @ 8.10g/t
MWDDH037	173.30	176.70	3.40	0.66	
MWDDH038	48.50	66.00	17.50	1.33	4.00m @ 3.00g/t
MWDDH039	198.20	229.00	30.80	5.74	24.65m @ 7.13g/t
MWDDH040	52.00	53.00	1.00	16.00	
MWDDH041	81.50	92.70	11.20	1.10	
	120.00	125.90	5.90	1.06	
	211.10	212.30	1.20	11.10	
	247.10	253.10	6.20	2.40	
MWDDH042	129.30	132.90	3.60	1.28	
MWDDH043	53.90	60.80	6.90	0.32	
MWDDH044	110.00	129.00	19.00	1.09	5.60m @ 2.70g/t
	145.00	157.00	12.00	0.45	
	160.00	172.30	12.30	0.81	
	191.40	198.50	7.10	1.83	
	203.00	228.50	25.50	0.79	2.15m @ 4.48g/t

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Including
MWDDH045	59.30	66.00	6.70	1.25	2.00m @
	89.40	97.80	8.40	1.12	3.77g/t 5.00m @
	134.60	159.40	24.80	1.62	5.30g/t
	173.10	190.00	16.90	0.68	
	210.00	214.45	4.45	5.21	2.00m @
MWDDH046	29.70	33.70	4.00	5.65	10.50g/t
	96.30	105.50	9.20	1.07	12.00m @
	109.40	155.70	46.30	1.79	3.96g/t 5.00m @
	173.20	196.10	22.90	1.56	3.32g/t 3.00m @
MWDDH047	113.00	122.30	9.30	3.51	8.27g/t
	125.90	133.00	7.10	0.76	0.90m @
	148.40	155.20	6.80	2.18	12.40g/t 1.20m @
	188.00	191.60	3.60	15.55	44.60g/t 5.00m @
MWDDH048	124.10	139.40	15.30	2.73	4.36g/t 3.60m @
	144.45	155.10	10.65	2.20	5.47g/t
	169.00	172.40	3.40	2.79	
MWDDH049	16.30	22.70	6.40	0.90	
MWDDH050	50.40	55.87	5.47	1.62	
	3.58	9.58	6.00	0.91	
	13.30	20.50	7.20	1.03	
	37.50	45.60	8.10	0.91	
	102.50	108.30	5.80	1.41	
MWDDH051	126.60	133.50	6.90	1.21	1.20m @
	3.00	13.60	10.60	1.04	5.00g/t

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					2.00m @
	164.50	171.20	6.70	1.86	5.25g/t 1.90m @
MWDDH052	151.00	154.75	3.75	14.00	26.20g/t 3.00m @
	179.00	189.80	10.80	2.47	7.53g/t
MWDDH053	116.85	121.30	4.45	0.61	
	130.23	131.30	1.07	2.74	
					0.90m @
MWDDH054	104.50	128.20	23.70	0.84	8.68g/t
	150.00	156.00	6.00	0.68	
	171.20	173.60	2.40	1.24	
MWDDH055	103.00	107.95	4.95	0.70	
	134.70	144.60	9.90	1.05	
					1.20m @
MWDDH056	126.45	142.00	15.55	1.70	15.50g/t 3.01m @
	174.90	197.00	22.10	7.10	16.65g/t 2.00m @
	212.30	225.10	12.80	4.25	18.20g/t

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Including
MWDDH057	197.65	206.75	9.10	7.97	
	211.85	215.00	3.15	2.96	
	221.20	222.80	1.60	3.38	
MWDDH058	114.70	116.70	2.00	5.35	
	201.65	213.90	12.25	3.50	0.80m @ 15.90g/t
MWDDH059	60.70	71.80	11.10	2.43	
	74.40	86.50	12.10	1.82	
	120.80	129.70	8.90	2.00	
MWDDH060	23.10	27.10	4.00	6.44	2.00m @ 12.24g/t
	71.50	81.00	9.50	9.62	2.00m @ 14.04g/t
MWDDH061	134.10	140.40	6.30	3.23	
	158.00	190.00	32.00	5.00	2.90m @ 15.68g/t 9.50m @ 12.07g/t
MWDDH062	47.00	69.00	22.00	11.00	12.50m @ 16.36g/t
	79.50	84.90	5.40	2.39	
MWDDH063	49.20	51.60	2.40	8.90	
	61.70	64.10	2.40	12.90	
MWDDH064	97.50	100.75	3.25	3.96	
	122.00	139.90	17.90	1.66	4.00m @ 5.70g/t
MWDDH065	155.40	160.20	4.80	1.63	
	25.40	55.10	29.70	11.00	3.60m @ 21.90g/t 3.00m @ 21.27g/t

To date the mineralized system at Massawa extends over a distance of 7 kilometers of which 4 kilometers have been drilled to a 100 meter by 50 meter spacing. Mineralization is open in all directions, especially along strike to the north, termed Lion Extension, where the last drill hole MWDH058 returned 12.25 meters at 3.50g/t, drilled below RAB hole MWRAB343: 42 meters at 7.60g/t. Further results from RAB drilling and rock chip sampling extend the potential in this area to an additional 1 kilometer to the north. Diamond drilling continues. Preliminary metallurgical testwork has been completed and confirms sulfide recoveries of approximately 90%. Drilling continued into the first quarter of 2009 to provide the necessary data for the completion of an initial scoping study. The results from this program are presented in the table below:

Results of infill drilling received during the first quarter of 2009:

Hole Id	From (m)	To (m)	Downhole width (m)	Grade Au g/t	Including
MWDDH066	205.00	214.00	9.0	2.50	5.00m @ 4.00 g/t
					5.00@ 4.30 g/t
MWDDH067	95.80	107.00	11.20	2.27	
MWDDH068	80.00	86.30	6.30	11.66	
	90.00	107.50	17.50	4.76	
MWDDH069	12.00	42.20	30.20	1.50	



Hole Id	From (m)	To (m)	Downhole width (m)	Grade Au g/t	Including 4.00m @ 10.75 g/t
MWDDH070	9.00	24.80	15.80	3.19	
	34.80	37.20	2.40	1.69	
	47.50	49.90	2.40	1.52	
MWDDH071	66.30	73.50	7.20	1.52	
MWDDH072	62.40	65.40	3.00	1.88	
	93.00	96.00	3.00	1.49	
MWDDH073	126.00	128.00	2.00	10.98	
	100.20	102.50	2.30	7.00	
	121.20	123.70	2.50	3.66	
MWDDH074 MWDDH075	163.90	177.00	13.10	5.86	6.90m @ 9.63 g/t
	37.20	40.20	3.00	1.40	
	45.20	55.20	10.00	1.16	
	60.60	63.20	2.60	3.99	
MWDDH076	51.50	59.50	8.00	1.89	2.20m @ 4.70 g/t
	62.70	76.50	13.80	0.69	
	79.40	104.10	24.70	2.21	
	107.70	110.90	3.20	2.90	
	118.00	124.10	6.10	0.66	
MWDDH077	10.50	14.40	3.90	3.56	
	73.70	75.70	2.00	1.44	
	118.40	135.90	17.50	0.60	
MWDDH078	29.50	106.00	76.50	2.00	12.40m @ 5.70 g/t
	163.40	166.00	2.60	6.07	
MWDDH079	43.20	44.20	1.00	6.15	
	52.80	61.00	8.20	17.60	1.60m @ 87.70 g/t
MWDDH080	83.00	106.40	23.40	2.55	7.15m @ 4.80 g/t
	11.50	21.80	10.30	0.80	
	36.00	43.60	7.60	4.19	
	49.00	60.60	11.60	3.80	
	64.20	68.90	4.70	1.16	
	80.20	99.60	19.40	1.70	

					6.40m @ 3.50 g/t
	112.40	127.20	14.80	1.55	
	130.30	146.80	16.50	0.60	
					9.10m @ 5.80 g/t
MWDDH081	32.50	51.90	19.40	3.25	
	73.50	82.60	9.10	1.12	
	92.00	94.80	2.80	1.25	
					4.10m @ 16.53 g/t
MWDDH082	104.30	130.75	26.45	3.17	
	190.00	212.50	22.50	13.42	
MWDDH083	83.00	96.00	13.00	8.35	

The Massawa deposit is open in all directions. In addition to the infill drilling, stepout drilling has been completed to the North in what we term Lion Extension. Drilling spaced 100 to 200 meters has been completed over a distance of 800 meters with a total of 10 holes for 2,355 meters. The results confirm the continuation of the Massawa system beyond the current wire frames.

Results for holes drilled in Lion Extension:

Hole Id	From (m)	To (m)	Downhole width (m)	Grade	Including
				Au g/t	
MWDDH084	208.30	210.50	2.20	0.57	
MWDDH085	97.00	99.00	2.00	3.64	
		40			

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Hole Id	From (m)	To (m)	Downhole width (m)	Grade	
				Au g/t	Including 3.70m @ 22.17 g/t
MWDDH086	46.40	49.80	3.40	1.86	
	78.00	80.40	2.40	4.19	
	94.80	105.00	10.20	9.76	
MWDDH087	12.30	14.70	2.40	3.35	
MWDDH088	54.30	59.50	5.20	2.58	
	72.50	74.50	2.00	12.80	
MWDDH090	111.50	115.50	4.00	5.70	
MWDDH091	160.00	161.00	1.00	10.40	
MWDDH092	185.20	193.00	7.80	1.50	
					1.10m @ 4.20 g/t
MWDDH093	113.40	121.50	8.10	0.99	
	132.00	138.00	6.00	4.00	
	155.00	161.00	6.00	2.29	

A successful scoping study has been completed for Massawa and meets all of our investment criteria. A decision has been made to advance the project to prefeasibility. Three diamond drill rigs are now in operation completing prefeasibility drilling, with phase 1 of approximately 27,000 meters; an RC rig is being mobilized to complete 5,000 meters of shallow drilling. This drilling is due for completion by the end of July, before the start of the annual rains. Further geotechnical, metallurgical and mining studies, optimizations and designs, together with environmental and social economic baseline studies are planned to complete the prefeasibility report by the end of 2009.

While the exploration work concentrated on Massawa during the year, the Mako Belt as a whole is highly prospective and in addition to Massawa there are a number of satellite targets requiring follow up exploration. These include the Bakan Corridor, Sofia and Delaya. However, Massawa remains our strategic priority.

Côte d'Ivoire  
Nielle

In Côte d'Ivoire, the emphasis has now moved to evaluating satellite targets in the Nielle permit as well as testing the Tongon orebodies at depth. A twofold strategy has been implemented:

Near mine targets, less than 10 kilometers from the plant site and within trucking distance. The priority is to evaluate targets which, although potentially small, have grades above ROM.

Targets beyond 10 kilometers with the potential to become stand-alone operations.

In the Northern Zone, drill results highlight the potential for higher grade plunging lodes at depth, confirmed by hole TND140 which intersected 27.51 meters at 5.32g/t. The preliminary down-dip potential of the orebody has been tested with the completion of four deep diamond drill holes, to target 350 meters below the surface. The results are presented in the table below:

NIELLE: NORTHERN ZONE DIAMOND DRILL RESULTS

Hole ID	From (m)	To (m)	Interval (m)	Grade (g/t)	Including
TND230	369.20	377.20	8.00	3.91	

					2.40m
					@
TND235	389.04	402.24	13.20	3.46	7.65g/t
TND238	287.91	303.11	15.20	1.04	
					4.16m
					@
	315.11	324.69	9.58	1.69	2.83g/t
TND239	376.00	378.20	2.20	1.26	

An additional hole, drilled between the two pits of the Northern Zone (TND236), returned a very encouraging intersection: 14.85 meters at 6.42g/t. This highlights further opportunities to increase the potential of the pits. At surface the structure is narrow and weakly mineralized.

### Satellite targets

Preliminary exploration work has started on three targets, Tongon South, Tongon East and Pougbe. Desktop studies were also completed on Koulivogo, Yvette-Nafoun and Soloni which form the next level of targets for follow up, due to their favorable geology, structural setting and surface gold anomalism.

Reconnaissance diamond drilling was completed at Tongon East and Pougbe. At Tongon East, TED001 intersected 150 meters of strong alteration and pyrite mineralization below a trench returning 61 meters at 2.09g/t. Gold assay results returned multiple intersections: 8.49 meters at 1.07g/t from 38.15 meters; 7.20 meters at 2.92g/t from 62.10 meters; and 8.20 meters at 1.83g/t from 82.25 meters. At Pougbe, two diamond drill holes, totalling 304 meters, were completed to test a 1.1 kilometer long anomalous in gold, structural corridor. PED001 returned 12.00 meters at 3.79g/t in saprolite from a volcanoclastic protolith. PED002 returned 19.32 meters at 0.65g/t from 76.93 meters and 4.55 meters at 1.64g/t from 81.15 meters. RAB drill programs have been designed to test the broader target areas in the first quarter of 2009.

The Tongon South area is located approximately 6 kilometers southwest of the Tongon Southern Zone. Historical work by BHP Billiton and ourselves included the completion of regional and detailed soil sampling over the area, the excavation of 235 pits and litho sampling. Gold mineralization is largely hosted in quartz veins, and possible brittle fracturing with silicification close to a granodiorite-gabbro lithological boundary. Historical pitting and trenching over soil anomalies returned favorable results in particular in two trenches TST002: 16 meters at 8.08g/t (including 6 meters at 19.64g/t in quartz veins) and TST004: 10 meters at 1.36g/t. An initial program of RAB fence lines has been proposed to better delineate the target at surface prior to diamond drilling.

### Boundiali

The Boundiali permit (1,314 km<sup>2</sup>) is located approximately 60 kilometers west of Nielle and is host to numerous gold in soil anomalies, which have seen little follow up exploration.

At Tiasso, five diamond drill holes totalling 1,397 meters were completed to test the depth potential under mineralized trenches, along a 2 kilometer strike length. From east to west the geology consists of argillite, carbonaceous shale, conglomerate, gabbro and volcanoclastic sediment. The gabbro is a sill which intrudes along the contact between a western volcanoclastic unit and an eastern conglomerate. Hydrothermal mineralization is hosted in conglomerates which have been sheared and gabbro. Gold assay results returned narrow 2 to 10 meter zones of sub 1g/t and 1 meter high grade (5g/t to a maximum of 19.80g/t) from quartz veins. These results have lowered the prospectivity of Tiasso. However Sani is now taking the lead with positive trench results over 1.5 kilometers (15 meters at 3.25g/t, 14 meters at 3.10g/t and 4.0 meters at 1.38g/t) and together with the targets of Yelle, Fonondia and Koffre will be the focus of exploration programs in 2009.

### Burkina Faso

In Burkina Faso, on the Kiaka target, a further six diamond drill holes for 2,805 meters were completed testing upside models to the main and hangingwall zones of mineralization.

### KIAKA: DIAMOND DRILL RESULTS

Hole ID	Zone	From (m)	To (m)	Interval (m)	Grade (g/t)
KDH19	HW	50.00	76.00	26.00	0.60
	HW	82.00	116.00	34.00	0.64
	MZ	261.00	282.00	21.00	0.65
	MZ	294.00	317.00	23.00	0.58
KDH20	No mineralization intersected drilled outside the Kiaka system				
KDH21	HW	100.00	111.00	11.00	2.33
	HW	119.00	134.00	15.00	1.01
	HW	156.00	174.00	18.00	1.62
	MZ	193.00	204.00	11.00	0.63
KDH22	HW	2.00	4.00	2.00	84.70
	HW	85.00	93.00	8.00	6.24

HW	100.00	126.00	26.00	0.76
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Hole ID	Zone	From (m)	To (m)	Interval (m)	Grade (g/t)
KDH23	MZ	75.00	80.00	5.00	2.05
KDH24	MZ	115.00	170.00	55.00	0.53
	MZ	200.00	204.00	4.00	5.64
	MZ	210.00	212.00	2.00	1.69
	MZ	232.00	244.00	12.00	0.98
	MZ	313.00	324.00	11.00	0.49
	MZ	342.00	348.00	6.00	0.98

*MZ: Main zone*

*HW: Hangingwall zone*

The stratigraphy of the deposit, from west to east, consists of quartz garnet mica schist, quartz feldspar schist, amphibolite and quartz biotite schist. There are local intercalations of graphitic layers. These sequences have been intruded by gabbro in the northern and southern corner of the deposit. All these rocks have been variably altered and mineralized. Late mafic sills intrude the lithologies creating internal waste.

Gold mineralization at Kiaka is low grade, associated with a broad alteration system (silica-biotite-chlorite), and pyrrhotite (85%), fine pyrite (9%) and arsenopyrite (4%). These sulfides can be disseminated or aligned with the fabric, with a possible paragenetic sequence being: Ilmenite Leucoxene + Rutile Arsenopyrite + Gold  
Pyrite Pyrrhotite + Chalcopyrite + Pendlandite.

Petrographic analysis and gold count by Microsearch CC (56 blocks of core and outcrop material) found that gold was mainly included within metamorphic minerals (hornblende and biotite).

While the entire Kiaka system covers a strike length of 2.85 kilometers, modelling has concentrated on the best intercepts of the Kiaka Main Zone, (0.75 kilometers of the total 1.25 kilometer strike length) and the Hangingwall Zone (0.65 kilometer strike length). Gravity and heap leach testwork suggests a recovery of 67%, while cyanide leach testwork increases this to above 80%. This project does not pass all our filters for further investment and various options are being reviewed to bring it to account.

A 12,000 meter plus RAB drilling program was also completed on targets within the Burkina Faso portfolio; the most encouraging of these are Limsega and Goulanda where broad 3 to 5 kilometer long anomalous corridors are being identified for follow up work.

Ghana

In Ghana, we have deferred field exploration work while we compare our portfolio of four permits (1,841 km<sup>2</sup>) against new opportunities.

Work during the year on targets within the Bole NE permit have delineated low grade bedrock mineralization, associated with the intersection of northeast trending shears and folds within metasedimentary rocks; adjacent to a major regional structure. While no economic mineralization has been discovered at surface, a conceptual model has been developed, that of a blind deposit associated with a folded lithological unit not exposed at surface and the gold anomalism represents the leakage from this buried mineralization.

Stream sediment surveys were also completed on two new permits: Wuru and Tongo, both adjacent to the Bole permit in the north of the country. At Wuru, anomalous gold assay results (up to 2g/t) were returned from the sampling program, along a 20 kilometer long by 20 kilometer wide volcano-sedimentary belt in association with the extension of the Markoye Fault from Burkina Faso. At Tongo, gold assay results returned an anomalous area measuring 10 kilometers by 6 kilometers, with a maximum value of 2.02g/t associated with a large regional fold within a metasedimentary unit wedged between basement granites.

## Tanzania

In Tanzania, we have returned the majority of our permits to the government or joint venture partners following extensive exploration. We are currently completing an updated generative study to highlight areas of interest for new permit applications or joint venture opportunities. The Southern Lake Victoria Goldfield, the Proterozoic mobile belts and new greenstone belts within the Craton are our focus of attention.

This data is also being integrated into a much bigger study incorporating the Central African region of the continent: Cameroon, Democratic Republic of Congo, Central African Republic, Uganda and Kenya.

## Ore Reserves

## Annual reserve declaration

At December 31,	Category	Tonnes (Mt) 2008	Tonnes (Mt) 2007	Grade (g/t) 2008	Grade (g/t) 2007	Gold (Moz) 2008	Gold (Moz) 2007	Gold Attributable gold (Moz)
<b>PROVEN AND PROBABLE RESERVES</b>								
Loulo								80%
	Proven	7.08	8.95	3.38	3.36	0.77	0.97	0.62
	Probable	43.51	45.47	4.60	4.40	6.43	6.43	5.14
Sub total	Proven and probable	50.59	54.42	4.42	4.23	7.20	7.40	5.76
Morila								40%
	Proven	13.74	13.11	2.02	2.21	0.89	0.93	0.36
	Probable	6.88	9.95	1.14	2.01	0.25	0.64	0.10
Sub total	Proven and probable	20.62	23.06	1.72	2.13	1.14	1.58	0.46
Tongon								84%
	Probable	38.25	21.88	2.57	2.29	3.16	1.61	2.66
Sub total	Proven and probable	38.25	21.88	2.57	2.29	3.16	1.61	2.66
<b>TOTAL RESERVES</b>	<b>Proven and probable</b>	<b>109.46</b>	<b>99.36</b>	<b>3.27</b>	<b>3.31</b>	<b>11.51</b>	<b>10.59</b>	<b>8.87</b>

*The reporting of Ore Reserves is in accordance with SEC Industry Guide 7.*

*Pit optimization is carried out at a gold price of \$650 per ounce; underground reserves are also based on a gold price of \$650 per ounce. Dilution and ore loss are incorporated into the calculation of reserves.*

*Addition of individual line items may not sum to sub totals because of rounding off to two decimal places.*

Table of mineral rights at April 30, 2009

Country	Type	Area (km <sup>2</sup> )	Area (sq miles)	Equity (%)	
MALI					
	Loulo	EP	372	144	80
	Morila off lease	EEP	132	51	80
	Morila	EP	200	77	40
	Bena	EEP	31	12	80
	Walia West	EEP	46	18	40

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Walia	EEP	45	17	40
Zaniena	EEP	257	99	80
Mena	EEP	250	96	80

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Country	Type	Area (km <sup>2</sup> )	Area (sq miles)	Equity (%)	
<b>CÔTE D IVOIRE</b>					
	Nielle	EEP	671	259	84
	Boundiali	EEP	1,314	507	84
	Dabakala	EEP	191	74	84
	Dignago	EEP	1,000	386	84
	Apouasso	EEP	1,000	386	84
	Mankono	RP	704	272	84
<b>SENEGAL</b>					
	Kanoumering	EEP	303	117	83
	Kounemba	EEP	305	118	83
	Miko	EEP	95	37	83
	Dalema	EEP	401	155	83
	Tomboronkoto	EEP	300	116	83
	Bambadji	EEP	344	133	51
<b>TANZANIA</b>					
	Nyabigena South	PL	9	3	100
	Nyabigena South	PL	18	7	100
	Kajimbura South	PL	23	9	100
	Kajimbura North	PL	23	9	100
	Simba Sirori	PL	13	5	100
	South				
	Nyamakubi	PL	11	4	100
	Nyamakubi	PL	21	8	100
	South				
	Kiabakari East	PL	31	12	100
	Mtamba	PL	62	24	100
	Buhemba South	PL	71	27	100
<b>BURKINA FASO</b>					
	Kiaka	EEP	244	94	90
	Basgana	EEP	250	97	90
	Bourou	EEP	122	47	90
	Tanema	EEP	247	95	90
	Yibogo	EEP	247	95	90
	Nakomgo	EEP	237	91	90
	Gogo	EEP	250	97	90
	Safoula	EEP	249	96	90
	Tiakane	EEP	196	76	90
<b>GHANA</b>					
	Wuru	RL	622	240	90
	Tongo	RL	203	78	90
	Bole NE	RL	866	334	90
	Zamsa	PL	150	58	90
<b>TOTAL AREA</b>			12,126	4,682	

AE Reconnaissance  
License



*EP Exploitation  
Permit*

*EEP Exclusive  
Exploration  
Permit*

*PL Prospecting  
License*

*RL Reconnaissance  
License*

*RP Reconnaissance  
Permit*

*\* Joint venture in  
which we are  
currently  
earning an  
interest*

The following map indicates the locations of Morila and Loulo within Mali:

**Locality of the Loulo and Morila Mines in Mali**

**Mineral Rights and Permits**

The following maps show the position of our current permits in West Africa and Tanzania:

**Locality of Randgold Resources permits in West Africa**

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**Locality of Randgold Resources permits in Tanzania**

Although we believe that our exploration permits will be renewed when they expire, based on the current applicable laws in the respective countries in which we have obtained permits, we cannot assure you that those permits will be renewed on the same or similar terms, or at all. In addition, although the mining laws of Mali, Côte d'Ivoire, Senegal, Burkina Faso, Ghana and Tanzania provide a right to mine should an economic orebody be discovered on a property held under an exploration permit, we cannot assure you that the relevant government will issue a permit that would allow us to mine. All mineral rights within the countries in which we are currently prospecting are state-owned. Our interests effectively grant us the right to develop and participate in any mine development on the permit areas.

## **New Business**

We are expanding our exploration horizons to encompass the prospective rocks of the Congo Craton. This area which ranges from the well known deposits of Tanzania through the east of the Democratic Republic of Congo and the Central African Republic to Cameroon, could become the next gold belt to deliver multi-million ounce deposits.

The current financial crisis and its associated credit squeeze have generated potentially value-accretive opportunities in this region as well as in West Africa as companies, particularly juniors, run short of funds to develop their projects. We are considering a number of these with a view to possibly acquiring or participating in assets which meet our investment criteria.

Such external opportunities will be rated against our own organic growth prospects, which provide an accurate means of measuring value. Our success in making our own discoveries gives us the ability to increase our production without having to buy in ounces, and our core goal therefore remains the discovery and development of profitable mining opportunities, and the creation of value through organic growth.

## **Social Responsibility, Sustainability and Human Resources Report**

We are committed to the integration of sustainable environmental and social impact management into our business activities. The optimum utilization of mineral and other resources encompasses the protection and conservation of the existing environment. Within this framework, we strive to assist the communities most affected by our operations to develop in a sustainable way and to give all our employees a high quality of work life, including a safe workplace.

### **Policy Statement**

Our integrated social and environmental management process identifies potentially significant negative and positive impacts. The implementation of sustainable environmental and social responsibility strategies aims to minimize negative impacts and maximize the positive impacts of its activities, commensurate with our business strategy requiring compliance with Equator Principles and IFC performance standards and within national legislative standards.

The strategies we use to achieve this include the following:

Encourage and reward the use of integrated environmental management to ensure that management decision making processes include a sensitive and holistic consideration of environmental issues. To facilitate this, all projects must include a comprehensive environmental and social impact assessment. Where appropriate, specialist consultants are employed.

Maintain positive relationships with neighboring communities, local and national government authorities, NGOs and aid agencies and the public.

Respect and consult with the communities in the areas affected by our operations so that these communities receive fair treatment and where possible benefit from our activities.

Budget a percentage of profit to be used for sustainable community development projects. The projects are selected and prioritized in consultation with communities and carried out in cooperation with community members.

Aim to forge a pact with employees through having respect for fundamental human rights, including workplace rights, employee development and the need for a healthy and safe workplace.

Strive for the highest quality of rehabilitation, waste management and environmental protection in the most cost effective manner.

Strive to optimize the consumption of energy, water and other natural resources.

Through the introduction of new alternative environmentally friendly products and processes, as they become available, avoid the use or release of substances which, by themselves or through their manufacturing process, may damage the environment.

Practice responsible environmental stewardship to meet the demands of local communities, host country government requirements and international standards, and strive for continuous improvement of environmental performance.

In terms of this policy we recognize that a successful mining company is one which is profitable because it also meets its social responsibilities and makes a real contribution to the countries and communities within which it operates. On each of our new developments, a process of assessment and engagement is undertaken to ensure that the positive impacts are maximized and negative impacts minimized. Strong local relationships are one of the foundation stones on which we have been built and we thus take our social networking and interactions seriously. Our overall approach is guided by the recently updated IFC Guidelines on Environmental, Health and Safety as well as the IFC Mining and Performance Standards on Social and Environmental Sustainability.

During the early exploration stage our aim is to make as small a social impact as possible while respecting customs of the local communities. Once a target progresses to the feasibility stage, full social, medical and environmental baseline studies are conducted, which define the pre-mining conditions and are used as benchmarks throughout the duration of the project. Full environmental and social impact assessments are then carried out including public participation programs with the local communities where the impacts, both negative and positive, are discussed with the local communities.

A community liaison committee, consisting of a broad spectrum of community representatives, is set up prior to the start of construction and provides a forum where issues concerning the project can be discussed and mutually acceptable solutions found. We have now completed our third such process at Tongon and see this as instrumental for allaying suspicions and conflicts, while building relationships based on trust between the mines and surrounding communities.

#### Environment

Monthly monitoring programs incorporating dust fallout levels, physiochemical, cyanide, oil, grease and bacteriological levels of surface and groundwater across the mine site and TSF facilities as well as surrounding water courses continued through the year at Morila and Loulo. No pollution or breach of IFC guidelines was confirmed. Morila is ISO 14001 certified and Loulo and Tongon have started programs to become accredited within the next two to three years.

The underground environmental impact assessment and the environmental management plans for Loulo were updated based on the changes to the mine plan and with the onset of underground operations. Dust suppression is conducted by regularly watering and deposition of molasses on the site roads and through the main adjoining villages. Loulo has an onsite sorting and recycling facility of waste where useable recyclable waste is circulated into the communities. Domestic refuse collection has been contracted to the local women's association, which in turn helps the local economy. Parliamentary delegations visited the surrounding villages to check the environmental and social impact of the mine and reported their satisfaction.

At Tongon a full environmental and social impact assessment (ESIA) was carried out by independent consultants Digby Wells & Associates as required by Côte d'Ivoire legislation as well as our compliance with Equator principles and the IFC performance standards on social and environmental sustainability. Project alternatives have been examined and a public participation program completed. The natural pre-mining environment has been described and the potential project impacts evaluated. Not fatal flaws were identified by the specialist studies on hydrology, geo-hydrology, flora, fauna or archaeology. A relocation action plan for affected farmers was formulated and has been agreed with the local communities and state authorities. The ESIA was submitted to the state and subjected to a public enquiry process and has been approved by the state and its environmental consultants. The environmental permit to develop the Tongon mine has now been issued.

## Community

Relations with the communities in the villages surrounding our operations remained positive throughout the year. A community liaison committee was set up at Tongon in the first quarter of 2008 and following a three-day fact finding visit by the committee to our Morila mine by its members, has, like the community committees at Morila and Loulo, met on a monthly basis.

Loulo and Morila continued to implement their respective community development strategies which address projects recommended by their respective committees, with preference being given to projects related to basic health, primary education, food security, employment creation and potable water provision to those villages most affected by the operation of our mines.

At Tongon, the emphasis of the committee has been on potable water provision to the villages surrounding the project, the resettlement of hamlets, compensation for farmers on the mine footprint, employment opportunities and the fair distribution of these between the villages.

The projects recommended by the community committees and completed during the year included the following:  
Health and Provision of Potable Water

Four new boreholes each equipped with a hand pump were installed at Djidian-Kéniéba village which is close to the Loulo mine. Four boreholes were drilled and equipped with pumps in Morila and Fongola villages which are close to the Morila mine. Potable water was supplied to five villages surrounding the Tongon project by digging traditional wells, drilling boreholes and equipping these with pumps, and repairing and refurbishing existing pumps that were in a state of disrepair.

The provision of treated mosquito nets to the most vulnerable people in villages surrounding our mines to prevent malaria. The fogging of the villages surrounding Loulo and Morila mines to kill mosquitos and stop them from breeding.

Grading of roads in local villages close to Loulo mine to assist with assess and waste removal.

Provision of basic healthcare to the population of local villages surrounding our mines. HIV/AIDS interventions by the mines medical officers in co-operation with a local non-government organization in both the local villages and our work sites. These interventions include HIV/AIDS education and awareness training, voluntary HIV testing for all villagers and for members of high risk groups such as sex workers and lorry drivers.

## Education

The building of a primary school at Baboto village which is close to the Loulo mine.

The donation of school furniture and the fencing of schools for safety reasons in the villages close to the Loulo and Morila mines.

## Agriculture

Seeds supplied to farmers and gardeners at Loulo, Tongon and Morila.

The repair of the water dam at Sitakili and Loulo village near to the Loulo mine.

Two grinding mills delivered to Sitikili and Sakola villages through a joint program between Loulo mine and the National Platform Project (NGO).

The purchase of a tractor at Loulo which is for hire out at preferential rates to local farmers in the Loulo area.

The construction of a road bridge at Sokéla near Morila.

The building of two grain stores in Morila and Finkola villages close to the Morila mine.

Agricultural projects set up by the Morila mine in cooperation with the local communities' women's committees did well this year, with 20 tonnes of rice being harvested.

Special Project

Building of a mosque at Djidian-Kéniéba village for the local communities surrounding the Loulo mine.

Community radio station financed and installed at Sanso near Morila.

Continuing administrative support to the Community Trust Fund set up by the mine with a donation from Morila SA of \$500,000 in 2002.

The pioneering partnership between the aid agency USAID, the Commune of Sanso (comprising the villages in the mayoral district) and Morila continued its work for the third year. This included a continuing focus on democratic and good local governance, public health, education, communication, environmental practices and economic growth. The financial contributions made during 2008 by the partners as part of the partnership agreement were:

	\$
USAID	100,000
Commune Sanso	100,000
Morila	150,000
Total	350,000

Additional social investment by Morila on health, education, agriculture, community development projects and art, culture and heritage, amounted to \$102,403 during the year.

Total investment spending on all community projects during 2008 amounted to:

	\$
Morila	252,403
Loulo	285,048
Tongon	550,000
Total	987,451
Human Resources	
Group Manpower	

Group Manpower levels, inclusive of contractor labor, rose during the year to 3,802 with the most significant increases being in capital staff, including underground employees at Loulo, and construction employees at Tongon, where construction started in the second half of 2008. During a year when shortages of professional, managerial and skilled employees were experienced across the industry, resulting in labor cost inflation and double digit turnover of such staff, we maintained its salary cost discipline and retained its core employees. Manning levels related to permanent, expatriate and temporary employees on the major projects are shown in the table below.

Manpower Table

Mine/function	Dec 2008	Dec 2007	Variance
LOULO			
Mine	290	267	23
Capital	135	131	4



<b>Mine/function</b>	<b>Dec 2008</b>	<b>Dec 2007</b>	<b>Variance</b>
Exploration	107	122	(15)
Contractors	1,568	1,361	207
Total	2,100	1,881	219
<b>MORILA</b>			
Mine	588	623	(35)
Exploration	7	5	2
Contractors	884	1,114	(230)
Total	1,479	1,742	(263)
<b>TONGON</b>			
Project management	9	2	7
Contractors	63	20	43
Total	72	22	50

It is planned to reduce Morila contractors employees by 600 and Morila employees by 100 during the first three months of 2009 as inpit mining ceases.

At Tongon several hundred new job opportunities will be provided in northern Côte d'Ivoire. The highest number of workers, exceeding 800, will be employed during the construction phase in 2009/2010. Subsequent to that, during the production phase, employment will reduce and should total approximately 536 permanent employees of which 278 will be employed by ourselves and 258 by contractors. During the construction phase recruitment will be carried out by GSS, a Côte d'Ivoire labor broker.

#### Employee Health

The most serious challenge for ensuring the health of our employees centers on the reduction of exposure to malaria and other diseases, airborne contaminants and noise on our sites. Personal protective equipment, supplied by the company, is utilized in all relevant areas. In terms of the former, malaria remains the most significant health risk for our operational personnel. The preventative measures that have been taken on the advice of our entomological consultant and our medical officers have led to a significant reduction in such cases.

#### Safety

We experienced one fatality in the group during the year as the result of a collision between two motorcycles at Loulo, en route to the Yalea underground mine. Stricter emphasis has been placed on the speed of motor vehicles on our mines to avoid a recurrence. While low injury frequency rates do not always translate into low fatality rates the Lost Time Injury Frequency Rate (LTIFR) (number of LTI per number of hours worked) x 1,000,000 was 1.57 at Loulo and 1.12 at Morila.

Daily toolbox meetings are held in workplaces across our mines to constantly remind employees of the need for each employee to be safety conscious. These meetings are based on the principle of individual responsibility where the onus is on each employee to practice a high level of safety in the workplace. We are proud to report that Morila achieved 1,000,000 LTI-free hours during 2008 and once again won the National INPS award as the safest mine in Mali.

#### Training

Strategic planning and team effectiveness workshops were held at Tongon. Loulo and Morila in the first half of 2008. They were attended by the chief executive members, mine and capital project managers and union general secretaries. Management and supervisory development programs continued on site and at South African and European universities.

A specific drive was made this year to enhance basic engineering skills, using a combination of competency testing, gap identification and action learning to strengthen any weak areas. Employees at both operating mines attended induction and safety courses throughout the year. Cyanide handling courses were held at Loulo and Morila during the year for all processing plant employees.

All new contractor employees are required to attend the mines induction and safety training courses before starting work. In addition, safety talks take place at the start of each shift at all working places. ISO 14001 and OSHAS 18001 certification was retained by Morila and plans were drawn up during 2008 to initiate the ISO 14001 and OSHA 18001 certification process at Loulo and Tongon. Training interventions were undertaken during 2008 to meet the requirements of the ISO 14001 and OSHA 18001 certification process.

Since we took over the operatorship of Morila the expatriate headcount on the mine has been reduced by eleven by implementing the company's localization philosophy which consists of employing high-potential local staff, while providing coaching and other support as required.

#### Industrial Relations

Since we became the operator at Morila, the general secretaries of the two unions on the mine have, for the first time, been invited to attend Morila SA board meetings. This practice is part of our initiative to build a pact with labor and has been successful in improving communications with the unions and the trust between management and unions at the mines.

In pursuit of our goal of having knowledgeable and empowered union representatives, representatives and delegates of personnel at Morila and Loulo attended capacity building courses during the year. The courses were conducted by the Malian human resources consultancy, Bara Services.

Loulo followed the example set by Morila in 2004 in successfully concluding a mine level agreement aimed at clarifying the industry collective agreement and in so doing improved industrial relations at Loulo.

Industrial relations at Morila and Loulo during 2008 were complicated by the rightsizing effected for economic reasons on both mines. The major factor was the reduction in open pit mining carried out by the mining contractors on both mines. Additional rightsizing commenced at Morila in 2009 due to the cessation of open pit mining. The prospect of rightsizing caused concern among employees and resulted in threats of industrial action at both mines. Due to positive relations on our mines the threatened industrial action was largely averted. At Morila, part of the contractor and Morila workforces stayed away from work for two days. The action was peaceful and operations returned to normal with minimum disruption to production. Following this, management and the unions have continued their efforts to consult with each other and to resolve disputes within the procedures and spirit of the pact.

The Loulo and Morila human resource managers and union representatives, together with their peers from the other large mines in Mali, took part in discussions held at the Ministry of Labor's offices in Bamako concerning a proposed new National Mining Industry Collective Agreement. The talks are expected to continue in 2009.

At Tongon, the project site has been visited by Mr. Koffi Assienin, the Federated Union secretary-general, following regular discussions with him in Abidjan to keep him and his union informed of progress and to explain the concept of our pact with labor initiative.

#### Social Responsibility and Community Development

The sustainable development and social responsibility strategy forms an integral part of our overall business strategy and is implemented throughout all offices, projects and operations. This strategy recognizes that the effectiveness of our community development efforts can be increased through forming synergistic alliances with professionals in the field, such as NGOs and aid agencies that have solid track records.

#### Regulatory and Environmental Matters

Our business is subject to extensive government and environment-related controls and regulations, including the regulation of the discharge of pollutants into the environment, disturbance of and threats to endangered species and other environmental matters. Generally, compliance with these regulations requires us to obtain permits issued by government agencies.

Some permits require periodic renewal or review of their conditions. We cannot predict whether we will be able to renew those permits or whether material changes in permit conditions will be imposed. To the extent that the countries in which we have exploration and mining permits have no established environmental laws, we are currently working to ensure that our operations are in compliance with environmental performance standards set by the IFC in relation to air emissions and water discharges. In accordance with our stated policy, we provide for estimated environmental rehabilitation costs based on the net present value of future rehabilitation cost estimates for disturbance to date.

We carry out our operations within the guidelines outlined in our social responsibility policy and in accordance with Equator Principles and IFC performance standards.

The Morila Mine maintained its International Standard Organization (ISO14001) certification during 2007. In the third year of production at the Loulo mine, ISO14001 training procedures continued with the aim of moving towards compliance.

At Loulo, the cyanide detoxification process continued and will be fully commissioned in May 2009.

We have established an environmental reporting committee comprising senior executives and chaired by our CEO. The committee considers all issues affecting the environment.

### **Marketing**

We derive the majority of our income from the sale of gold produced by Morila and Loulo in the form of dorè, which we sell under agreement to a refinery. Under these agreements, we receive the ruling gold price on the day after dispatch, less refining and freight costs, for the gold content of the dorè gold. We have only one customer with whom we have an agreement to sell all of our gold production. The customer is chosen annually on a tender basis from a selected pool of accredited refineries and international banks to ensure competitive refining and freight costs. Unlike other precious metal producers, gold mines do not compete to sell their product given that the price is not controlled by the producers.

### **Property**

Our operational mining area is comprised of Morila operations of 200 square kilometers and the Loulo mining permit of 372 square kilometers. Our exploration permits are detailed above.

We also lease offices in London, Dakar, Abidjan, Bamako, Ouagadougou, Mwanza, Accra, Johannesburg and Jersey.

In order to source certain services from South Africa, Seven Bridges Trading 14 (Proprietary) Limited, or Seven Bridges, a wholly owned subsidiary of ours was created.

We have entered into a service agreement with Seven Bridges whereby Seven Bridges will provide certain administrative services to us, such as administrative and secretarial services, accounting, geological consultancy, purchase and logistics administration, legal and other general administrative services. Seven Bridges charges a monthly fee based on the total employment cost plus 50%.

### **Legal Proceedings**

In August 2004, we entered into a fixed lump sum turnkey contract for \$63 million for the design, supply, construction and commissioning of the Loulo processing plant and infrastructure with MDM Ferroman (Pty) Ltd, or MDM. At the end of 2005, after making advances and additional payments to MDM totaling \$26 million in excess of the contract, we determined that MDM was unable to perform its obligations under the MDM Contract, at which time we enforced a contractual remedy which allowed us to act as our own general contractor and to complete the remaining work on the Loulo project that was required under the MDM Contract.

We believe that we are entitled to recover \$59.3 million from MDM. This comprises payments totaling \$32 million which have been capitalized as part of the cost of the project, \$15.2 million in respect of damages arising from the delayed completion of the project, and advances of \$12.1 million (December 31, 2007: \$12.1 million) included in receivables. Of this latter amount, \$7 million is secured by performance bonds and the remainder is secured by various personal guarantees and other assets.

As part of our efforts to recoup the monies owed to us, MDM was put into liquidation on February 1, 2006. This resulted in a South African Companies Act Section 417 investigation into the business and financial activities of MDM, its affiliated companies and their directors. This investigation was completed in the last quarter of 2007 and legal proceedings have been instituted by the liquidators against numerous creditors who had received preferential payments in the six months prior to MDM's liquidation. Proceedings are ongoing and it is expected that some of these claims will be heard by the South African courts during 2009. In January 2009, the liquidator declared and paid the first dividend of \$0.1 million from the insolvent estate, leaving an outstanding balance of \$12 million as at April 30, 2009.

We believe that we will be able to recover in full the \$12 million included in receivables. However, this is dependent on the amounts which can be recovered from the performance bonds, personal guarantees and other assets provided as security. Any shortfall is expected to be recovered from any free residue accruing to the insolvent estate. The aggregate amount which will ultimately be recovered cannot presently be determined. The financial statements do not reflect any additional provision that may be required if the \$12 million cannot be recovered in full.

Recovery of the other \$47.1 million is dependent on the extent to which there is any amount in the free residue. The ultimate outcome of this claim cannot presently be determined and there is significant uncertainty surrounding the amount that will ultimately be recovered. The financial statements do not reflect any adjustment to the cost of the Loulo development that may arise from this claim, or any additional income that may arise from the claim for damages, or any charge that may arise from MDM's inability to settle amounts that are determined to be payable by MDM to us in respect of the Loulo development.

As of December 31, 2008 and March 31, 2009, we had approximately \$257.6 million and \$248.4 million of cash and cash equivalents, respectively. In addition, we had available-for-sale financial assets with a carrying value of approximately \$38.6 million. The available-for-sale financial assets consists of ARS. In the third quarter of fiscal year 2007, certain ARS with a cost value of \$49 million failed at an auction due to the sudden and unusual deterioration in the global credit and capital markets, and have since experienced multiple failed auctions.

We believe that we have been the subject of a fraud committed by brokers working for a large investment bank through material misrepresentations of the nature of the ARS in which we were invested. Consequently, we have engaged legal counsel and in October 2008 we commenced arbitration proceedings against the bank and the brokers for their misconduct. These individuals are the subject of criminal proceedings instigated by the US government and regulatory proceedings instigated by the SEC, which we believe reinforced our position.

Other than as disclosed above we are not party to any material legal or arbitration proceedings, nor is any of our property the subject of pending material legal proceedings.

#### **Health and Safety Regulations**

Morila and Loulo have a Hygiene and Security Committee made up of elected labor and specialist management representatives, as outlined in the respective labor code. This committee designates, from its members, a consultative technical sub-committee charged with the elaboration and application of a concerted policy of improvement of health and security conditions at work. Its composition, attributions and operational modalities are determined by legal provisions and regulations.

The chairman of this committee coordinates monthly committee meetings, sets the agendas with his secretariat, monitors resolutions and signs off on committee determinations.

The committee's secretariat ensures under the supervision of the chairman that:

follow-up activities such as action resulting from the regular surveys and inspections are carried out; and

health and safety manuals and updates are distributed, posters are posted on notice boards and safety committee minutes and reports are distributed.

Each mine's medical officer sits on the Hygiene and Security Committee and advises on the following:

working conditions improvements;

general hygiene on the operation;

ergonomics;

protection of workers safety in the workplace; and

medical checks and eye and ear testing.

The Hygiene and Security Committee forms, from within its membership, two consultative commissions, the Commission of Inquiry and the Educational Commission. The Commission of Inquiry:

investigates accidents and makes recommendations to avoid repetitions;

ensures plant, machinery and equipment have adequate protection to avoid injury; and

updates and revises safety and health manuals.

The Educational Commission:

provides information and training on safe practices and potential risks;

provides first aid training;

administers and promotes the safety suggestion scheme; and

explains, where necessary, the contents of the safety and health manual.

All employees are covered by the state's social security scheme and our medical reimbursement scheme, that reimburses a large portion of expenses related to medical treatment and medicines. Dental and optical expenses are also covered to 50%.

No post-employment medical aid liability exists for the group.

**C. ORGANIZATIONAL STRUCTURE**

The following chart identifies our subsidiaries and joint venture and our percentage ownership in each subsidiary:

Group Structure

Randgold Resources Limited

Société des Mines de Morila SA (2) 100% Jersey Ltd. (1) d Ltd. (1 ) (Mali) Ltd. (1 ) (Senegal) Ltd. (1 ) ( ) ) 100% 100% 100% 100% 100% 50% 100% 100% Ltd. (1 ) 80% 100% 100% 100% 100% 100% 100% 50% 100% 100% 80% Randgold Resources (Burkina) Ltd (1) Randgold Resources T1 Ltd (1) Randgold Resources T2 Ltd (1) 100% 100% 100% 80% Mining Investments Jersey Ltd. (1) Randgold Resources (Côte d Ivoire) Ltd. (1) Randgold Resources (Mali) Ltd. (1) Randgold Resources (Senegal) Ltd. (1) Randgold Resources (Somilo) Ltd. (1) Randgold Resources Tanzania (T) Ltd. (4) Seven Bridges Trading 14 (Proprietary) Ltd. (5) Morila Ltd. (1) Randgold Resources (Côte d Ivoire) SARL (3) Randgold Resources Mali SARL (2) Société des Mines de Loulo SA (2) Rangold Resources (U.K.) Ltd. (6) 100% 100% Randgold Resources Burkina Faso SARL (7) Randgold Resource s T3 Ltd. (1) 100% 100% (1) Incorporated in Jersey, Channel Islands (2) Incorporated in Mali (3) Incorporated in Côte d Ivoire (4) Incorporated in Tanzania (5) Incorporated in the Republic of South Africa (6) Incorporated in the United Kingdom (7) Incorporated in Burkina Faso (8) Incorporated subsequent to December 31, 2008 75% Kankou Moussa SARL (2) Société des Mines de Tongon, SA (3), (8) Randgold Resources (Côte d Ivoire SARL(3) 84% 100%

## **D. PROPERTY, PLANT AND EQUIPMENT**

For a discussion of our principal properties, including mining rights and permits, see Item 4. Information on the Company A. History and Development of the Company and Item 4. Information on the Company B. Business Overview . We have all material legal rights necessary to entitle us to exploit such deposits in respect of the Morila mine in Mali to April 2022, and Loulo in Mali to 2029.

The exploration permits in Côte d'Ivoire, Mali, Senegal, Burkina Faso, Ghana and Tanzania give us the exclusive right for a fixed time period, which is open to renewal, to prospect on the permit area.

Once a discovery is made, we, as the permit holder, then commence negotiations with the respective governments as to the terms of the exploration or mining concession. Depending on the country, some of the terms are more open to negotiation than others, but the critical areas which can be agreed to are the government's interest in the mine, taxation rates and taxation holidays, repatriation of profits and the employment of expatriates and local labor.

### **Item 4A. Unresolved Staff Comments**

None.

### **Item 5. Operating and Financial Review and Prospects**

Statements in this Annual Report concerning our business outlook or future economic performance; anticipated revenues, expenses or other financial items; and statements concerning assumptions made or expectations as to any future events, conditions, performance or other matters, are forward-looking statements as that term is defined under the United States Federal securities laws. Forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those stated in such statements. Factors that could cause or contribute to such differences include, but are not limited to, those set forth under Item 3. Key Information D. Risk Factors in this Annual Report as well as those discussed elsewhere in this Annual Report and in our other filings with the Securities and Exchange Commission.

#### **General**

We earn substantially all of our revenues in US dollars and a large proportion of our costs are denominated or based in US dollars, excluding the Morila mining contract which is partially denominated in Euros. We also have South African Rand, Communauté Financière Africaine franc and Pound Sterling denominated costs, which are primarily wages and material purchases.

#### **Impact of Malian Economic and Political Environment**

We are a Jersey incorporated company and are not subject to income taxes in Jersey. Our current significant operations are located in Mali and are therefore subject to various economic, fiscal, monetary and political policies and factors that affect companies operating in Mali, as discussed under Item 3. Key Information D. Risk Factors Risks Relating to Our Operations .

#### **Impact of Favorable Tax Treaties**

We are not subject to income tax in Jersey. Morila SA benefited from a five year tax holiday until November 14, 2005. Somilo SA also benefits from a five year tax holiday in Mali which commenced on November 8, 2005. The benefit of the tax holiday to the group was to increase its net profit by \$9 million, \$11 million and \$9.1 million for the years ended December 31, 2008, 2007 and 2006 respectively.

Under Malian tax law, income tax is based on the greater of 35% of taxable income or 0.75% of gross revenue.

The Morila and Loulo operations have no assessable capital expenditure carry forwards or assessable tax losses, as at December 31, 2008 and 2007 respectively, for deduction against future mining income.

## Revenues

Substantially all of our revenues are derived from the sale of gold. As a result, our operating results are directly related to the price of gold. Historically, the price of gold has fluctuated widely. The gold price is affected by numerous factors over which we have no control. See Item 3. Key Information D. Risk Factors Risks Relating to Our Operations The profitability of our operations, and the cash flows generated by our operations, are affected by changes in the market price for gold which in the past has fluctuated widely .

We have followed a hedging strategy the aim of which is to secure a minimum price which is sufficient to protect us in periods of significant capital expenditure and debt finance, while at the same time allowing significant exposure to the spot gold price. Accordingly, we have made use of hedging arrangements. Under the terms of the Morila project loan, we were required to hedge 50% of approximately 36% of Morila's first 5 years of production. The last remaining hedges were closed out during 2004.

Our prior financing arrangements for the development of Loulo included provisions for gold price protection. Although the facility was fully repaid in December 2007, these instruments are still in place. At March 31, 2009, 102,996 ounces had been sold forward at an average price of \$460 per ounce. This represents approximately 14% of planned production at Loulo for the period ending December 2010.

Significant changes in the price of gold over a sustained period of time may lead us to increase or decrease our production, which could have a material impact on our revenues.

### Our Realized Gold Price

The following table sets out the average, high and low afternoon London Bullion Market fixing price of gold and our average US dollar realized gold price during the years ended December 31, 2008, 2007 and 2006.

	Year Ended December 31,		
	2008	2007	2006
Average	871	695	604
High	1,011	841	725
Low	712	608	525
Average realized gold price	792 <sup>(1)</sup>	636 <sup>(1)</sup>	571 <sup>(1)</sup>

(1) Our average realized gold price differs from the average gold price as a result of the timing of our gold deliveries and different realized prices achieved on the hedge book.

### Costs and Expenses

Our operations currently comprise two operations mined by contractors. Milling operations are undertaken by the group's own employees. Total cash costs in the year ended December 31, 2008 as defined by guidance issued by the Gold Institute made up approximately 75% of total costs and expenses and comprised mainly mining and milling costs, including labor and consumable stores costs. Consumable stores costs include diesel and reagent costs. Contractor costs represented 41% of total cash costs, with diesel and reagent costs making up 41% of total cash costs. Direct labor costs accounted for approximately 6% of total cash costs. For a definition of total cash costs, please refer to Item 3 Key Information .



The price of diesel acquired for the Morila and Loulo operations increased during the year ended December 31, 2008 which negatively impacted total cash costs. In 2009, the price of diesel has significantly declined. Should these prices increase again, this could significantly impact total cash costs mainly as a result of the high volume of diesel consumed to generate power and to run the mining fleet. Mining contractor costs, which are Euro denominated at Morila, also increased during 2008. Higher oil prices together with a stronger Euro, as well as the increase in tonnes mined at Loulo, impacted costs during the past year.

The remainder of our total costs and expenses consists primarily of amortization and depreciation, exploration costs, exchange losses, interest expense and general administration or corporate charges.

Loulo benefited from a three-year duty exemption period, which ended on November 8, 2008. Duties became payable in accordance with the Malian duty regime on all imported goods. On average, it is anticipated that this has the effect of increasing the costs of imported goods by 7%, which equates to an overall increase of 1% on total costs.

### **Looking Forward**

The current mine plan at Morila anticipates production for 2009 to be approximately 330,000 ounces. In pit mining is expected to cease in the second quarter of 2009 after which the lower grade stockpiles currently on surface will be processed until 2013. This will ensure the mine continues to be a significant cash generator for the group, despite the fact that the reported cash costs will be higher, owing to the accounting adjustment relating to the stockpiles.

Loulo's 2009 production is expected to increase by 100,000 ounces to approximately 360,000 ounces. The underground mining at Yalea is making progress and is expected to reach 120,000 tonnes per month by the end of the year. Yalea is the first of the two Loulo underground mines and is currently a bigger orebody with higher grades than the Gara deposit, which is scheduled to be developed from the beginning of 2010 and to be in production by the end of 2010. The underground mines are expected to not only add life to Loulo but to increase levels of annual production to in excess of 400,000 ounces in 2010. At the same time we continue to explore in and around Loulo, and as noted earlier, have identified a number of promising exploration targets.

Notwithstanding the additional non cash adjustments relating to the Morila stockpiles, total cash costs per ounce for the group are forecast to be lower than the costs reported in 2008, depending on oil price and actual Euro/Dollar exchange rates assumptions, which have a material impact on operating costs.

Construction at Tongon is well underway, and the capital projects team remains on track to produce first gold in the fourth quarter of 2010.

In the coming year, exploration expenditure is expected to remain high, with significant drill programmes scheduled for Mali and Côte d'Ivoire, and especially for Senegal at the Massawa project, where a scoping study is underway and a prefeasibility study is planned for 2009.

While we continue to retain our focus on organic growth through discovery and development of world class orebodies, we also continue to actively engage in reviewing corporate and asset acquisition opportunities. The focus of these new business initiatives will be in West and East Africa.

### **Critical Accounting Policies**

Our significant accounting policies are more fully described in note 2 to our consolidated financial statements. Some of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty and are based on our historical experience, terms of existing contracts, management's view on trends in the gold mining industry and information from outside sources.

Management believes the following critical accounting policies, among others, affect the more significant judgments and estimates used in the preparation of our consolidated financial statements and could potentially impact our financial results and future financial performance.

### **Joint Venture Accounting**

We account for our investment in joint ventures by incorporating our proportionate share of the joint ventures assets, liabilities, income, expenses and cash flows in the consolidated financial statements under appropriate headings. Should this method of accounting not be permitted in the future, the results of each joint venture would need to be equity accounted. This would require the recognition in the income statement, on a separate line, of our share of the joint ventures' profit or loss for the year. Our interest in the joint venture would be carried on the balance sheet at an amount which would reflect our share of the net assets of the joint venture.

This would result in a presentation of our balance sheet and income statement that differs significantly from the current presentation, but would have no impact on our net income or our net asset value.

### **Depreciation and Amortization of Mining Assets**

Depreciation and amortization charges are calculated using the units of production method and are based on tonnes processed through the plant as a percentage of total expected tonnes to be processed over the lives of our mines. A unit is considered to be produced at the time it is physically removed from the mine. The lives of the mines are based on proven and probable reserves as determined in accordance with the Securities and Exchange Commission's industry guide number 7. The estimates of the total expected future lives of our mines could be materially different from the actual amounts of gold mined in the future and the actual lives of the mines due to changes in the factors used in determining our mineral reserves. These factors could include: (i) an expansion of proven and probable reserves through exploration activities; (ii) differences between estimated and actual cash costs of mining, due to differences in grade, metal recovery rates and foreign currency exchange rates; and (iii) differences between actual gold prices and gold price assumptions used in the estimation of reserves. Such changes in reserves could similarly impact the useful lives of assets depreciated on a straight-line basis, where those lives are limited to the life of the mine, which in turn is limited to the life of the proven and probable reserves.

### **Valuation of Long-Lived Assets**

Management compares the carrying amounts of property, plant and equipment to the recoverable amount of the assets whenever events or changes in circumstances indicate that the net book value may not be recoverable. In determining if the asset can be recovered, we compare the recoverable amount to the carrying amount. If the carrying amount exceeds the recoverable amount, we will record an impairment charge in the income statement to write down the asset to the recoverable amount. The recoverable amount is assessed by reference to the higher of value in use (being the net present value of expected future cash flows of the relevant case generating unit) and fair value less cost to sell. To determine the value in use amount, management makes its best estimate of the future cash inflows that will be obtained each year over the life of the mine and discounts the cash flow by a rate that is based on the time value of money adjusted for the risk associated with the applicable project. In estimating future cash flows, assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of future cash flows from other asset groups. With the exception of mine-related exploration potential, all assets at a particular operation are considered together for purposes of estimating future cash flows.

These reviews are based on projections of anticipated future cash flows to be generated by utilizing the long-lived assets. While management believes that these estimates of future cash flows are reasonable, different assumptions regarding projected gold prices and production costs as discussed above under depreciation and amortization of mining assets could materially affect the anticipated cash flows to be generated by the long-lived assets. The ability to achieve the estimated quantities of recoverable minerals from exploration stage mineral interests involves further risks in addition to those factors applicable to mineral interests where proven and probable reserves have been identified, due to the lower level of confidence that the identified mineralized material can ultimately be mined economically.

### **Hedging and Financial Derivatives**

We account for our hedging and financial derivatives in accordance with International Accounting Standard No. 39 Financial Instruments: Recognition and Measurement, or IAS 39. The determination of the fair value of hedging instruments and financial derivatives, when marked-to-market, takes into account estimates such as projected interest rates under prevailing market conditions, depending on the nature of the hedging and financial derivatives.

These estimates may differ materially from actual gold prices, interest rates and foreign currency exchange rates prevailing at the maturity dates of the hedging and financial derivatives and, therefore, may materially influence the values assigned to the hedging and financial derivatives, which may result in a charge to or an increase in our earnings at the maturity date of the hedging and financial derivatives. Certain hedging and financial derivatives are accounted for as cash flow hedges, whereby the effective portion of changes in fair market value of these instruments are deferred in other reserves and will be recognized in the consolidated income statement when the underlying production designated as the hedged item is sold. All derivative contracts qualifying for hedge accounting are designated against the applicable portion of future production from proven and probable reserves, where management believes the forecasted transaction is probable of occurring. To the extent that management determines that such future production is no longer probable of occurring due to changes in the factors impacting the



determination of reserves, as discussed above under amortization of mining assets, gains and losses deferred in other reserves would be reclassified to the consolidated income statement immediately.

#### **Environmental Rehabilitation Costs**

We provide for environmental rehabilitation costs and related liabilities based on our interpretations of current environmental and regulatory standards with reference to World Bank guidelines. Final environmental rehabilitation obligations are estimated based on these interpretations and in line with responsible programs undertaken by similar operations elsewhere in the world. While management believes that the environmental rehabilitation provisions made are adequate and that the interpretations applied are appropriate, the amounts estimated may differ materially from the costs that will actually be incurred to rehabilitate our mine sites in the future.

#### **Exploration and evaluation costs**

We expense all exploration and evaluation expenditures until the directors conclude that a future economic benefit is more likely than not of being realized, i.e. probable. While the criteria for concluding that an expenditure should be capitalized are always probable, the information that the directors use to make that determination depends on the level of exploration.

Exploration and evaluation expenditure on greenfield sites, being those where we do not have any mineral deposits which are already being mined or developed, is expensed until such time as the directors have sufficient information to determine that future economic benefits are probable, after which the expenditure is capitalized within development costs. The information required by directors is typically a final feasibility study, however, a prefeasibility study may be deemed to be sufficient where the additional work required to prepare a final feasibility study is not significant.

Exploration and evaluation expenditure on brownfield sites, being those adjacent to mineral deposits which are already being mined or developed, is expensed as incurred until the directors are able to demonstrate that future economic benefits are probable through the completion of a prefeasibility study, after which the expenditure is capitalized as a mine development cost. A prefeasibility study consists of a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or the pit configuration, in the case of an open pit, has been established, and which, if an effective method of mineral processing has been determined, includes a financial analysis based on reasonable assumptions of technical, engineering, operating economic factors and the evaluation of other relevant factors. The prefeasibility study, when combined with existing knowledge of the mineral property that is adjacent to mineral deposits that are already being mined or developed, allow the directors to conclude that it is more likely than not that the group will obtain future economic benefit from the expenditures.

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed, including expenditure on the definition of mineralization of such mineral deposits, is capitalized as a mine development cost following the completion of an economic evaluation equivalent to a prefeasibility study. This economic evaluation is distinguished from a prefeasibility study in that some of the information that would normally be determined in a prefeasibility study is instead obtained from the existing mine or development. This information when combined with existing knowledge of the mineral property already being mined or developed allow the directors to conclude that more likely than not we will obtain future economic benefit from the expenditures. Costs relating to property acquisitions are also capitalized. These costs are capitalized within development costs.

#### **Receivables**

Receivables are recognized initially at fair value. There is a rebuttable presumption that the transaction price is fair value unless this could be refuted by reference to market indicators. Subsequently, receivables are measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that we will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

### **Share-based payments**

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

### **Classification and valuation methodology of auction rate securities ( ARS )**

The group has applied judgment in the classification of the ARS. These financial assets consist of ARS with a par value of \$49 million and a carrying value of \$38.6 million at December 31, 2008. The trading market for these instruments has become substantially illiquid as a result of unusual conditions in the credit markets. The company continues to receive interest payable on these securities. As these investments have been illiquid for more than twelve months and there is no certainty that they will become liquid within the next twelve months, the assets have been reclassified into the non-current section of available-for-sale financial assets to more accurately reflect their nature. Management estimates the fair value of these investments at each reporting period. Management applies a mark to model valuation method and the model is based upon observable market inputs. This method relies upon inputs from the ratings agencies in respect of the underlying collateral, including credit ratings, likelihood of default and recoverability in the event of default. Management considers the primary indication of the carrying value of the ARS to be the credit rating and the continued receipt of interest. Where the ARS investments have been down-graded below investment grade, this is deemed to be an indication of impairment.

### **Recent accounting pronouncements**

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

**AMENDMENT TO IAS 23 BORROWING COSTS** (effective for annual periods beginning on or after January 1, 2009).

The amendment removes the option of immediately recognizing as an expense borrowing costs that relate to qualifying assets (assets that take a substantial period of time to get ready for use or sale). Instead, an entity will be required to capitalize borrowing costs whenever the conditions for capitalization are met. We will apply amendments to IAS 23 from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**AMENDMENT TO IFRS 2 SHARE-BASED PAYMENT: VESTING CONDITIONS AND CANCELLATIONS** (effective for annual periods beginning on or after January 1, 2009).

This amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. The purpose of making the distinction is so as to be able to address the accounting for non-vesting conditions, which were not previously covered by IFRS 2. The guidance in IFRS 2 covering the accounting for vesting conditions is not affected by the amendment. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment is likely to have a particular impact on entities operating Save As You Earn (SAYE) schemes because it results in an immediate acceleration of the IFRS 2 expense if an employee decides to stop expense if an employee decides to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. We will apply amendments to IFRS 2 from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**AMENDMENTS TO IAS 1 PRESENTATION OF FINANCIAL STATEMENTS: A REVISED PRESENTATION** (effective for annual periods beginning on or after January 1, 2009).

The amendment to IAS 1 affects the presentation of owner change in equity and of comprehensive income. An entity will be required to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The standard does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. This revision is not applicable to the Company, as it already prepares its financial statements under IFRS.

**AMENDMENTS TO IAS 27 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS** (effective for annual periods beginning on or after July 1, 2009).

This amendment relates in particular to acquisitions of subsidiaries achieved in stages and disposals of interests, with significant differences in the accounting treatment depending on whether control is gained or not, or a transaction simply results in a change in the percentage of the controlling interest. The amendment does not require the restatement of previous transactions. The amendment to IAS 27 must be adopted at the same time as IFRS 3 Revised. This revision is not applicable to the Company, as it already prepares its financial statements under IFRS.

**AMENDMENTS TO IAS 32 AND IAS 1 PUTTABLE FINANCIAL INSTRUMENTS AND OBLIGATIONS ARISING ON LIQUIDATION** (effective for annual periods beginning on or after January 1, 2009).

This amendment results in certain types of financial instrument that meet the definition of a liability, but represent the residual interest in the net assets of the entity, being classified as equity.

The amendment requires entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions: (a) puttable financial instruments; and, (b) instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. We will apply amendments to IAS 32 from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**AMENDMENTS TO IFRS 1 AND IAS 27 COST OF AN INVESTMENT IN A SUBSIDIARY, JOINTLY CONTROLLED ENTITY OR ASSOCIATE** (effective for annual periods beginning on or after January 1, 2009).

This amendment allows a first-time adopter that, in its separate financial statements, elects to measure its investments in subsidiaries, jointly controlled entities or associates at cost to initially recognize these investments either at cost determined in accordance with IAS 27 or deemed cost (being either its fair value at the date of transition to IFRSs or its previous GAAP carrying amount at that date). We will apply amendments to IFRS 1 and IAS 27 from January 1, 2009, but it is not expected to have any impact on our accounts.

**AMENDMENT TO IAS39 FINANCIAL INSTRUMENTS: RECOGNITION AND MEASUREMENT: ELIGIBLE HEDGED ITEMS** (effective for annual periods beginning on or after July 1, 2009).

This amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in the designation of a one-sided risk in a hedged item and inflation in a financial hedged item. We will apply amendments to IAS 39 from January 1, 2010, but it is not expected to have any impact on the accounts.

**IFRIC 13 CUSTOMER LOYALTY PROGRAMMES** (effective for annual periods beginning on or after July 1, 2008).

The Interpretation addresses accounting by entities that grant loyalty award credits (such as points or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ( awards ) to customers who redeem award credits. The interpretation requires entities to allocate some of the proceeds of the initial sale to the award credits and recognize these proceeds as revenue only when they have fulfilled their obligations. They may fulfill their obligations by supplying awards themselves or engaging (and paying) a third party to do so. We will apply IFRIC 13 from January 1, 2009, but it is not expected to have any impact on our accounts.

**IFRIC 15 AGREEMENTS FOR THE CONSTRUCTION OF REAL ESTATE** (effective for annual periods beginning on or after January 1, 2009).

This interpretation clarifies the definition of a construction contract, the interaction between IAS 11 and IAS 18 and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18.

For some entities, the interpretation may give rise to a shift from the recognition of revenue using the percentage of completion method to the recognition of revenue at a single time (e.g. at completion, upon or after delivery). Affected agreements will be mainly those accounted for in accordance with IAS 11 that do not meet the definition of a construction contract as interpreted by the IFRIC and do not result in a continuous transfer (i.e. agreements in which the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses). We will apply IFRIC 15 from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**IFRIC 16 HEDGES OF A NET INVESTMENT IN A FOREIGN OPERATION** (effective for annual periods beginning on or after October 1, 2008).

IFRIC 16 clarifies that: (a) the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation; (b) the hedging instrument(s) may be held by any entity or entities within the group, other than the entity being hedged; (c) while IAS 39 Financial Instruments: Recognition and Measurement must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21. The Effects of Changes in Foreign Exchange Rates must be applied in respect of the hedged item. IFRIC 16 applies prospectively from its effective date. We will apply IFRIC 16 from January 1, 2009, but it is not expected to have any impact on our accounts.

**IFRIC 17 DISTRIBUTIONS OF NON-CASH ASSETS TO OWNERS ESTATE** (effective for annual periods beginning on or after July 1, 2009)

Prior to this interpretation, IFRSs did not address how an entity should measure distributions of assets other than cash when it pays dividends. Dividends payable were sometimes recognized the carrying amount of the assets to be distributed and sometimes at their fair value. The interpretation clarifies that: a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity; that an entity should measure the dividend payable at the fair value of the net assets to be distributed; and, that an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. It does not have to be applied retrospectively. We will apply IFRIC 17 from January 1, 2010, but it is not expected to have any impact on our accounts.

**IFRS 8 OPERATING SEGMENTS ESTATE** (effective for annual periods beginning on or after January 1, 2009).

This standard requires an entity to adopt the management approach to reporting on the financial performance of its operating segments. Generally, the information to be reported would be what management uses internally for evaluating segment performance and deciding how to allocate resources to operating segments. Such information may be different from what is used to prepare the income statement and balance sheet. The standard also requires explanations of the basis on which the segment information is prepared and reconciliations to the amounts recognized in the income statement and balance sheet. We will apply IFRS 8 from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**IMPROVEMENTS TO IFRSs** (effective for annual periods beginning on or after January 1, 2009).

This amendment takes various forms, including the clarification of the requirements of IFRSs and the elimination of inconsistencies between standards. The most significant changes cover the following issues: the classification of assets and liabilities as held for sale where a non-controlling interest is retained; accounting by companies that routinely sells assets previously held for rental to others; accounting for loans given at a nil or below market rate of interest; the reversal of impairments against investments in associates accounted for using the equity method; the



timing of expense recognition for costs incurred on advertising and other promotional activity; and

accounting for properties in the course of construction. We will apply improvements to IFRSs from January 1, 2009, but it is not expected to have any significant impact on our accounts.

**REVISED IFRS 1 FIRST-TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS** (effective for annual periods beginning on or after January 1, 2009).

The revised version of IFRS 1 has an improved structure but does not contain any technical changes. This revision is not applicable to us, as we already prepare our financial statements under IFRS.

**REVISED IFRS 3 BUSINESS COMBINATIONS** (effective for annual periods beginning on or after July 1, 2009).

The basic approach of the existing IFRS 3 to apply acquisition accounting in all cases and identify an acquirer is retained in this revised version of the standard. This includes much of the current guidance for the identification and recognition of intangible assets separately from goodwill. However, in some respects the revised standard may result in very significant changes, including: the requirement to write off all acquisition costs to profit or loss instead of including them in the cost of investment; the requirement to recognize an intangible asset even if it cannot be reliably measured; and, an option to gross up the balance sheet for goodwill attributable to minority interests (which are renamed non-controlling interests). The revised standard does not require the restatement of previous business combinations. Revised IFRS 3 must be adopted at the same time as the amendment to IAS 27. We will apply revised IFRS 3 from January 1, 2010, but it is not expected to have any significant impact on our accounts.

We have adopted the following standards which are effective for the first time this year. The impact is discussed below:

**IFRIC INTERPRETATION 11 IFRS 2 SHARE-BASED PAYMENT GROUP AND TREASURY SHARE TRANSACTIONS** (effective for annual periods beginning on or after March 1, 2007).

This interpretation addresses the classification of a share-based payment transaction (as equity or cash-settled), in which equity instruments of the parent or another group entity are transferred, in the financial statements of the entity receiving accounts of the company. We have applied IFRIC Interpretation 11 from January 1, 2008, but it has not had any impact on our accounts.

**IFRIC INTERPRETATION 12 SERVICE CONCESSION ARRANGEMENTS** (effective for annual periods beginning on or after January 1, 2008).

This interpretation provides guidance to private sector entities on certain recognition and measurement issues that arise in accounting for public to private service concession arrangements. We have applied IFRIC Interpretation 12 from January 1, 2008, but it has not had any impact on our accounts.

**IFRIC 14 AND IAS 19 THE LIMITS ON DEFINED ASSET, MINIMUM FUNDING REQUIREMENTS AND THEIR INTERACTION** (for annual periods beginning on or after January 1, 2008).

This interpretation clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a funding requirement might give rise to a liability. We have applied IFRIC Interpretation 14 from January 1, 2008, but it has not had any impact on our accounts.

**AMENDMENTS TO IAS 39 AND IFRS 7: RECLASSIFICATION OF FINANCIAL INSTRUMENTS EFFECTIVE DATE AND TRANSITION** (effective July 1, 2008).

This amendment permits an entity to reclassify non derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available-for-sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. We have applied the amendment to IAS 39 and IFRS 7 from July 1, 2008, but it has not had any impact on our accounts.

## A. OPERATING RESULTS

Our operating and financial review and prospects should be read in conjunction with our consolidated financial statements, accompanying notes thereto, and other financial information appearing elsewhere in this Annual Report.

**Years Ended December 31, 2008 and 2007**Total revenue

Total revenues from gold sales for the year ended December 31, 2008 increased by \$55.8 million, or 20%, from \$282.8 million to \$338.6 million. This is mainly due to a year on year increase in the average gold price received of \$156/oz from \$636/oz in 2007 to \$792/oz in 2008.

Other Income

Other income of \$4.2 million for the year ended December 31, 2008 compared to \$1 million for the year ended December 31, 2007. Other income for 2008 includes management fees received from Morila (\$2 million net of eliminations) since we assumed operations of the mine from February 15, 2008. Other income also includes net exchange gains on operations of \$1.3 million.

Costs and Expenses*Total Cash Costs*

The following table sets out our total ounces produced and total cash cost and production cost per ounce for the years ended December 31, 2008 and 2007:

	Year Ended December 31,			
	2008		2007	
	Ounces	\$ Per Ounce	Ounces	\$ Per Ounce
Morila (40% share) cash costs	170,331	400	179,926	332
Loulo (100% share) cash costs	258,095	511	264,647	372
Total ounces (attributable production)	428,426		444,573	
Group total cash cost*		467		356
Total production cost per ounce under IFRS		517		403

\* For a definition of cash costs, please see Item 3. Key Information A. Selected Financial Data .

Total production cost includes total cash costs and also the depreciation and amortization cost which is discussed below.

Total cash costs for the year ended December 31, 2008 of \$200 million increased by 26% from 2007, mainly due to cost pressures associated with the high consumable input prices, especially oil prices, together with a stronger Euro/Dollar exchange rate as well as the increase in tonnes mined at Loulo. The total cash cost per ounce of \$467/oz

increased by 31% year on year.

Royalties increased by \$1.4 million, or 8%, to \$19.7 million for the year ended December 31, 2008 from \$18.3 million for the year ended December 31, 2007. The increased royalties reflect increased gold sales and a higher gold price received.

Other mining and processing costs comprise various expenses associated with providing on mine administration support services to the Morila and Loulo mine. These charges amounted to \$13.7 million for the year ended December 31, 2008 and to \$13.6 million for the year ended December 31, 2007.

*Depreciation and Amortization*

Depreciation and amortization of \$21.3 million for the year ended December 31, 2008 compares to \$21 million for the year ended December 31, 2007. This includes depreciation charged at both operations.

*Exploration and Corporate Expenditure*

Exploration and corporate expenditure was \$45.2 million for the year ended December 31, 2008, and \$35.9 million for the year ended December 31, 2007. Drilling programs were undertaken in all six African countries where we are active, but especially at the Massawa project in Senegal, where a scoping study is underway. The increase during 2008 was further due to executive bonuses being higher than what was paid in 2007 as a result of the substantial growth in the share price during the first quarter of 2008. Bonuses were paid in April each year and accrued over the preceding April to March period. During 2008, the bonus accrual period was furthermore changed to a calendar year basis.

*Other expenses*

Other expenses for the year ended December 31, 2008 of \$0.4 million consists of an increase in the loss related to the ineffective portion of hedging contracts. Other expenses of \$5 million for the year ended December 31, 2007 primarily consist of exchange losses and relate primarily to Loulo and Morila and result from the weakening of the Dollar against other currencies in which goods and services are denominated, as well as a tax adjustment mainly related to payroll and withholding taxes at Morila of \$3.2 million.

*Finance Income*

Finance income amounts consist primarily of interest received on cash held at banks, as well as exchange gains on financing activities. Finance income of \$9.3 million for the year ended December 31, 2008 is in line with the \$9.2 million for the year ended December 31, 2007. The effective interest rate for 2008 of 2.7% was lower than the 5.1% which was achieved in 2007, however, cash balances were higher during 2008 compared to 2007, resulting from the \$240 million capital raising in November 2007.

*Finance costs*

Finance costs for the year ended December 31, 2008 was \$3.3 million compared to the finance cost for the year ended December 31, 2007 of \$5.8 million, and the decrease year on year is mainly the result of the full repayment of the corporate revolving credit facility of \$40.8 million at the beginning of December 2007. The \$60 million corporate facility remains in place should it be required. This was partially offset by an increase in net foreign exchange losses on investment balances denominated in Euro and South African Rand of \$1.3 million, as a result of the weakening of the Euro and South African Rand against the Dollar.

*Provision for financial assets*

At the end of 2007, we transferred \$49.0 million from cash and cash equivalents to available-for-sale financial assets which was attributable to our portfolio of ARS. The trading market for these instruments has become substantially illiquid as a result of the unusual conditions in the credit markets. During 2008, following the deterioration of the underlying credit ratings of the collateral of certain of the ARS, we have provided \$10.4 million (2007: \$0) against these assets, and the assets have been reclassified into the non-current section of available-for-sale financial assets. We continue to receive interest on all of the ARS investments to date.

*Income Tax Expense*

The income tax expense amounted to \$24.6 million for the year ended December 31, 2008 and \$21.3 million for the year ended December 31, 2007. The increase in the tax expense is the result of a increase in profit before tax at Morila. Morila SA benefited from a five year tax holiday until November 14, 2005. Loulo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on November 8, 2005. Under Malian tax law, income tax is based on the greater of 35% taxable income or 0.75% of gross revenue.

*Minority Interests*

The minority interests for the years ended December 31, 2008 and December 31, 2007 represent the 20% minority share of the profits at Loulo since production commenced in November 2005.

**Years Ended December 31, 2007 and 2006***Total revenue*

From the year ended December 31, 2006 to the year ended December 31, 2007, total revenues from gold sales increased by \$24.5 million, or 9%, from \$258.3 million to \$282.8 million. This is due to a year on year increase in the average gold price received of \$652 from \$586 in 2006 and an increase in the gold production of 23,072 ounces at Loulo, partially offset by a decrease in attributable production at Morila of 26,741 ounces.

*Other Income*

Other income totaled \$1 million for the year ended December 31, 2007 compared to \$1.2 million for the year ended December 31, 2006. It consists mainly of cost recoveries, which are fees recovered from exploration joint ventures.

*Costs and Expenses**Total Cash Costs*

The following table sets out our total ounces produced and total cash cost and production cost per ounce for the years ended December 31, 2007 and 2006:

	<b>Year Ended December 31,</b>			
	<b>2007</b>		<b>2006</b>	
	<b>Ounces</b>	<b>\$ Per Ounce</b>	<b>Ounces</b>	<b>\$ Per Ounce</b>
Morila (40% share) cash costs	179,926	332	206,667	258
Loulo (100% share) cash costs	264,647	372	241,575	328
Total ounces (attributable production)	444,573		448,242	
Group total cash cost*		356		296
Total production cost per ounce under IFRS		403		347

\* For a definition of cash costs, please see Item 3. Key Information A. Selected Financial Data .

Total production cost includes total cash costs and also the depreciation and amortization cost which is discussed below.

Year on year the total cash costs increased by approximately 19%, attributable to higher mining contractor costs at both operations as well as the impact of higher diesel prices, the effect of the weak US dollar on the euro-based component of the operational costs, the increased royalties payable resulting from the higher average gold price

received and general cost increases in other commodities and consumables. Consequently, the total cash cost per ounce of \$356/oz increased by 20% year on year.

Royalties increased by \$1.3 million, or 8%, to \$18.3 million for the year ended December 31, 2007 from \$17 million for the year ended December 31, 2006. The increased royalties reflect increased gold sales and a higher gold price received.

Other mining and processing costs comprise various expenses associated with providing on mine administration support services to the Morila and Loulo mine. These charges amounted to \$13.6 million for the year ended December 31, 2007 and to \$13 million for the year ended December 31, 2006.

*Depreciation and Amortization*

Depreciation and amortization of \$21 million for the year ended December 31, 2007 compares to \$22.8 million for the year ended December 31, 2006. This includes depreciation charged at both operations.

*Exploration and Corporate Expenditure*

Exploration and corporate expenditure was \$35.9 million for the year ended December 31, 2007, and \$28.8 million for the year ended December 31, 2006. The increase of \$7.1 million from the previous year is a consequence of the increased expenditure on the Tongon project during the year, as well as bonus accruals which were increased in line with our share price performance during the year.

*Other expenses*

Other expenses for the year ended December 31, 2007 of \$5 million and of \$3.7 million for the year ended December 31, 2006 primarily consist of exchange losses and relate primarily to Loulo and Morila and result from the weakening of the US dollar against other currencies in which goods and services are denominated, as well as a tax adjustment mainly related to payroll and withholding taxes at Morila of \$3.2 million.

*Finance Income*

Finance income amounts consist primarily of interest received on cash held at banks, as well as exchange gains on financing activities. Finance income of \$9.2 million for the year ended December 31, 2007 is in line with the \$8.7 million for the year ended December 31, 2006. The effective interest rate for 2007 was 4.56% compared to 4.82% in 2006.

*Finance costs*

Finance costs for the year ended December 31, 2007 was \$5.8 million and comprised mainly of the interest on the Loulo project loan, as well as interest on the Loulo Caterpillar finance lease. The interest expense for the year ended December 31, 2006 was \$6.4 million and the decrease year on year is mainly the result of the full repayment of the corporate revolving credit facility of \$40.8 million at the beginning of December 2007. The corporate facility remains in place should it be required.

*Income Tax Expense*

The income tax expense amounted to \$21.3 million for the year ended December 31, 2007 and \$23.1 million for the year ended December 31, 2006. The decrease in the tax expense is the result of a decrease in profit before tax from 2006 to 2007 at Morila. Morila SA benefited from a five year tax holiday until November 14, 2005. Loulo SA also benefits from a five year tax holiday in Mali. The tax holiday commenced on November 8, 2005. Under Malian tax law, income tax is based on the greater of 35% taxable income or 0.75% of gross revenue.

*Minority Interests*

The minority interests for the years ended December 31, 2007 and December 31, 2006 represent the 20% minority share of the profits at Loulo since production commenced in November 2005.

**B. LIQUIDITY AND CAPITAL RESOURCES**

**Cash Resources**

The group had \$257.6 million cash and cash equivalents for the year ended December 31, 2008 and \$294.2 million for the year ended December 31, 2007.



### Operating Activities

Net cash generated from operating activities was \$57.5 million for the year ended December 31, 2008 and \$62.2 million for the year ended December 31, 2007. The \$4.7 million decrease was mainly the result of the changes in operating working capital items, as well as movements in the actual tax paid for 2008 compared to 2007. Cash flows related to trade and other payables decreased significantly (\$26.6 million) from December 31, 2007 to December 31, 2008, mainly due to the timing of payments of creditors. Cash flows related to receivables increased by \$8.6 million during 2008 and decreased by \$23.3 million during 2007, mainly as a result of the timing of receipts of gold sales. Less tax was also paid (\$7.2 million less) during 2008, due to the offsets of corporation tax owed at Morila against the TVA and fuel duty balances owed by the government of Mali to Morila.

Net cash provided by operating activities was \$62.2 million for the year ended December 31, 2007 and \$70.4 million for the year ended December 31, 2006. The \$8.2 million decrease was mainly the result of the decrease in profit after tax.

### Investing

Investing activities for the year ended December 31, 2008 utilized \$85 million compared to \$96.9 million utilized for the year ended December 31, 2007. Investing activities in 2008 consisted primarily of expenditures incurred on the underground development work at Loulo amounting to \$33.6 million, power plant expansion of \$4.2 million, upgrades to the crushing plant and expenditure on the overland conveyer, stockpile and tailings facilities of \$21.6 million, expenditures related to the Tongon project amounting to \$23 million and consisting primarily of down payments on the mills and mill motors, as well as site establishment costs and infrastructure improvements.

We believe that based on our current cash and cash equivalents balance of approximately \$257.6 million at December 31, 2008 and expected operating cash flows, the current lack of liquidity in the credit and capital markets will not have a material impact on our liquidity or our ability to fund our operations.

Investing activities for the year ended December 31, 2007 utilized \$96.9 million compared to \$61.4 million utilized for the year ended December 31, 2006. Investing activities include the acquisition of investments in US auction rate securities amounting to \$49 million. The trading market for these instruments has become substantially illiquid as a result of unusual conditions in the credit markets. We continue to receive interest payable on these securities. Historically, these securities were presented as current assets on our balance sheet. Given the current trading market, these securities have been reclassified from cash and cash equivalents to financial assets on our balance sheet in 2007.

### Financing

Financing activities for the year ended December 31, 2008 utilized \$9 million. This comprised mainly of the payment of dividends to our shareholders amounting to \$9.2 million.

Financing activities for the year ended December 31, 2007 generated \$185.4 million. An equity placing was concluded in December 2007 and raised \$231.7 million net of expenses. The corporate revolving credit facility of \$40.8 million was also repaid in December 2007 and dividends of \$6.9 million relating to 2006 were paid in February 2007.

### Credit and Loan Facilities

During the year ended December 31, 2000, Morila entered into a finance lease for five Rolls-Royce generators under the terms of a Deferred Terms Agreement between Morila and Rolls-Royce. The lease is repayable over ten years commencing April 1, 2001 and bears interest at a variable rate which at December 31, 2008 was approximately 33% (2007: 23%) per annum. Our attributable share of this finance lease obligation amounted to \$1.8 million at December 31, 2008 and \$2.7 million at December 31, 2007. We have guaranteed the repayment of the lease.

On August 28, 2002, the Syama hedge transactions were closed through a cancellation agreement with NM Rothschild. On that date, we agreed to buy gold call options to offset existing positions with NM Rothschild comprised of 148,500 ounces at \$353/ounce at a cost of \$1.8 million. In lieu of the existing premium, NM Rothschild agreed to lend us that amount on a pre-agreed payment schedule requiring us to repay the loan monthly through the 2004 fiscal year. The liability was fully paid by the end of 2004.

Morila also has a finance lease with Air Liquide relating to three oxygen generating units. The lease is payable over 10 years commencing December 1, 2000 and bears interest at a variable rate which at December 31, 2008 stood at approximately 3.09%. (2007: 3.09%)

Somilo SA has a \$0.6 million loan from the Government of Mali. This loan is uncollateralized and bears interest at the base rate of the Central Bank of West African States plus 2% per annum. The accrual of interest ceased in the last quarter of 2005 per mutual agreement between shareholders. This loan is repayable from cash flows of the Loulo mine after the repayment of all other loans.

The Loulo project finance loan was arranged by NM Rothschild & Sons Limited and SG Corporate & Investment Banking, who were joined in the facility by Absa Bank and HVB Group, and is repayable through September 2009.

The Loulo project finance facility was replaced in May of 2007 with a \$60 million corporate revolving credit facility to Randgold Resources (Somilo) Limited. The facility was with NM Rothschild, Société Générale, Fortis and Barclays. It carried interest at rates of between LIBOR + 1.4% and LIBOR + 1.6%. The facility was fully repaid in December 2007. The corporate facility remains in place should it be required. The maximum amounts available under the facility are: prior to November 1, 2009 \$60 million; up to May 1, 2010 \$48 million; up to November 1, 2010 - \$36 million; up to May 1, 2011 \$24 million.

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

#### **Corporate, Exploration, Development and New Business Expenditures**

Our expenditures on corporate, exploration, development and new business activities for the past three years are as follows:

<b>Area</b>	<b>Year ended December 31,</b>		
	<b>2008</b>	<b>\$ 000 2007</b>	<b>2006</b>
Rest of Africa	200	194	60
Burkina Faso	1,886	1,537	1,274
Mali	4,334	5,544	7,360
Tanzania	1,105	1,439	1,629
Côte d Ivoire	2,129	6,745	1,289
Senegal	4,768	2,046	1,492
Ghana	846	740	855
Total exploration expenditure	15,268	18,245	13,959
Corporate expenditure	29,895	17,675	14,846
Total exploration and corporate expenditure	45,163	35,920	28,805

The main focus of exploration work is on our advanced projects in western Mali, around Morila, and in Senegal, Burkina Faso, Tanzania, Côte d Ivoire and Ghana.

Site establishment has started at Tongon in Côte d Ivoire ahead of the main construction program and orders have been placed for all the long lead time items, including the mills and mining fleet. Progress has been made regarding the approval of the mining convention.

#### **Working Capital**

Management believes that our working capital resources, by way of internal sources and banking facilities, are sufficient to fund our currently foreseeable future business requirements.



**C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES, ETC.**

We are not involved in any research and development and have no registered patents or licenses.

**D. TREND INFORMATION**

Our financial results are subject to the movement in gold prices. In the past fiscal year, the general trend has been upwards and this has had an impact on revenues. However it should be noted that fluctuations in the price of gold remain a distinct risk to us.

**Gold Market**

The gold market is relatively liquid compared with many other commodity markets, with the price of gold generally quoted in US dollars. The physical demand for gold is primarily for fabrication purposes, and gold is traded on a world-wide basis. Fabricated gold has a variety of uses, including jewelry, electronics, dentistry, decorations, medals and official coins. In addition, central banks, financial institutions and private individuals buy, sell and hold gold bullion as an investment and as a store of value.

Historically, gold has been used as a store of value because it tends to retain its value in relative terms against basic goods in times of inflation and monetary crisis. Therefore, large quantities of gold in relation to annual mine production are held for this purpose. This has meant that, historically, the potential total supply of gold has been far greater than annual demand. Thus, while current supply and demand play some part in determining the price of gold, this does not occur to the same extent as for other commodities.

Instead, gold prices have been significantly affected, from time to time, by macro-economic factors such as expectations of inflation, interest rates, exchange rates, changes in reserve policy by central banks, and global or regional political and economic crises. In times of inflation, currency devaluation, and political and economic crises, gold has traditionally been seen as refuge, leading to increased purchases of gold and a support for the price of gold.

Interest rates affect the price of gold on several levels. High real interest rates increase the cost of holding gold, and discourage physical buying in developed economies. High Dollar interest rates also make hedging by forward selling attractive because of the higher contango premiums (differential between LIBOR and gold lease rates) obtained in the forward prices. Increased forward selling in turn has an impact on the spot price at the time of sale.

Changes in reserve policies of central banks have affected the gold market and gold price on two levels. On the physical level, a decision by a central bank to decrease or to increase the percentage of gold in bank reserves leads to either sales or purchases of gold, which in turn has a direct impact on the physical market for the metal. In practice, sales by central banks have often involved substantial tonnages within a short period of time and this selling can place strong downward pressure on the markets at the time they occur. As important as the physical impact to official sales, announcements of rumors of changes in central bank policies which might lead to the sale of gold reserves historically had a negative effect on market sentiment and encouraged large speculative positions against gold in the futures market for the metal.

The volatility of gold prices is illustrated in the following table, which shows the approximate annual high, low and average of the afternoon London Bullion Market fixing price of gold in Dollars for the past ten years.

<b>Year</b>	<b>Price Per Ounce (\$)</b>		
	<b>High</b>	<b>Low</b>	<b>Average</b>
1999	326	253	279
2000	313	264	279
2001	293	256	271
2002	349	278	310
2003	416	320	363
2004	454	375	409
2005	537	411	444

Year	Price Per Ounce (\$)		
	High	Low	Average
2006	725	525	604
2007	841	608	695
2008	1,011	712	871
2009 (through April)	947	867	904

**E. OFF-BALANCE SHEET ARRANGEMENTS**

None.

**F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS**

Our contractual obligations and commercial commitments consist primarily of credit facilities, as described above. The related obligations as at December 31, 2008 are set out below:

Contractual Obligations	Total	Less	1-3	3-5 Years	More than
		than 1	Years		5 Years
		Year			
(dollars in thousands)					
Long-term debt obligations					
Capital lease obligations <sup>(1)</sup>	3,683	1,904	1,779		
Operating lease obligations	2,428	347	693	694	694
Financial liabilities forward gold sales	53,137	37,388	15,749		
Environmental rehabilitation	14,054				14,054
Loans from minority shareholders in subsidiaries	3,032			3,032	
Total contractual cash obligations	76,334	39,639	18,221	3,726	14,748
Contracts for capital expenditure	40,260	40,260			

<sup>(1)</sup> Includes total interest of \$1.7 million calculated at the interest rate existing at year end.

**Item 6. Directors, Senior Management and Employees****A. DIRECTORS AND SENIOR MANAGEMENT**

Our Articles of Association provide that the board must consist of no less than two and no more than 20 directors at any time. During the year, Mr. C.L. Coleman and Mr. J.K. Walden were appointed as non-executive directors. The board currently consists of 8 directors.

Our Articles of Association provide that any new director should be re-elected by the shareholders at the annual general meeting following the date of the director's appointment. As a result of their appointment during the year, Mr. C.L. Coleman and Mr. J.K. Walden were the subject of an ordinary resolution and re-elected at the annual general meeting held on May 5, 2009, as required by our Articles of Association. At the annual general meeting Mr. B.H. Asher and Dr. A.L. Paverd retired from the board.

According to the Articles of Association, the board meets at intervals determined by the board from time to time.

The address of each of our executive directors and non-executive directors is the address of our principal executive offices, La Motte Chambers, La Motte Street, St. Helier, Jersey, JE1 1BJ, Channel Islands.



### **Executive Directors**

D. Mark Bristow (50) Chief Executive Officer. We were founded on his pioneering work in West Africa. He has subsequently led our growth through the discovery and development of world-class assets into a major gold mining business with a market capitalization of more than \$3.5 billion. He also played a significant part in promoting the emergence of a sustainable mining industry in West Africa. A geologist with more than 26 years experience in the mining industry and a PhD from Natal University, he has held board positions at a number of global mining companies, and is currently a non-executive director of Rockwell Resources International. Dr. Bristow was appointed a director in August 1995 and Chief Executive Officer in October 1995. Prior to this he held executive responsibility for the exploration and new business activities of Randgold & Exploration from 1992 to 1995. During the period 1995 to 1997 he also directed the re-engineering of the reserve management functions of the gold mining of the Randgold & Exploration Group and its affiliated gold mining companies.

Graham P. Shuttleworth (40) Chief Financial Officer; Financial Director. Mr. Shuttleworth joined us as Chief Financial Officer and Financial Director on July 1, 2007 but has been associated with Randgold Resources since its inception, initially as part of the management team involved in our listing on the London Stock Exchange in 1997, and subsequently as an adviser. A chartered accountant, he was a managing director and the New York-based head of metals and mining for the Americas in the global investment banking division of HSBC before taking his new position with us. At HSBC he led or was involved in a wide range of major mining industry transactions, including our Nasdaq listing, our bid for Ashanti Goldfields and our 2005 equity offering.

### **Non-Executive Directors**

Philippe Liétard (60) Non-Executive Chairman; Mr. Liétard was appointed a director in February 1998. Mr. Liétard was managing director of the Global Natural Resources Fund from 2000 to 2003. Prior to July 2000, he was director of the Oil, Gas and Mining Department of the International Finance Corporation. His experience in corporate and project finance with UBS, IFC and the World Bank extends over 30 years, most of them in the minerals business and in Africa. Mr. Liétard is now an independent consultant and a promoter of mining and energy investments. He was appointed a director in February 1998 and chairman in November 2004.

Norborne P. Cole (67) Non-Executive Director. Chairman of the remuneration committee and member of the nomination and governance committee. Mr. Cole was appointed a director in May 2006. Mr. Cole was CEO of Coca-Cola Amatil based in Sydney, Australia until 1998. Currently he is vice-chairman of Silver Eagle Distributors of Houston, Texas and a director of Lancer Corporation and Papa John's International Inc. Mr. Cole was appointed senior independent director on May 5, 2009.

Christopher L. Coleman (40) Non-Executive Director; member of the nomination and governance, remuneration and audit committees. Mr. Coleman is co-head of banking at N M Rothschild, a director of N M Rothschild & Sons, chairman of Rothschild Bank International in the Channel Islands and serves on a number of other boards and committees of the Rothschild Group, which he joined in 1989. Mr. Coleman has served as a non-executive director of the Merchant Bank of Central Africa from 2001 to 2008. He was appointed a director in November 2008.

Robert I. Israel (59) Non-Executive Director; Member of the nomination and governance committee. Mr. Israel was appointed a director in June 1997. Mr. Israel is a partner at Compass Advisers, LLP. Until April 2000, Mr. Israel served as a managing director of Schroder & Co. Inc. and head of its Energy Department. He has 29 years of experience in corporate finance, especially in the natural resources sector.

Karl Voltaire (58) Non-Executive Director; Chairman of the audit committee since May 5, 2009 and member of the remuneration committee. Dr. Voltaire was appointed a director in May 2006. He holds a Ph.D in finance from the University of Chicago. He is currently the CEO of The Nelson Mandela Institute and was previously a director of the African Development Bank. Dr. Voltaire was formerly with the International Finance Corporation where he was the director in charge of Global Financial Markets.

Jonathan K. Walden (55) Non-Executive Director; Member of the audit committee. Mr. Walden is Senior independent director of Morgan Sindall plc. He was formerly the managing director of Lex Vehicle Leasing, a subsidiary of HBOS and a main board director at RAC plc. He was appointed a director in November 2008.

## Executive Officers

David Haddon (51) General Counsel and Secretary. Having overseen our administrative obligations from our incorporation in 1995, Mr. Haddon assumed full secretarial responsibility when we became listed on the London Stock Exchange in July 1997. He has over 24 years of legal and administrative experience. He assumed the responsibility as general counsel in January 2004. He is a director of Seven Bridges Trading 14 (Pty) Limited.

Paul Harbidge (39) General Manager Exploration. Mr. Harbidge is a geologist with 16 years experience, mainly in West Africa. He joined us in 2000 and was appointed exploration manager in 2004 and general manager exploration in November 2006.

Bill Houston (61) General Manager Human Resources. Mr. Houston joined us in 1992 as group training and development manager and currently heads the human resources function. He has 28 years of human resources experience. He is a director of Morila SA, Somilo SA and Seven Bridges Trading 14 (Pty) Limited.

Amadou Konta (51) General Manager Loulo. Mr. Konta has a degree in civil engineering as well as several management and project management qualifications. He was appointed mine foreman and superintendent at Syama mine and served as mine manager from 1997. In 2001 he was promoted as our construction manager in Mali and was appointed Loulo general manager on October 1, 2004.

Victor Matfield (44) General Manager Corporate Finance. Mr. Matfield is a chartered accountant with 16 years experience in the mining industry. He was appointed corporate finance manager in August 2001, prior to that he served as financial manager of the Syama mine and of the Morila capital project. He is a director of Seven Bridges Trading 14 (Pty) Limited.

Chris Prinsloo (58) General Manager Commercial and Operations. Mr. Prinsloo was appointed general manager commercial and operations in April 2009 and prior to that he was group financial manager. He has 36 years of experience in the mining industry. He is a director of Somilo SA and Morila SA.

Rodney Quick (37) General Manager Project Development, Evaluation and Environment. Mr. Quick is a geologist with 15 years experience in the gold mining industry. Since joining us in 1996, he has been involved in the exploration, evaluation and production phases of the Morila, Loulo and Tongon deposits and was appointed the Somilo resource manager in 2006. He is now responsible for all project development, evaluation and environmental issues.

Mahamadou Samaké (61) General Manager Randgold Resources West Africa. Mr. Samaké is the general manager for West Africa and is a director of our Malian subsidiaries. He was a professor of company law at the University of Mali.

John Steele (48) General Manager Capital Projects. Mr. Steele has overseen the capital expansion program at the Syama mine, and at the beginning of July 1998, assumed the position of general manager capital projects for the Randgold Resources Group, overseeing the construction of Morila. He is a director of Somilo SA and Morila Limited and is currently leading the Tongon construction project.

Samba Touré (55) General Manager Morila. Mr. Touré has a masters degree in chemical engineering and geochemistry and was part of the team that set up Mali's first research laboratory for the mining and petroleum industries in 1985. As country manager for BHP Minerals, he oversaw that company's exploration programs in West Africa. He joined Morila in 2000 and was promoted to operations manager in 2004 and general manager in 2007.

Tania de Welzim (33) Chief Accounting Officer; Group Financial Manager. Ms. de Welzim was appointed group financial manager in April 2009 and prior to that she was group financial controller. She is a chartered accountant with ten years experience in finance including eight years in the mining industry. She is responsible for financial reporting in the group as well as internal control procedures.

Our Articles of Association provide that the longest serving one-third of directors retire from office at each annual general meeting. Retiring directors normally make themselves available for re-election and are re-elected at the annual general meeting on which they retire. Our officers who are also directors retire as directors in terms of the Articles of Association, but their service as officers is regulated by standard industry employment agreements.

The date of appointment, date of expiration and length of service for each of our directors is set forth in the table below:





<b>Director</b>	<b>Date of</b>	<b>Date of</b>	<b>Number of</b>
<b>Executive</b>	<b>Appointment</b>	<b>Expiration</b>	<b>Years</b>
		<b>of</b>	<b>Served</b>
		<b>Term</b>	
D.M. Bristow	8/11/95	4/28/12	13
G.P. Shuttleworth	7/01/07	4/28/11	2
<b>Non-Executive</b>			
B.H. Asher	6/12/97	5/05/09*	11
R.I. Israel	6/12/97	5/05/10	11
P. Liétard	2/11/98	5/05/10	10
A.L. Paverd	7/29/95	5/05/09*	13
N.P. Cole	5/03/06	5/05/10	3
K. Voltaire	5/13/06	5/05/10	3
C.L. Coleman	5/05/09	5/05/13	
J.K. Walden	5/05/09	5/05/13	

\* Mr. B.H Asher and Dr A.L. Paverd retired from our board at our annual general meeting held on May 5, 2009.

None of our directors and executive officers was selected under any arrangements or understandings between that director or executive officer and any other person. All of our non-Executive directors are considered independent directors.

## **B. COMPENSATION**

Our objective is to provide senior management, including executive directors, with a competitive remuneration package which will attract and retain executives of the highest caliber and will encourage and reward superior performance in the manner consistent with the interests of our shareholders. The remuneration committee's policies are designed to meet these objectives and to ensure that the individual directors are fairly and responsibly rewarded for their respective contributions to our performance.

We have no liability in respect of retirement provisions for executive directors. We do, however, provide a vehicle in the form of a defined contribution fund into which employees, including executive directors, may contribute for the purpose of providing for retirement. While we make an annual contribution on behalf of our employees, we do not do so on behalf of our executive directors.

Each executive director receives a basic salary. Executive directors do not receive any fees. Executive directors are paid an annual bonus which is determined in accordance with set performance criteria agreed between the executive directors and the board.

The fees paid to non-executive directors have remained unchanged since the 2008 annual general meeting save for the next award of restricted shares, and are:

A general retainer to all non-executive directors of \$50,000;

An annual committee assignment fee per committee served:

Audit committee \$35,000;

Remuneration committee \$25,000; and

Nomination and governance committee \$10,000.

The chairman of a board committee to receive an additional premium to the committee assignment fee of \$15,000;

The senior independent director, in addition to the general annual retainer but in lieu of any committee assignment fee, to receive an additional \$85,000;

The non-executive chairman, in addition to the general annual retainer but in lieu of any committee assignment fee, to receive an additional \$170,000;

An award to each director of restricted shares being 1,200 ordinary shares per year. The shares are to vest over a three year period from the date of the award, being January 1, 2010. Vesting would accelerate on the following conditions:

Termination other than resignation or dismissal;

Voluntary retirement after the age of 65 with a minimum of three years service as a director; and

Change in control of the company.

A director must hold shares at least equal in value (as at the beginning of the year) to the general annual retainer. A director would be granted three years in which to acquire the required shareholding and this period could be extended by the unanimous approval of the uninterested directors. If the number of shares were to fall below the threshold due to a fall in the share price, no additional purchase of shares would be required. Mr. J.K. Walden, who was appointed to our board in November 2008, only obtained his first restricted shares with effect from January 1, 2009 and his shareholding is not currently equal to the value of the general annual retainer. The remaining non-executive directors hold shares at least equal to the value of the general annual retainer. Mr. C.L. Coleman, who was also appointed to the board in November 2008, acquired 1,400 ordinary shares on the Nasdaq Global Market on November 26, 2008, exceeded the value of the general annual retainer.

Non-executive directors have been granted options to purchase our ordinary shares. Details of the options still held by the non-executive directors are shown below.

On May 11, 2005 the first \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq National Market closing price on May 10, 2005, being \$12.78. In terms of the policy, 783 shares were issued directly to each non-executive director and 1,565 shares were held as restricted stock. Non-executive directors were issued the second tranche of 782 ordinary shares on February 13, 2006 and the final balance was issued January 3, 2007.

On February 13, 2006 the second \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq National Market closing price on February 10, 2006, or \$17.11. In terms of the policy, 584 shares were issued directly to each non-executive director and 1,169 shares were held as restricted stock. Non-executive directors were issued the second tranche of 584 ordinary shares on January 3, 2007 and the final balance was issued on January 1, 2008.

On January 3, 2007 the third \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq Global Select Market closing price on January 3, 2007, or \$22.37. In terms of the policy 447 shares were issued directly to each non-executive director and 894 shares were held as restricted stock. Non-executive directors were issued the second and third tranches on January 1, 2008 and January 1, 2009, respectively.

On January 3, 2008, the fourth \$30,000 award was allocated to each of the non-executive directors for the purpose of acquiring restricted stock. The price of the restricted stock calculation was the Nasdaq Global Select Market closing price on January 2, 2008, or \$38.15. In terms of the policy 262 shares were issued directly to each non-executive director and 524 shares were held as restricted stock. Non-executive directors were issued the second tranche on January 1, 2009 and subject to agreed conditions, the final tranche will be issued on January 1, 2010.

On January 1, 2009, the first award of 1,200 restricted shares was allocated to the non-executive directors as approved by shareholders at our 2008 annual general meeting. The price of the restricted stock calculation was the Nasdaq Global Select market closing price on January 2, 2009, or \$43.92. In terms of the policy, 400 shares were issued directly to each non-executive director and 800 shares were held as restricted stock. Non-executive directors will be issued the second and third tranches subject to agreed conditions on January 1, 2010 and January 1, 2011 respectively.

During the year ended December 31, 2008, the aggregate compensation paid or payable to our directors and executive officers as a group was approximately \$17.3 million, of which \$12.4 million was payable to directors and recognized as a remuneration expense.

Executive directors remuneration

The remuneration of the executive directors comprises:

a basic salary;

an annual bonus; and

the award of restricted shares.

The total executive directors remuneration for the year ended December 31, 2008, was \$12.4 million (2007: \$3.9 million). The directors bonuses were historically paid on an April to March cycle, and while these amounts were accrued during the year, the final determination of the bonus amount was made in April of each year, with reference to the company's share price performance over this period. As such the 2008 bonus for Dr. D.M. Bristow and Mr. G.P. Shuttleworth, as shown below, include the amounts accrued in the first quarter of 2008, in respect of the movement in the share price from April 1, 2007 to March 31, 2008, being \$23.16 to \$50.26, based on a notional shareholding of 300,000 and 33,000 shares, respectively, the latter capped at \$0.4 million and pro-rated from July 1, 2007. During 2008, in order to align Dr. D.M. Bristow's contract with best practice, a new contract was signed and a new bonus scheme introduced running on a calendar year basis. Consequently, the table below reflects both a portion of the April to March bonus as well as a portion of the new 2008 calendar year bonus payments. The new bonus calculation is determined with reference to a number of performance indicators, including with reference to the company's annual reserve growth which was finalized in March 2009. In this regard the remuneration committee determined that Dr. D.M. Bristow should be entitled to a bonus of \$3 million and Mr. G.P. Shuttleworth a bonus of \$0.2 million for the 2008 year. Of this amount \$1.5 million was accrued for until December 31, 2008 and is included in the table below.

In terms of his service contract and in accordance with the Randgold Resources Restricted Share Scheme, Dr. D.M. Bristow was awarded 40,000 restricted shares in August 2008, subject to agreed performance criteria and with a one year vesting period. In order to bring future awards of restricted shares in line with a three year vesting period, the remuneration committee has proposed and the board agreed to the following recommendation:

40,000 restricted shares with an award date of January 1, 2009, two thirds vesting on January 1, 2010, and the remaining third vesting January 1, 2011;

40,000 restricted shares with an award date of January 1, 2009, one third vesting on January 1, 2010, one third vesting January 1, 2011 and the final third vesting January 1, 2012;

40,000 restricted shares with an award date of January 1, 2010, one third vesting on January 1, 2011, one third vesting January 1, 2012 and the final third vesting January 1, 2013;

All the newly awarded restricted shares are subject to the achievement by us of a performance bettering HSBC Global Gold Mining Index.

Mr. G.P. Shuttleworth, in terms of his contract and in accordance with the above approved Randgold Resources Restricted Share Scheme, was awarded 36,000 restricted shares. In accordance with the terms of the contract and having met the agreed performance criteria, the first tranche of a third of the restricted shares vested on July 1, 2008, with the second and third tranches vesting on July 1, 2009 and July 1, 2010 respectively. The vesting of any portion of the award is subject to the employee being employed and achieving a satisfactory performance based on agreed criteria, including an overall strategic output achievement score of 70% or greater, for a 12-month period preceding each vesting date.

The following tables set forth the aggregate compensation for each of the directors, firstly the executive directors and secondly the non-executive directors:

Basic Salary/Fees December 31,	Bonus/Service Contract	Other Payments December 31,	Total December 31,
-----------------------------------	---------------------------	--------------------------------	-----------------------

	2008 (\$)	2007 (\$)	December 31,		2008 (\$)	2007 (\$)	2008 (\$)	2007 (\$)
			2008 (\$)	2007 (\$)				
<b>Executive</b>								
D.M. Bristow (CEO) <sup>(1)</sup> <sup>(3)</sup>	1,000,000	600,000		80	3,695,600		4,695,600	600,000

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	Basic Salary/Fees		Bonus/Service Contract		Other Payments		Total	
	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)
April March bonus			5,422,860	2,739,388			5,422,860	2,739,388
New 2008 calendar year bonus			1,500,000				1,500,000	
Sub total	1,000,000	600,000	6,922,860	2,739,388	3,695,600		11,618,460	3,339,388
G.P. Shuttleworth (CFO) <sup>(2)</sup>	444,353	231,475			266,280	133,140	710,633	364,615
April March bonus			99,520	200,480			99,520	200,480
New 2008 calendar year bonus								
Sub total	444,353	231,475	99,520	200,480	266,280	133,140	810,153	565,095
<b>TOTAL</b>	<b>1,444,353</b>	<b>831,475</b>	<b>7,022,380</b>	<b>2,939,868</b>	<b>3,961,880</b>	<b>133,140</b>	<b>12,428,613</b>	<b>3,904,483</b>

	Basic Salary/Fees		Bonus/Service Contract		Other Payments		Total	
	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)	December 31, 2008 (\$)	2007 (\$)
<b>Non-Executive</b>								
P. Liétard	220,000	135,000			30,000	30,000	250,000	165,000
B.H. Asher	135,000	120,000			30,000	30,000	165,000	150,000
R.I. Israel	85,000	110,000			30,000	30,000	115,000	140,000
A.L. Paverd	85,000	80,000			30,000	30,000	115,000	110,000
N.P. Cole	97,500	70,000			30,000	30,000	127,500	100,000
K. Voltaire	105,800	80,000			30,000	30,000	135,800	110,000
C.L. Coleman	10,000						10,000	
J.K. Walden	14,166						14,166	
<b>TOTAL</b>	<b>752,466</b>	<b>595,000</b>			<b>180,000</b>	<b>180,000</b>	<b>932,466</b>	<b>775,000</b>

(1) Other payments to Dr. D.M. Bristow in 2008



includes a one off payment of \$2 million as part of his new contract entered into during 2008, as disclosed in the 2007 remuneration committee report. Also, in August 2008, Dr. D.M. Bristow was awarded 40,000 restricted shares with a one year vesting period. Mr. G.P. Shuttleworth was awarded 36,000 restricted shares in July 2007, with a three year vesting period, the first being July 2008 and the second and third being July 2009 and 2010 respectively.

- (2) Paid in April each year, but accrued over the preceding April to march period. During 2008, the bonus accrual period was changed to a calendar year basis.
- (3) Dr. D.M. Bristow is a non-executive director of

Rockwell  
Resources  
International.  
He was paid  
non-executive  
director fees of  
\$28,925  
(C\$31,666) for  
the period  
January 1, 2008  
to January 1,  
2009. The board  
of Randgold  
Resources  
agreed that  
Dr. D.M.  
Bristow should  
be entitled to  
retain these fees  
personally.

The executive directors do not receive any benefits in kind and the only long-term incentive scheme in which they are anticipated to participate is our Restricted Share Scheme.

Share options exercised by the directors during 2008 and up to April 30, 2009 are detailed below:

<b>Name</b>	<b>Number of Options Exercised</b>	<b>Average Exercise Price (\$)</b>	<b>Average Market price at date of exercise (\$)</b>
R.I. Israel	25,400	1.65	27.85

The high and low share prices for our ordinary shares for the year on the London Stock Exchange were (pounds sterling) 19.50 and (pounds sterling) 10.53, respectively, and our high and low price for our ADSs on the Nasdaq Global Select Market were \$38.86 and \$21.04, respectively. The ordinary share price on the London Stock Exchange and the price of an ADS on the Nasdaq Global Select Market at December 31, 2008, the last day of trading, were (pounds sterling) £18.47 and \$37.13, respectively.

Share options outstanding at April 30, 2009 and held by directors and executive officers were as follows:

	<b>Options to Purchase Ordinary Shares</b>	<b>Expiration Date</b>	<b>Exercise Prices (\$)</b>
<b>Non-Executive Directors</b>			
B.H. Asher	25,400	1/28/11	1.65
<b>Officers</b>			
D.J. Haddon	40,000	8/05/14	8.05
	60,000	8/20/17	22.19
P.D. Harbidge	14,000	11/30/16	22.50
	60,000	8/20/17	22.19
W.R.A. Houston	60,000	8/05/17	22.19
A. Konta	8,000	8/05/14	8.05
	60,000	8/20/17	22.19
V. Matfield	75,000	8/05/14	8.05
	60,000	8/20/17	22.19
C.J. Prinsloo	60,000	8/05/17	22.19
R.B. Quick	60,000	8/20/17	22.19
M. Samaké	60,000	8/20/17	22.19
J. Steele	7,000	8/05/14	8.05
	60,000	8/20/17	22.19
T. de Welzim	4,000	11/30/16	22.50
	45,000	8/20/17	22.19

## **C. BOARD PRACTICES**

### **Directors Terms of Employment**

We have entered into contracts of employment with Dr. D.M. Bristow and Mr. G.P. Shuttleworth with the period of employment set as one year.

We currently do not have service agreements with our non-executive directors. However, each director is subject to reelection by our shareholders in accordance with our Articles of Association.

### Board of Directors Committees

In order to ensure good corporate governance, the board has formed an audit committee, a remuneration committee and a governance and nomination committee. The audit, remuneration, and governance and nomination committees are comprised of a majority of non-executive directors.

#### Audit Committee

Our audit committee charter, which defines the terms of reference for the audit committee members, sets out the framework through which the audit committee reviews our annual results, the effectiveness of our systems of internal control, internal audit procedures and legal and regulatory compliance and the cost effectiveness of the services provided by the external auditors. The audit committee also reviews the scope of work carried out by our external auditors and holds discussions with the external auditors at least twice a year. The audit committee is comprised of three independent non-executive directors. The members of the audit committee are Dr. K. Voltaire (chairman), Mr. J.K. Walden and Mr. C.L. Coleman. At the annual general meeting on May 5, 2009, Mr. B.H. Asher and Dr. A.L. Paverd retired from the board and its sub-committees.

#### Remuneration Committee

The remuneration committee reviews the remuneration of directors and senior management and determines the structure and content of the senior executives' remuneration packages by reference to a number of factors including current business practice and our prevailing business conditions and the mining and exploration industry. The members of the remuneration committee are Mr. N.P. Cole Jr. (chairman), Dr. K. Voltaire and Mr. C.L. Coleman.

#### Governance and Nomination Committee

The governance and nomination committee reviews our corporate governance and sets out the framework in which such policies are established to guide our operations and activities. In addition, the committee at the instance of the board interviews and recruits any future board members. The members of the governance and nomination committee are Messrs. P. Liétard (chairman), N.P. Cole, Jr. and R.I. Israel. At the annual general meeting on May 5, 2009, Mr. B.H. Asher retired from the board and its sub-committees.

### D. EMPLOYEES

At the end of each of the past three years, the breakdown of employees, including our subsidiaries by main categories of activity was as follows:

Category of Activity	December 31, 2008 <sup>(1)</sup>	December 31, 2007	December 31, 2006
Mining and related engineering <sup>(2)</sup>	241	119	30
Processing and related engineering <sup>(3)</sup>	668	168	136
Management and technical <sup>(4)</sup>	100	56	48
Exploration <sup>(5)</sup>	164	185	90
Administration <sup>(6)</sup>	253	89	47
TOTAL	1,426	617	351

Notes: In addition to the permanent employees shown above, the following fixed-term, temporary and contractor employees were employed at Loulo:

(1) In February 2008, we assumed operational management of Morila. Accordingly, the December 31,

2008  
employment  
figures have  
been updated to  
include Morila.

- (2) The open-pit  
mining  
contractors at  
Morila and the  
open pit and  
underground  
contractors at  
Loulo employed  
a total of 2,304  
permanent and  
temporary  
employees at  
December 31,  
2008.
- (3) Third party  
contractors  
employed a total  
of 72  
employees.

- (4) Additional technical staff were required in 2008 to manage the underground project and assist with work on the Tongon project. At the end of 2008, 72 people were employed at the Tongon construction project.
- (5) Exploration numbers increased at Tongon in Côte d'Ivoire and at Massawa in Senegal while they decreased in Ghana and Tanzania.
- (6) Included in the administrative employee numbers reflected in the table above are staff employed in the Bamako operational center.

#### **E. SHARE OWNERSHIP**

See Item 7 Major Shareholders and Related Party Transactions .

##### **Employee Share Option Scheme**

Since 1996, we have operated a share option scheme under which senior management may be offered options to purchase our ordinary shares. The aggregate number of shares available for issuance under the option scheme may not exceed 15% of our issued share capital. Share options granted since 2007 are subject to performance criteria for individual employees. Any options provided to an individual employee as defined by the rules of the scheme, are subject to an upper limit of 2% of our issued ordinary share capital.

The exercise price of any new share options is determined as the closing price of the share on the trading day preceding that on which the person was granted the option. Under the rules of the share option scheme, all option holders, inclusive of executive and non-executive directors, were granted additional options to subscribe for shares in the open offer which was concluded in November 1998. These additional options are exercisable at the open offer

price and otherwise on the same terms as the initial grant.

The scheme provides for the early exercise of all options in the event of an acquisition of a number of shares that would require an offer to be made to all of our other shareholders.

#### **Restricted Share Scheme**

On July 28, 2008, our shareholders approved the creation of a restricted share scheme for executive directors. The aggregate number of shares available for issuance under the restricted share scheme may not exceed 5% of our issued share capital. The awards of shares under the restricted share scheme are subject to the attainment of performance criteria agreed between the remuneration committee and the individual executive director on an annual basis.

### **Item 7. Major Shareholders and Related Party Transactions**

#### **A. MAJOR SHAREHOLDERS**

As of April 30, 2009, our issued share capital consisted of 76,677,750 ordinary shares with a par value of \$0.05 per share. To our knowledge we are not, directly or indirectly, owned or controlled by another corporation, any foreign government or other person.

The following table sets forth information regarding the beneficial ownership of our ordinary shares as of April 30, 2009, by:

Any person of whom the directors are aware that is interested directly or indirectly in 3% or more of our ordinary shares;

Each of our directors; and

All of our executive officers and directors as a group.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Ordinary shares issuable pursuant to options, to the extent the options are currently exercisable or convertible within 60 days of April 30, 2009, are treated as outstanding for computing the percentage of the person holding these securities but are not treated as outstanding for computing the percentage of any other person.



Unless otherwise noted, each person or group identified possesses sole voting and investment power with respect to the shares, subject to community property laws where applicable. Unless indicated otherwise, the business address of the beneficial owners is: Randgold Resources Limited, La Motte Chambers, La Motte Street, St Helier, Jersey, JE1 1BJ, Channel Islands.

<b>Holder</b>	<b>Shares Beneficially Owned</b>	
	<b>Number</b>	<b>%</b>
D.M. Bristow	657,584	0.86
G.P. Shuttleworth	12,000	0.01
B.H. Asher	48,186	0.06
N.P. Cole	2,265	0.00
C. Coleman	1,800	0.00
R.I. Israel	44,231	0.06
P. Liétard	31,765	0.04
A.L. Paverd	34,231	0.04
K. Voltaire	2,265	0.00
J.K. Walden	400	0.00
BNY (Nominees) Limited <sup>(1)</sup> 30 Cannon Street London EC4M XH	58,685,087	76.53
Wells Fargo & Company <sup>(2)</sup> 420 Montgomery Street San Francisco, CA 94104	6,470,274	8.44
FMR LLC <sup>(3)</sup> 82 Devonshire Street, Boston, MA 02109	11,476,298	15.0
Directors and executive officers <sup>(4)</sup>	1,200,425	1.57

(1) Shares held by BNY (Nominees) Ltd are held for and on behalf of our ADS holders.

(2) Wells Fargo & Company reported in its Schedule 13G filed with the Securities and Exchange Commission on May 1, 2009 that its beneficial ownership in us amounted to

6,470,274  
ordinary shares  
(8.44%) on a  
consolidated  
basis. These  
shares are  
included in the  
shares held by  
BNY  
(Nominees)  
Limited.

- (3) FMR LLC  
reported in its  
Schedule 13G  
filed with the  
Securities and  
Exchange  
Commission  
that as at  
February 17,  
2009 its  
beneficial  
ownership in us  
amounted to  
11,476,298  
ordinary shares  
(15%) on a  
consolidated  
basis. These  
shares are  
included in the  
shares held by  
BNY  
(Nominees)  
Limited.

- (4) No executive  
officer  
beneficially  
owns in excess  
of 1% of the  
outstanding  
ordinary shares.

To the knowledge of management, none of the above shareholders hold voting rights which are different from those held by our other shareholders.

As of April 30, 2009, there were 3 record holders of our ordinary shares in the United States, holding an aggregate of 78,261 ordinary shares or 0.10%.

As of April 30, 2009, there were 35 record holders of our ADSs in the United States, holding an aggregate of 18,139 ADSs or 0.24%.

## **B. RELATED PARTY TRANSACTIONS**

None of our directors, officers or major shareholders or, to our knowledge, their families, had any interest, direct or indirect, in any transaction during the last fiscal year or in any proposed transaction which has affected or will materially affect us or our investment interests or subsidiaries, other than as stated below.

**The Randgold Name**

Under an agreement dated June 26, 1997, Randgold & Exploration Group has licensed us to carry on business under the name Randgold. The license has been provided to us on a royalty free perpetual basis. The U.K. Trademark Registry granted a registration certificate to us for Randgold on February 16, 2001.

**C. INTERESTS OF EXPERTS AND COUNSEL**

Not applicable.

**Item 8. Financial Information**

See Item 18.

**Item 9. The Offer and Listing****A. OFFER AND LISTING DETAILS**

The following table sets forth, for the periods indicated, the high and low sales prices of our ordinary shares, as reported by the London Stock Exchange, and of our ADSs, as reported by the Nasdaq Global Select Market. Effective March 10, 2003, we changed the ratio of ordinary shares to ADSs from two ordinary shares per ADS to one ordinary share per ADS, so that each ADS now represents one ordinary share. In March 2003 we changed the currency in which the price of our ordinary shares that are traded on the London Stock Exchange are quoted. The ordinary shares are now quoted in pound sterling and not in US dollars. The ADSs continue to be quoted on the London Stock Exchange and the Nasdaq Global Select Market in US dollars.

<b>Financial Period Ended</b>	<b>Price Per Ordinary Share</b>		<b>Price Per ADS</b>	
	<b>High (£)</b>	<b>Low (£)</b>	<b>High (\$)</b>	<b>Low (\$)</b>
December 31, 2008	30.00	15.57	55.65	23.45
December 31, 2007	19.50	10.53	38.86	21.04
December 31, 2006	14.08	9.09	26.32	15.88
December 31, 2005	9.67	5.31	18.69	10.13
December 31, 2004	7.82	4.29	14.26	7.77

<b>Calendar Period</b>	<b>Price Per Ordinary Share</b>		<b>Price Per ADS</b>	
	<b>High (£)</b>	<b>Low (£)</b>	<b>High (\$)</b>	<b>Low (\$)</b>
<b>2009</b>				
First Quarter	37.76	25.10	54.35	36.65
<b>2008</b>				
Fourth Quarter	30.00	15.57	44.68	23.45
Third Quarter	27.47	18.00	54.73	32.47
Second Quarter	28.03	19.19	55.26	37.28
First Quarter	27.59	18.62	55.65	37.22
<b>2007</b>				
Fourth Quarter	19.50	15.06	38.86	30.90
Third Quarter	16.60	10.60	33.24	21.62
Second Quarter	13.00	10.53	26.24	21.41
First Quarter	12.47	10.79	24.68	21.04

Calendar Month	Price Per Ordinary Share		Price Per ADS	
	High (£)	Low (£)	High (\$)	Low (\$)
<b>2009</b>				
April	38.83	28.23	56.89	41.59
March	37.76	30.00	54.35	43.34
February	34.98	30.30	50.08	42.37
January	31.75	25.10	45.75	36.76
<b>2008</b>				
December	30.00	22.51	44.68	32.22
November	25.16	17.91	28.23	25.05

**B. PLAN OF DISTRIBUTION**

Not applicable.

**C. MARKETS**

Our ordinary shares are listed on the London Stock Exchange, which currently constitutes the principal non-United States trading market for those shares, under the symbol RRS and our ADSs trade in the United States on the Nasdaq Global Select Market under the trading symbol GOLD, in the form of American Depositary Receipts. The American Depositary Receipts are issued by The Bank of New York Mellon, as Depositary. Each American Depositary Receipt represents one American Depositary Share. Each American Depositary Share represents one of our ordinary shares.

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**Item 10. Additional Information****A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION****General**

We are a company organized with limited liability under the laws of Jersey, Channel Islands. Our registered number is 62686.

The authorized share capital is \$5,000,000 divided into 100,000,000 ordinary shares of \$0.05 each, of which 76,677,750 were issued as of April 30, 2009 and 23,322,250 were available for issue.

At the annual general meeting held on April 28, 2008, shareholders approved a resolution which authorized an increase in the authorized share capital of the company from \$4,000,000 divided into 80,000,000 ordinary shares of \$0.05 each to \$5,000,000 divided into 100,000,000 ordinary shares of \$0.05 each.

At the annual general meeting held on April 26, 2004, shareholders approved a resolution which authorized a share split which amended our authorized share capital from \$4,000,000 divided into 40,000,000 ordinary shares of \$0.10 each to \$4,000,000 divided into 80,000,000 ordinary shares of \$0.05 each. The issued share capital therefore increased from 29,263,385 to 58,526,770 ordinary shares with effect from June 11, 2004. None of our shares have any redemption rights.

#### **Memorandum of Association**

Clause 2 of our Memorandum of Association provides that we shall have all the powers of a natural person including but not limited to the power to carry on mining, exploration or prospecting.

#### **Changes in Capital or Objects and Powers**

Subject to the 1991 Law and our Articles of Association, we may by special resolution at a general meeting:

- increase our authorized or paid up share capital;

- consolidate and divide all or any part of our shares into shares of a larger amount;

- sub-divide all or any part of our shares having a par value;

- convert any of our issued or unissued shares into shares of another class;

- convert any of our paid-up shares into stock, and reconvert any stock into any number of paid-up shares of any denomination;

- convert any of our issued shares into redeemable shares which can be redeemed;

- cancel shares which, at the date of passing of the resolution, have not been taken or agreed to be taken by any person, and diminish the amount of the authorized share capital by the amount of the shares so cancelled;

- reduce the authorized share capital;

- reduce our issued share capital; or

- alter our Memorandum or Articles of Association.

#### **Articles of Association**

We adopted our Articles of Association by special resolution passed on June 24, 1997. Our Articles of Association include provisions to the following effect:

##### General Meeting of Shareholders

We may at any time convene general meetings of shareholders. We hold an annual general meeting for each fiscal year within nine months of the end of each fiscal year. No more than eighteen months may elapse between the date of one annual general meeting and the next.

Annual general meetings and meetings calling for the passing of a special resolution require twenty-one days notice of the place, day and time of the meeting in writing to our shareholders. Any other general meeting requires no less than fourteen days notice in writing. Our business may be transacted at a general meeting only when a quorum of shareholders is present. Two persons entitled to attend and to vote on the business to be transacted, each being a member or a proxy for a member or a duly authorized representative of a corporation which is a member, constitute a quorum. Nasdaq's marketplace rules, which apply to all companies listed on the Nasdaq Global Select Market, state in Rule 4350(f) that the minimum quorum for any meeting of holders of a company's common stock is 33 1/3% of the outstanding shares.

As a result, we requested, and Nasdaq granted to us, an exemption from compliance with the Rule 4350(f) requirement.

The annual general meetings deal with and dispose of all matters prescribed by our Articles of Association and by the 1991 Law including:

the consideration of our annual financial statements and report of our independent accountants;

the election of directors; and

the appointment of independent auditors.

#### Voting Rights

Subject to any special terms as to voting on which any shares may have been issued or may from time to time be held, at a general meeting, every shareholder who is present in person (including any corporation present by its duly authorized representative) shall on a show of hands have one vote and every shareholder present in person or by proxy shall on a poll have one vote for each share of which he is a holder. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders.

Unless we otherwise determine, no shareholder is entitled to vote at a general meeting or at a separate meeting of the holders of any class of shares, either in person or by proxy, or to exercise any other right or privilege as a shareholder in respect of any share held by him unless all calls presently payable by him in respect of that share, whether alone or jointly with any other person, together with interest and expenses, if any, have been paid to us.

#### Dividends

Subject to the provisions of the 1991 Law and of the Articles of Association, we may, by ordinary resolution, declare dividends to be paid to shareholders according to their respective rights and interests in our profits. However, no dividend shall exceed the amount recommended by us. Subject to the provisions of the 1991 Law, we may declare and pay an interim dividend, including a dividend payable at a fixed rate, if an interim dividend appears to us to be justified by our profits available for distribution.

Except as otherwise provided by the rights attached to any shares, all dividends shall be declared and paid according to the amounts paid up, otherwise than in advance of calls, on the shares on which the dividend is paid. All dividends unclaimed for a period of 12 years after having been declared or become due for payment shall, if we so resolve, be forfeited and shall cease to remain owing by us.

We may, with the authority of an ordinary resolution, direct that payment of any dividend declared may be satisfied wholly or partly by the distribution of assets, and in particular of paid up shares or debentures of any other company, or in any one or more of those ways.

We may also with the prior authority of an ordinary resolution, and subject to such conditions as we may determine, offer to holders of shares the right to elect to receive shares, credited as fully paid, instead of the whole, or some part, to be determined by us, of any dividend specified by the ordinary resolution.

#### Ownership Limitations

Our Articles of Association and the 1991 Law do not contain limits on the number of shares that a shareholder may own.

#### Distribution of Assets on a Winding-Up

If we are wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by law, divide among the shareholders in specie the whole or any part of our assets and may, for that purpose, value any assets and determine how the dividend shall be carried out as between the shareholders or vest the whole or any part of the assets in trustees on such trusts for the benefit of the shareholders as he with the like sanction shall determine but no shareholder shall be compelled to accept any assets on which there is a liability.

### Transfer of Shares

Every shareholder may transfer all or any of his shares by instrument of transfer in writing in any usual form or in any form approved by us. The instrument must be executed by or on behalf of the transferor and, in the case of a transfer of a share which is not fully paid up, by or on behalf of the transferee. The transferor is deemed to remain the holder until the transferee's name is entered in the register of shareholders.

We may, in our absolute discretion and without giving any reason, refuse to register any transfer of a share or renunciation of a renounceable letter of allotment unless:

it is in respect of a share which is fully paid up;

it is in respect of only one class of shares;

it is in favor of a single transferee or not more than four joint transferees;

it is duly stamped, if so required; and

it is delivered for registration to our registered office for the time being or another place that we may from time to time determine accompanied by the certificate for the shares to which it relates and any other evidence as we may reasonably require to prove the title of the transferor or person renouncing and the due execution of the transfer or renunciation by him or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so; provided that we shall not refuse to register any transfer of partly paid shares which are listed on the grounds they are partly paid shares in circumstances where our refusal would prevent dealings in those shares from taking place on an open and proper basis.

### Variation of Rights

If at any time our share capital is divided into shares of different classes, any of the rights for the time being attached to any share or class of shares may be varied or abrogated in the manner, if any, that is provided by the rights or, in the absence of any such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of the class or with the sanction of a resolution passed by the holders of not less than three-quarters in nominal value of the issued shares of that class at a separate general meeting of the holders of shares of the class. The quorum at that meeting shall be not less than two persons holding or representing by proxy at least one-third of the nominal amount paid up on the issued shares of the class in question and at an adjourned meeting not less than one person holding shares of the class in question or his proxy.

Subject to the terms of issue of or rights attached to any shares, the rights or privileges attached to any class of shares shall be deemed not to be varied or abrogated by the creation or issue of any new shares ranking equally in all respects, except as to the date from which those new shares shall rank for dividend, with or subsequent to those already issued or by the reduction of the capital paid up on those shares or by the purchase or redemption by us of our own shares in accordance with the provisions of the 1991 Law and the Articles.

### Capital Calls

Subject to the terms of allotment of shares, we may from time to time make calls on the members in respect of any monies unpaid on the shares, whether in respect of nominal value or premium, and not payable on a fixed date. A member must receive fourteen days' notice of any call and any call is deemed to be made when the resolution of the board authorizing such call was passed.

If any call is not paid on or before the date appointed for payment, the person liable to pay that call shall pay all costs, charges and expenses of ours in connection with the non-payment, including interest on the unpaid amount, if requested by us.

Unless we otherwise determine, no member shall be entitled to receive any dividend or to be present and vote at any general meeting, or be included in a quorum, or to exercise any other right or privilege as a shareholder unless and until any outstanding calls in respect of his shares are paid.



### Borrowing Powers

We may exercise all of our powers to borrow money and to mortgage or charge all or any part of our undertaking, property and assets, present and future, and uncalled capital and, subject to the provisions of the 1991 Law, to create and issue debenture and other loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of ours or of any third party.

### Issue of Shares and Preemptive Rights

Subject to the provisions of the 1991 Law and to any special rights attached to any shares, we may allot or issue shares with those preferred, deferred or other special rights or restrictions regarding dividends, voting, transfer, return of capital or other matters as we may from time to time determine by ordinary resolution, or if no ordinary resolution has been passed or an ordinary resolution does not make specific provision, as we may determine. We may issue shares that are redeemable or are liable to be redeemed at our option or the option of the holder in accordance with our Articles of Association. Subject to the provisions of the 1991 Law the unissued shares at the date of adoption of the Articles of Association and shares created thereafter shall be at our disposal. We cannot issue shares at a discount.

There are no pre-emptive rights for the transfer of our shares either within the 1991 Law or our Articles of Association.

### Meetings of the Board of Directors

Any director may, and the secretary at the request of a director shall, call a board meeting at any time on reasonable notice. A director may waive this notice requirement.

Subject to our Articles of Association our board of directors may meet for the conducting of business, adjourn and otherwise regulate its proceedings as it sees fit. The quorum necessary for the transaction of business may be determined by the board of directors and unless otherwise determined shall be two persons, each being a director or an alternate director. A duly convened meeting of the board of directors at which a quorum is present is necessary to exercise all or any of the board's authorities, powers and discretions.

Our board of directors may delegate or entrust to and confer on any director holding an executive office any of its powers, authorities and discretions for such time, on such terms and subject to such conditions as it sees fit. Our board of directors may also delegate any of its powers, authorities and discretions for such time and on such terms and subject to such conditions as it sees fit to any committee consisting of one or more directors and one or more other persons, provided that a majority of the members of the committee should be directors.

### Remuneration of Directors

Our directors (other than alternate directors) shall be entitled to receive by way of fees for their services as directors any sum that we may from time to time determine, not exceeding in aggregate \$300,000 per annum or any other sum as we, by ordinary resolution in a general meeting, shall from time to time determine. That sum, unless otherwise directed by ordinary resolution of us by which it is voted, shall be divided among the directors in the proportions and in the manner that the board determines or, if the board has not made a determination, equally. The directors are entitled to be repaid all traveling, hotel and other expenses properly incurred by them in or about the performance of their duties as directors.

The salary or remuneration of any director appointed to hold any employment or executive office may be either a fixed sum of money, or may altogether or in part be governed by business done or profits made or otherwise determined by us, and may be in addition to or in lieu of any fee payable to him for his services as director.

### Pensions and Gratuities for Directors

We may exercise all of our powers to provide and maintain pensions, other retirement or superannuation benefits, death or disability benefits or other allowances or gratuities for persons who are or were directors of any company in our group and their relatives or dependants.

### Directors' Interests in Contracts

Subject to the provisions of the 1991 Law and provided that his interest is disclosed as soon as practicable after a director becomes aware of the circumstances which gave rise to his duty to disclose in accordance with the Articles of Association, a director, notwithstanding his office, may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with us, or in which we are otherwise interested, may hold any other office or place of profit under us (except that of auditor of, or of a subsidiary of ours) in conjunction with the office of director

and may act by himself or through his firm in a professional capacity for us, and in any such case on such terms as to remuneration and otherwise as we may arrange, and may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by us or in which we are otherwise interested and shall not be liable to account to us for any profit, remuneration or other benefit realized by any such office, employment, contract, arrangement, transaction or proposal.

No such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.

Restrictions on Directors Voting

Except as provided in our Articles of Association, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the board or of a committee of the board concerning any contract, arrangement, transaction or any other proposal whatsoever to which we are or will be a party and in which he has an interest which (together with an interest of any person connected with him) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through us, unless the resolution concerns any of the following matters:

the giving of any guarantee, security, or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of us or any of our subsidiary undertakings;

the giving of any guarantee, security or indemnity in respect of a debt or obligation of ours or any of our subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

any proposal concerning an offer of shares or debentures or other securities of or by us or any of our subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

any proposal concerning any other body corporate in which he (together with persons connected with him) does not to his knowledge have an interest in 1% or more of the issued equity share capital of any class of that body corporate or of the voting rights available to shareholders of that body corporate;

any proposal relating to an arrangement for the benefit of our employees or the employees of any of our subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom the arrangement relates; or

any proposal concerning insurance which we propose to maintain or purchase for the benefit of directors or for the benefit of persons who include directors.

A director shall not vote or be counted in the quorum for any resolution of the board or committee of the board concerning his own appointment (including fixing or varying the terms of his appointment or termination) as the holder of any office or place of profit with us or any company in which we are interested.

Number of Directors

Unless and until otherwise determined by a special resolution, the number of directors shall be not less than two or more than 20.

Directors Appointment and Retirement by Rotation

Directors may be appointed by ordinary shareholder resolution or by the board. If appointed by ordinary resolution, a director holds office only until the next annual general meeting and shall not be taken into account in determining the number of directors who are to retire by rotation. A director shall not be required to hold any of our shares.

At each annual general meeting, one-third of the directors who are subject to retirement by rotation will retire by rotation and be eligible for re-election. Subject to the provisions of the 1991 Law and to the Articles, the directors to retire will, first, be any director who wishes to retire and not offer himself for re-election and secondly, will be those who have been longest in office since their last appointment or re-appointment, but as between those who have been in office an equal length of time, those to retire shall (unless they otherwise agree) be determined by lot. There is no age limit imposed upon directors.

Untraced Shareholders

Subject to the Articles, we may sell any of our shares registered in the name of a shareholder remaining untraced for 12 years who fails to communicate with us following advertisement of an intention to make such a disposal. Until we can account to the shareholder, the net proceeds of sale will be available for use in our business or for investment, in either case at our discretion. The proceeds will not carry interest.

Crest

The Companies (Amendment No. 4) (Jersey) Law 1998 and the Companies (Uncertificated Securities) (Jersey) Order 1999 allow the holding and transfer of shares under CREST, the electronic system for settlement of securities in the United Kingdom. Our Articles of Association already provide for our shares to be held in uncertificated form under the CREST system.

Purchase of Shares

Subject to the provisions of the 1991 Law, we may purchase any of our own shares of any class. The 1991 Law provides that we may, by special resolution approve the acquisition of our own shares provided that the source of funds used to finance any repurchase is in accordance with the 1991 Law. The 1991 Law limits the type of funds available to govern the repurchase of the nominal value and the share premium attributed to any share.

Non-Jersey Shareholders

There are no limitations imposed by Jersey law or by our Articles of Association on the rights of non-Jersey shareholders to hold or vote on our ordinary shares or securities convertible into our ordinary shares.

Rights of Minority Shareholders and Fiduciary Duties

Majority shareholders of Jersey companies have no fiduciary obligations under Jersey law to minority shareholders. However, under the 1991 Law, a shareholder may, under some circumstances, seek relief from the court if he has been unfairly prejudiced by us. The provisions of the 1991 Law are designed to provide relief from oppressed shareholders without necessarily overriding the majority's decision. There may also be common law personal actions available to our shareholders.

Jersey Law and Our Memorandum and Articles of Association

The content of our Memorandum and Articles of Association is largely derived from an established body of corporate law and therefore they mirror the 1991 Law. Jersey company law draws very heavily from company law in England and there are various similarities between the 1991 Law and the English Companies Act 1985 (as amended). However, the 1991 Law is considerably shorter in content than the English Companies Act 1985 and there are some notable differences between English and Jersey company law. There are, for example, no provisions under Jersey law (as there are under English law):

controlling possible conflicts of interests between us and our directors, such as loans by us or directors, and contracts between us and our directors other than a duty on directors to disclose an interest in any transaction to be entered into by us or any of our subsidiaries which to a material extent conflicts with our interest;

specifically requiring particulars to be shown in our accounts of the amount of loans to officers or directors emoluments and pensions, although these would probably be required to be shown in our accounts in conformity to the requirement that accounts must be prepared in accordance with generally accepted accounting principles;

requiring us to file details of charges other than charges of Jersey realty; or

as regards statutory preemption provisions in relation to further issues of shares.

Under Article 143 of the 1991 Law, the court may make an order giving relief, including regulation of our affairs requiring us to refrain from doing or continuing to do an act complained of, authorizing civil proceedings and providing for the purchase of shares by any of our other shareholders.

The court has wide powers within its inherent jurisdiction and a shareholder could successfully bring an action in a variety of circumstances. Although there is no statutory definition of unfairly prejudicial conduct, authority suggests that it includes oppression and discrimination and that the test is objective.

There are no provisions in our Memorandum or Articles of Association concerning changes of capital where these provisions would be considered more restrictive than that required by the 1991 Law.

### **C. MATERIAL CONTRACTS**

1. Project Management Agreement, dated March 16, 2009, between Randgold Resources Côte d'Ivoire SARL and La Société d'Opération Ivoirienne d'Electricité (SOPIE).

We entered into a new project management agreement with SOPIE for the design, acquisition of goods and services and construction of works for the supply of power for the new Tongon gold mine.

2. Letter Agreement, dated September 18, 2008, between Randgold Resources (Côte d'Ivoire) Limited and New Mining Côte d'Ivoire SARL.

We entered into a letter agreement with New Mining CI agreeing to fund their portion of the Tongon Project in exchange for an additional 3% interest.

3. Contract of Employment, dated July 1, 2008, between Randgold Resources Limited and Mr. G.P. Shuttleworth.

We entered into an employment contract with Mr. G.P. Shuttleworth in respect of his employment as the Finance Director, with his date of employment being effective July 1, 2007.

### **D. EXCHANGE CONTROLS**

There are currently no Jersey or United Kingdom foreign exchange control restrictions on the payment of dividends on our ordinary shares or on the conduct of our operations. Jersey is in a monetary union with the United Kingdom. There are currently no limitations under Jersey law or our Articles of Association prohibiting persons who are not residents or nationals of the United Kingdom from freely holding, voting or transferring our ordinary shares in the same manner as United Kingdom residents or nationals.

### **E. TAXATION**

#### **Material Jersey Tax Consequences**

##### General

The following summary of the anticipated tax treatment in Jersey in relation to the payments on the ordinary shares and ADSs is based on the taxation law and practice in force at the date of this Annual Report, and does not constitute legal or tax advice and prospective investors should be aware that the relevant fiscal rules and practice and their interpretation may change. We encourage you to consult your own professional advisers on the implications of subscribing or buying, holding, selling, redeeming or disposing of ordinary shares or ADSs and the receipt of interest and distributions, whether or not on a winding-up, with respect to the ordinary shares or ADSs under the laws of the jurisdictions in which they may be taxed.

Following amendments to the Income Tax (Jersey) Law 1961 (the Income Tax Law ), our tax position (along with all other companies incorporated in Jersey) has changed. Up until December 31, 2008, we were an exempt company within the meaning of Article 123A of the Income Tax Law. As an exempt company we were not liable for Jersey income tax other than on Jersey source income, except by concession bank deposit interest on Jersey bank accounts. For as long as we were an exempt company , payments in respect of the ordinary shares and ADSs were not subject to any taxation unless a shareholder was resident in Jersey, and no withholding in respect of taxation were required on those payments to any holder of the ordinary shares or ADSs.

We are now regarded by the Comptroller as a zero rated company within the meaning of Article 123C of the Income Tax Law with effect from January 1, 2009.

The Income Tax Law now provides that the standard rate of income tax on profits of a non-financial service company regarded as resident in Jersey or having a permanent establishment in Jersey will be zero percent. The Income Tax Law also provides that the new tax regime will apply for the year of assessment 2008 in relation to non-financial service companies which are first regarded as resident in Jersey or which have a permanent establishment in Jersey on or after June 3, 2008.

As a zero rated non-financial service company we will not be liable for Jersey income tax other than on Jersey source income, except by concession bank deposit interest on Jersey bank accounts. For so long as we are a zero rated company, payments in respect of the ordinary shares and ADSs will not be subject to any taxation in Jersey and no withholding in respect of taxation will be required on those payments to any holder of the ordinary shares or ADSs.

Currently, there is no double tax treaty or similar convention between the US and Jersey.

#### Taxation of Dividends

Dividends are declared and paid gross in US dollars. Under the existing Jersey law, payments in respect of the ordinary shares and ADSs, whether by dividend or other distribution paid to shareholders (other than to residents in Jersey), will not be subject to any taxation in Jersey and no withholding in respect of taxation will be required on those payments to any holder of our ordinary shares or ADSs.

#### Taxation of Capital Gains and Estate and Gift Tax

Under current Jersey law, there are no death or estate duties, capital gains, gift, wealth, inheritance or capital transfer taxes. No stamp duty is levied in Jersey on the issue or transfer of ordinary shares or ADSs. In the event of the death of an individual sole shareholder, duty at rates of up to 0.75% of the value of the ordinary shares or ADSs held may be payable on the registration of Jersey probate or letters of administration which may be required in order to transfer or otherwise deal with ordinary shares or ADSs held by the deceased individual sole shareholder.

#### **Material United States Federal Income Tax Consequences**

The following summary describes the material US Federal income tax consequences to US holders (as defined below) arising from the purchase, ownership and disposition of our ordinary shares or ADSs. This summary is based on the provisions of the Internal Revenue Code of 1986, as amended, which we refer to as the Code, final, temporary and proposed US Treasury Regulations promulgated under the Code, and administrative and judicial interpretations of the Code and the US Treasury Regulations, all as in effect as of the date of this summary, and all of which are subject to change, possibly with retroactive effect.

This summary has no binding effect or official status of any kind; we cannot assure holders that the conclusions reached below would be sustained by a court if challenged by the Internal Revenue Service.

For purposes of this discussion, a US holder is a holder of our ordinary shares or ADSs that is a beneficial owner of such shares or ADSs and is:

a US citizen;

an individual resident in the United States for US Federal income tax purposes;

a domestic corporation, or other entity taxable as a corporation, organized under the laws of the United States or of any US state or the District of Columbia;

an estate the income of which is includible in its gross income for US Federal income tax purposes without regard to its source; or

a trust, if either: a US court is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all the substantial decisions of the trust, or the trust has a valid election in effect under applicable US Treasury regulations to be treated as a US person.

This summary does not deal with all aspects of US Federal income taxation that may be relevant to particular US holders in light of their particular circumstances, or to US holders subject to special rules, including, without limitation:

some retirement plans;

insurance companies;

US holders of ordinary shares or ADSs held as part of a straddle, synthetic security, hedge, conversion transaction or other integrated investment;

persons that enter into constructive sales involving our ordinary shares or ADSs or substantially identical property with other investments;

US holders whose functional currency is not the US Dollar;

some expatriates or former long-term residents of the United States;

financial institutions;

broker-dealers;

tax-exempt organizations;

US holders who own, directly, indirectly or through attribution, 10% or more of our outstanding voting stock;

persons subject to the alternative minimum tax;

Regulated investment companies;

Traders in securities who elect to apply a mark-to-market method of accounting; and

persons who acquired their shares or ADSs pursuant to the exercise of employee stock options or otherwise as compensation.

In addition, this summary does not address the effect of any applicable US state, local or non-US tax laws, does not consider the tax treatment of persons who own our ordinary shares or ADSs through a partnership or other pass-through entity, and deals only with ordinary shares or ADSs held by US holders as capital assets as defined in Section 1221 of the Code. If a partnership (including for this purpose, any entity treated as a partnership for US Federal income tax purposes) holds shares or ADSs, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. If a US holder is a partner in a partnership that holds shares or ADSs, the holder is urged to consult its own tax advisor regarding the specific tax consequences of the ownership and disposition of the shares or ADSs.

We encourage US holders of our ordinary shares or ADSs to consult with their own tax advisors with respect to the US Federal, state and local tax consequences, as well as the tax consequences in other jurisdictions, of the purchase, ownership and disposition of our ordinary shares or ADSs applicable in their particular tax situations.

Ownership of Ordinary Shares or ADSs



For purposes of the Code, US holders of ADSs will be treated for US Federal income tax purposes as the owner of the ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs and ADSs for ordinary shares generally will not be subject to US Federal income tax.

For US Federal income tax purposes, distributions with respect to our ordinary shares or ADSs, other than distributions in liquidation and distributions in redemption of stock that are treated as exchanges, will be taxed to US holders as ordinary dividend income to the extent that the distributions do not exceed our current and accumulated earnings and profits as determined for federal income tax purposes.

Distributions, if any, in excess of our current and accumulated earnings and profits will constitute a non-taxable return of capital and will be applied against and reduce the holder's basis in our ordinary shares or ADSs. To the extent that these distributions exceed the US holder's tax basis in our ordinary shares or ADSs, as applicable, the excess generally will be treated as capital gain, subject to the discussion below under the heading "Passive Foreign Investment Company Rules".

Dividend income derived with respect to our ordinary shares or ADSs will constitute portfolio income for purposes of the limitation on the use of passive activity losses and, therefore, generally may not be offset by passive activity losses, and as investment income for purposes of the limitation on the deduction of investment interest expense. Such dividends will not be eligible for the dividends received deduction generally allowed to a US corporation under Section 243 of the Code.

Individual US holders are eligible for reduced rates of US Federal income tax (currently a maximum of 15%) in respect of qualified dividend income received in taxable years beginning after December 31, 2002 and beginning before January 1, 2011. For this purpose, qualified dividend income generally includes dividends paid by non-US corporations if, among other things, certain minimum holding periods are met and either (i) the ordinary shares (or ADSs) with respect to which the dividend has been paid are readily tradable on an established securities market in the United States, or (ii) the non-US corporation is eligible for the benefits of a comprehensive US income tax treaty which provides for the exchange of information. We currently believe that dividends paid with respect to our ordinary shares and ADSs will constitute qualified dividend income for US federal income tax purposes, provided the individual US holders of our shares and ADSs meet certain requirements. However, if we are a passive foreign investment company, as discussed below under the heading "Passive Foreign Investment Company Rules", in the taxable year of the distribution or the preceding tax year, the dividends paid with respect to our ADSs will not constitute qualified dividend income. US holders are urged to consult their own tax advisors regarding the classification of any distributions from us as qualified dividend income.

#### Sale or Other Disposition of Ordinary Shares or ADSs

If a US holder sells or otherwise disposes of its ordinary shares or ADSs in a taxable transaction, it will generally recognize gain or loss for US Federal income tax purposes in an amount equal to the difference between the amount realized on the sale or other taxable disposition and its tax basis in the ordinary shares or ADSs. Subject to the discussion below under "Passive Foreign Investment Company Rules", that gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the US holder has held the ordinary shares or ADSs for more than one year at the time of the sale or other taxable disposition. In general, any gain that US holders recognize on the sale or other taxable disposition of ordinary shares or ADSs will be US source income for purposes of the foreign tax credit limitation and any losses recognized will generally be allocated against US source income. Deduction of capital losses is subject to limitations under the Code.

#### Passive Foreign Investment Company Rules

A special and adverse set of US Federal income tax rules apply to a US holder that holds stock in a passive foreign investment company, or PFIC. In general, we will be a PFIC if 75% or more of our gross income in a taxable year is passive income. Alternatively, we will be considered to be a PFIC if at least 50% of our assets in a taxable year, averaged over the year and determined based on fair market value, are held for the production of, or produce, passive income.

We believe that we currently are not a PFIC and do not expect to become a PFIC in the near future. There is significant uncertainty in the application of the PFIC rules to mining enterprises such as ourselves as a result of the interplay of several sets of tax rules. In addition, because the tests for determining PFIC status are applied as of the end of each taxable year and are dependent upon a number of factors, some of which are beyond our control, including the value of our assets, the market price of our ordinary shares, and the amount and type of our gross income, we cannot assure you that we will not become a PFIC in the future or that the US Internal Revenue Service will agree

with our conclusion regarding our current PFIC status.

If we are a PFIC for US Federal income tax purposes for any year during a US holder's holding period of our ADSs or ordinary shares and the US holder does not make a QEF Election or a mark-to-market election, both as described below:

any gain recognized by a US holder upon the sale of ADSs or ordinary shares, or the receipt of some types of distributions, would be treated as ordinary income;

this income generally would be allocated ratably over a US holder's holding period with respect to our ADSs or ordinary shares; and

the amount allocated to prior years, with certain exceptions, will be subject to tax at the highest tax rate in effect for those years and an interest charge would be imposed on the amount of deferred tax on the income allocated to the prior taxable years.

Although we generally will be treated as a PFIC as to any US holder if we are a PFIC for any year during a US holder's holding period, if we cease to satisfy the requirements for PFIC classification, the US holder may avoid PFIC classification for subsequent years if he, she or it elects to recognize gain based on the unrealized appreciation in the ADSs or ordinary shares through the close of the tax year in which we cease to be a PFIC. Additionally, if we are a PFIC, a US holder who acquires ADSs or ordinary shares from a decedent would be denied the normally available step-up in tax basis for our ADSs or ordinary shares to fair market value at the date of death and instead would have a tax basis equal to the lower of the fair market value or the decedent's tax basis.

A US holder who beneficially owns stock in a PFIC must file Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund) with the Internal Revenue Service for each tax year such US holder holds stock in a PFIC. This form describes any distributions received with respect to such stock and any gain realized upon the disposition of such stock.

For any tax year in which we are determined to be a PFIC, a US holder may make a QEF Election, which is an election to treat his, her or its ADSs or ordinary shares as an interest in a qualified electing fund. If a US holder makes a QEF Election, the US holder would be required to include in income currently his, her or its proportionate share of our earnings and profits in years in which we are a PFIC regardless of whether distributions of these earnings and profits are actually distributed to that US holder and be required to comply with specified information reporting requirements. Any gain subsequently recognized upon the sale by that US holder of his, her or its ADSs or ordinary shares generally would be taxed as capital gain and the denial of the basis step-up at death described above would not apply. In order for a US holder to be able to make a QEF Election, however, we would be required to provide such US holder with certain information. We do not expect to provide US holders with the required information; and accordingly a QEF Election will not be available.

As an alternative to a QEF Election, a US holder generally may be able to avoid the imposition of the special tax and interest charge described above by electing to mark his, her or its ADSs or ordinary shares to market annually, and, therefore, recognize for each taxable year, subject to certain limitations, ordinary income or loss equal to the difference, as of the close of taxable year, between the fair market value of his, her or its ADSs or ordinary shares and the adjusted tax basis of his or its ADSs or ordinary shares. Losses would be allowed only to the extent of the net mark-to-market gain previously included by the US holder under the election in prior taxable years. If a mark-to-market election with respect to ADSs or ordinary shares is in effect on the date of a US holder's death, the tax basis of the ADSs or ordinary shares in the hands of a US holder who acquired them from a decedent will be the lesser of the decedent's tax basis or the fair market value of the ADSs or ordinary shares.

Rules relating to a PFIC are very complex. US holders are encouraged to consult their own tax advisors regarding the application of PFIC rules to their investments in our ADSs or our ordinary shares.

#### Backup Withholding and Information Reporting

Payments to US holders in respect of our ordinary shares or ADSs may be subject to information reporting to the US Internal Revenue Service and to backup withholding tax, currently imposed at a rate of 28%.

However, backup withholding and information reporting will not apply to a US holder that is a corporation or comes within an exempt category, and demonstrates the fact when so required, or furnishes a correct taxpayer

identification number and makes any other required certification.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules will be allowed as a refund or credit against a US holder's US Federal income tax liability, provided that the required procedures are followed.

### **United Kingdom Tax Considerations**

The following statements do not constitute tax advice and are intended as a general guide only to the U.K. tax position under current U.K. legislation and published HM Revenue & Customs practice as at the date of this document, both of which is subject to change at any time, possibly with retrospective effect. These statements deal only with the position of shareholders who are resident (and, in the case of individuals only, ordinarily resident and domiciled) solely in the U.K. for tax purposes (except where the position of a non-U.K. tax resident shareholder is expressly referred to) and who hold their ordinary shares or ADSs as an investment and who are the absolute beneficial owners of the ordinary shares and of all dividends of any kind paid in respect of them. The tax position of certain categories of shareholders who are subject to special rules (such as persons acquiring their shares or ADSs (or deemed to acquire their shares or ADSs) in connection with an employment or office, dealers in securities, insurance companies and collective investment schemes) is not considered. Any shareholder who is in doubt as to their tax position regarding the acquisition, ownership or disposal of their ordinary shares or ADSs or who are subject to tax in a jurisdiction other than the U.K., should consult their own independent tax adviser.

### **Dividends**

A person having an interest in ADSs or ordinary shares who is not a resident in the U.K. will not be subject to tax in the U.K. on dividends paid on our ordinary shares, unless that person carries on business in the U.K. through a branch or agency or, if that person is a company, a permanent establishment to which the ordinary shares or ADSs in question are attributable.

A person having an interest in ADSs or ordinary shares who is resident in the U.K. will, in general, be subject to U.K. income tax or corporation tax on dividends paid by us.

A U.K. resident individual shareholder with an interest in less than 10% of our ordinary share capital who receives the dividend will be entitled to a tax credit which may be set off against the shareholder's total income tax liability on the dividend. The value of the tax credit is currently 10% of the aggregate of the dividend and the tax credit (the Gross Dividend), which is also equal to one ninth of the cash dividend received.

Such an individual U.K. resident shareholder who is liable to income tax at the basic rate will be subject to tax on the dividend at the rate of 10% of the Gross Dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax on the dividend.

An individual shareholder who is liable to income tax at the higher rate will be taxed at the rate of 32.5% on the Gross Dividend. The tax credit will be set against, but not fully match, the shareholder's tax liability on the Gross Dividend and such shareholder will have to account for additional income tax equal to 22.5% of the Gross Dividend (which is equal to 25% of the cash dividend received) to the extent that the Gross Dividend when treated as the top slice of the shareholder's income falls above the threshold for higher rate income tax.

The U.K. government has announced proposals to introduce, with effect from April 6, 2010, a new tax rate of 50% for taxable income above £150,000. However, dividends which would otherwise be taxable at the new 50% rate would be liable to income tax at a new rate of 42.5% of the Gross Dividend. This equates to 36.1% of the cash dividend received.

A shareholder will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends paid by us unless permitted to do so under any double tax treaty between the U.K. and the shareholder's country of residence. Each shareholder resident outside the U.K. may also be subject to foreign taxation on dividend income under local law.

No other credit will be available against the U.K. tax liability of a person having an interest in ADSs or ordinary shares on dividends received from us for underlying taxes suffered or paid by us on our own income, except in the case of a company owning directly or indirectly not less than 10% of our voting power. As we are a Jersey exempt company, no withholding taxes will be payable on dividends.

### Capital Gains

A person having an interest in ADSs or ordinary shares who is neither resident nor ordinarily resident in the U.K. will generally not be subject to tax in the U.K. on capital gains on a disposal of our ordinary shares or interests in the ADSs.

However, individuals who left the U.K. after March 17, 1998 and who were resident in the U.K. for four out of seven years prior to departure, and who return to the U.K. before five complete tax years following departure will be subject to U.K. capital gains tax on any gains realized during the period of absence.

Persons having an interest in ADSs or ordinary shares who are resident and/or ordinarily resident in the U.K. or who hold their ordinary shares or interests in ADSs through a U.K. trading branch or agency (or, if that person is a company, a permanent establishment) will, in general, be subject to U.K. taxation on capital gains on a disposal of ordinary shares or interests in ADSs.

### Inheritance Tax

Liability to U.K. inheritance tax may arise on the death of a person having an interest in ADSs or ordinary shares, or on a gift (or disposal at an undervalue) of ordinary shares or ADSs by a person, who is domiciled, or deemed to be domiciled, in the U.K.

Where ordinary shares or interests in ADSs are held by a person who is neither domiciled nor deemed to be domiciled in the U.K., no liability to U.K. inheritance tax will arise in respect of them.

### Stamp Duty and Stamp Duty Reserve Tax

No U.K. stamp duty should be payable on any transfer of an ADS, provided it is executed and retained outside the U.K. Therefore, a transfer of an ADS in the United States between non-residents of the U.K. would not ordinarily give rise to a U.K. stamp duty charge.

An instrument transferring an ADS could attract U.K. stamp duty if it relates to anything done or to be done in the U.K.; for example, if it is executed in the U.K. or to be brought into the U.K. after execution. If the transfer is on a sale then the rate of stamp duty will be 0.5% of the consideration given. This charge is rounded up to the nearest (pounds sterling) 5. Gifts and other transfers which are neither made on sale nor made in contemplation of a sale do not attract this charge. Instead they will either be exempt or attract a fixed duty of (pounds sterling) 5 per transfer.

A transfer from The Bank of New York Mellon to an ADS holder of the underlying ordinary shares may be subject to a fixed stamp duty of (pounds sterling) 5 if the instrument of transfer relates to anything done or to be done in the U.K.; for example, if it is executed in the U.K. or is to be brought into the U.K. after execution. A transfer of ordinary shares from The Bank of New York Mellon directly to a purchaser on behalf of an ADS holder may attract stamp duty at a rate of 0.5% of the consideration, rounded up to the nearest (pounds sterling) 5 U.K. stamp duty reserve tax will not be payable on an agreement to transfer ADSs or ordinary shares.

### **F. DIVIDENDS AND PAYING AGENTS**

Not applicable.

### **G. STATEMENTS BY EXPERTS**

Not applicable.

### **H. DOCUMENTS ON DISPLAY**

You may request a copy of our US Securities and Exchange Commission filings, at no cost, by writing or calling us at Randgold Resources Limited, La Motte Chambers, St. Helier, Jersey, JE1 1BJ, Channel Islands. Attention: D. J. Haddon, Telephone: (011 44) 1534-735-333. A copy of each report submitted in accordance with applicable United States law is available for public review at our principal executive offices at La Motte Chambers, St. Helier, Jersey, Channel Islands.

A copy of each document (or a translation thereof to the extent not in English) concerning us that is referred to in this Annual Report, is available for public view at our principal executive offices at La Motte Chambers, St. Helier, Jersey, Channel Islands. Attention: D. J. Haddon, Telephone: (011 44) 1534-735-333.

## **I. SUBSIDIARY INFORMATION**

Not applicable.

### **Item 11. Quantitative and Qualitative Disclosures About Market Risk**

#### **Hedge Policy**

Although, in general, it is not our policy to hedge our gold sales, we believe it is prudent to hedge during times of significant capital expansion and debt and we are sometimes required to do so under debt financing arrangements. The market price of gold has a significant effect on our results of operations, our ability to pay dividends and undertake capital expenditures, and the market price of our ordinary shares. Gold prices have historically fluctuated widely and are affected by numerous industry factors over which we have no control. The aggregate effect of these factors is impossible for us to predict.

We use hedging instruments to protect the selling price of some of our anticipated gold production. These hedging instruments have been required by the terms of our Morila and Loulo loans.

The Morila hedge book was closed out in 2004.

The Loulo project finance loan was entered into in 2004 with a consortium of financial lenders, namely, Rothschild, SG Corporate and Investment Bank, ABSA Bank and HVB Group, and had as a requirement that some hedging be put in place. The intended effect of the hedging transactions was to lock in a fixed sale price for some of our future gold production, and reduce the adverse impact of a future fall in gold prices.

Somilo's hedging is administered by our finance department which acts upon the recommendations of a hedging committee within the guidelines of a policy set by our board. The hedging was entered into in terms of a requirement of the Loulo Loan. The Loulo loan and our hedging arrangements were with a consortium of financial lenders: Rothschild, SG Corporate and Investment Bank, ABSA Bank and HVB Group. The Loulo Loan had in early May 2007 been replaced by a Revolving Credit Facility.

The consortium of financial lenders in the Revolving Credit Facility are Rothschild, SG Corporate and Investment Bank, Barclays Bank and Fortis Bank. The Revolving Credit Facility does not require any minimum hedging levels, but all hedging contracts are assigned to the consortium of financial lenders as well as those banks we have hedging arrangements with as part of a security package.

All of Somilo's derivative transactions previously had to be in compliance with the terms and conditions of the Loulo loan agreement. That agreement placed a limit on derivative transactions of 70% of Loulo's forecast production for a given year. In terms of the Revolving Credit Facility Agreement, derivative transactions in the group are limited to 75% of group production.

Our board agreed as part of the financing arrangements for the development of Loulo that some gold price protection be secured. At December 31, 2008, 126,744 ounces remained, sold forward at an average forward price of \$456 per ounce. At December 31, 2007, 207,240 ounces had been sold forward at an average price of \$446 per ounce.

These derivatives are accounted for in accordance with International Accounting Standard 39, Financial Instruments: Recognition and Measurement. Under IAS 39, all these derivatives are recognized on the balance sheet at their fair value.

On the date a derivative contract is entered into, we designate the derivative for accounting purposes as either a hedge of the fair value of a recognized asset or liability or a firm commitment (fair value hedge) or a hedge of a forecasted transaction (cash flow hedge). The derivatives held as at December 31, 2008 were all being accounted for as cash flow hedges.



We formally document all relationships between hedging instruments and hedged items, as well as our risk management objective and strategy for undertaking various hedge transactions. This process includes linking derivatives designed as hedges to specific assets and liabilities or to specific firm commitments or forecasted transactions. We formally assess, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

#### **Foreign Currency and Commodity Price Sensitivity**

In the normal course of business, the group enters into transactions denominated in foreign currencies (primarily Euro, South African Rand and Communauté Financière Africaine Franc). As a result, the group is subject to exposure from fluctuations in foreign currency exchange rates. In general, the group does not enter into derivatives to manage these currency risks. Generally, the group does not hedge its exposure to gold price fluctuation risk and sells at market spot prices. Gold sales are disclosed in US dollars and do not expose the group to any currency fluctuation risk. However, during periods of capital expenditure or loan finance, the company may use forward contracts or options to reduce the exposure to price movements, while maintaining significant exposure to spot prices. These derivatives may establish a fixed price for a portion of future production while the group maintains the ability to benefit from increases in the spot gold price for the majority of future gold production. The group is also exposed to fluctuations in the price of consumables, such as fuel, steel, rubber, cyanide and lime, mainly due to changes in the price of oil, as well as fluctuations in exchange rates.

<b>\$000</b>	<b>2008</b>	<b>2007</b>
Level of exposure of foreign currency risk		
Carrying value of foreign currency balances		

#### **Cash and cash equivalents includes balances denominated in:**

Communauté Financière Africaine franc (CFA)	(2,609)	1,209
Euro (EUR)	11,556	27,330
South African Rand (ZAR)	8,830	305
Pound Sterling (GBP)	335	5,586

#### **Accounts receivable and prepayments include balances denominated in:**

Communauté Financière Africaine franc (CFA)	24,151	34,943
South African Rand (ZAR)	571	681
Euro (EUR)	377	186
Pound Sterling (GBP)	1,302	2,847

#### **Accounts payable includes balances denominated in:**

Communauté Financière Africaine franc (CFA)	(25,380)	(26,842)
South African Rand (ZAR)	(362)	(552)
Pound Sterling (GBP)	(394)	(544)
Euro (EUR)	(782)	(2,204)

The group's exposure to foreign currency arises where a company holds monetary assets and liabilities denominated in a currency different to the functional currency of the group which is the US dollar. Set out below is the impact of a 10.0% change in the US dollar on profit and equity arising as a result of the revaluation of the group's foreign currency financial instruments.

Level of exposure of foreign currency risk (continued)	Closing exchange Rate	Effect of 10.0% strengthening of US dollar on net earnings and equity \$000
At December 31, 2008		
Euro (EUR)	0.7095	1,115
British pound (GBP)	0.6910	203
Communauté Financière Africaine franc (CFA)	465.40	(874)
South African rand (ZAR)	9.4649	976

At December 31, 2007

Euro (EUR)	0.6794	2,531
British pound (GBP)	0.5009	789
Communauté Financière Africaine franc (CFA)	445.66	144
South African rand (ZAR)	6.8547	154

The sensitivities are based on financial assets and liabilities held at December 31 where balances were not denominated in the functional currency of the group. The sensitivities do not take into account the group's sales and costs and the results of the sensitivities could change due to other factors such as changes in the value of financial assets and liabilities as a result of non-foreign exchange influenced factors.

The market price of gold has a significant effect on our results of operations, our ability to pay dividends and undertake capital expenditures and the market prices of our ordinary shares.

Gold prices have historically fluctuated widely and are affected by numerous industry factors over which we have no control. The aggregate effect of these factors is not possible for us to predict.

Details of the derivative financial instruments at December 31, 2008 are:

<b>Maturity Dates</b>	<b>Hedging instruments Forward Sales of Gold</b>	
	<b>Ounces</b>	<b>\$/oz</b>
Loulo (100%)		
December 31, 2009	84,996	435
December 31, 2010	41,748	500

126,744                      456

And at December 31, 2007:

<b>Maturity Dates</b>	<b>Hedging instruments Forward Sales of Gold</b>	
	<b>Ounces</b>	<b>\$/oz</b>
Loulo (100%)		
December 31, 2008	80,496	429
December 31, 2009	84,996	435
December 31, 2010	41,748	500

207,240

446

The forward price of gold is sensitive to fluctuations in the gold spot price, interest rates and the gold lease rate. The following table sets forth a sensitivity analysis of the mark-to-market valuations of our hedges as at December 31, 2008:

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**Sensitivity to Change in Gold Price at December 31, 2008**

Loulo (100%):									
Change in \$ gold price	\$ 20	\$ 10	\$ 5	\$ 2	0	(\$2)	(\$5)	(\$10)	(\$20)
Mark-to-market valuation (\$ million)	(55.5)	(54.3)	(53.7)	(53.4)	(53.1)	(52.9)	(52.6)	(52.0)	(50.8)

**Sensitivity to Change in Average \$ Interest Rate at December 31, 2008**

Loulo (100%):								
Change in rate	1.00%	0.50%	0.20%	0.00%	(0.20%)	(0.50%)	(1.00%)	
Mark-to-market valuation* (\$ million)	(54.3)	(53.7)	(53.4)	(53.1)	(52.9)	(52.6)	(52.0)	

**Sensitivity to Change in Gold Lease Rate at December 31, 2008**

Loulo (100%):								
Change in rate	1.00%	0.50%	0.20%	0.00%	(0.20%)	(0.50%)	(1.00%)	
Mark-to-market valuation* (\$ million)	(52.6)	(52.9)	(53.0)	(53.1)	(53.2)	(53.4)	(53.7)	

\* The actual mark-to-market valuation at December 31, 2008 was negative \$53.1 million.

These movements will affect profits when the relevant forward contracts expire. There will be a corresponding impact on equity.

**Effect of Change in Gold Price on Profit and Loss at December 31, 2008**

Change in rate	20%	10%	0%	(10%)	(20%)
Mark-to-market valuation (\$ million)	60.6	30.3	0.0	(30.3)	(60.6)

During 2004, a hedging program totaling 365,000 ounces was put in place in terms of a requirement of the Loulo loan. We have used four counterparties for our current hedge book. These counterparties are international banks which have not failed to perform as required under our hedging arrangements.

During January 2006, 10,000 ounces previously sold in even amounts over the period January 2006 to June 2006 at \$430 per ounce were rolled forward into the period January 2009 to June 2009, with a new forward price of \$489 per ounce. In the same month, 6,667 ounces from the January 2006 forward sales, previously priced at \$430 per ounce, were rolled forward into May and June 2006 at a price of \$437 per ounce. In February 2006, we moved 20,000 ounces previously sold forward over the period February 2006 to April 2006 at a price of \$430 per ounce, into the period June 2006 to December 2006 at a price of \$441 per ounce.

In August 2006, 5,999 ounces previously sold forward at \$425.91 were rolled out in equal quantities into January 2007 and April 2007 at prices of \$431.81 and \$434.06, respectively.

In December 2006, we moved 10,580 ounces previously sold forward at \$435.33 in equal quantities into February and March 2007 at new forward prices of \$437.90 and \$438.18, respectively.

During the first quarter of 2007, 10,752 ounces previously sold forward at \$444.81 were rolled out to the second and third quarters of 2007, 3,583 ounces at \$454.51 into the second quarter and 7,168 ounces at \$456.09 into the third

quarter.

The Revolving Credit Facility replaced the Loulo Loan in May 2007. As the HVB Group, which previously participated in the Loulo Loan, is not a lender in the Revolving Credit Facility, the 40,248 ounces of the remaining 2007, 2008 and 2009 hedged ounces which pertained to the HVB Group was novated to other

counterparties in May 2007. The 11,748 ounces at an average forward price of \$436.69 per ounce due for delivery in 2007 were novated and subsequently rolled forward to 2010 at \$472 per ounce. The new price is net of any novation charges. The 28,500 ounces at a previous average forward price of \$429.95 due for delivery in 2008 and 2009 were novated at \$418.58, the lower price being the result of novation charges pertaining to these ounces. Also in May 2007, 30,000 ounces previously sold forward in 2007 at an average price of \$447.29 per ounce, were rolled into 2010 at a new average forward price of \$511.28 per ounce.

Details of the derivative financial instruments at March 31, 2009 are:

<b>Maturity Dates</b>	<b>Hedging instruments Forward Sales of Gold</b>	
	<b>Ounces</b>	<b>\$/oz</b>
Loulo (100%)		
December 31, 2009	61,248	433
December 31, 2010	41,748	500
	102,996	460

The accounting effects of our hedging activities are as follows:

The total fair value of the above financial instruments as at December 31, 2008 was a liability of \$53.1 million (December 31, 2007: liability of \$85.6 million).