

RANDGOLD

Randgold & Exploration Company Limited (Suspended)

(Incorporated in the Republic of South Africa)

Registration number 1992/005642/06

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

PROPOSED MERGER WITH JCI LIMITED ("JCI"), GENERAL MEETING OF R&E SHAREHOLDERS AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1 Shareholders are referred to the prior SENS announcements of 26 August 2008, 31 October 2008 and 6 November 2008, the latter being the joint cautionary announcement of R&E and JCI pertaining to the proposed merger between the companies ("the 6 November announcement").
- 1.2 On 4 November 2008, R&E made a proposal to JCI which was updated on 2 December 2008 ("the proposal").
- 1.3 With the respective boards of the companies having resolved to proceed with the merger, a circular will be posted to R&E shareholders on Friday, 5 December 2008 ("the circular").
- 1.4 In the circular, the approval of R&E shareholders is sought in order for the board of directors of R&E ("the board of R&E") to proceed with the proposed merger with JCI and obtain the necessary ratification from R&E shareholders for the making of the proposal, in terms of which it is proposed that R&E and JCI merge by way of a scheme of arrangement in terms of Section 311 of the Companies Act (No.61 of 1973) as amended ("the Act") ("the scheme of arrangement") between JCI and all of its ordinary shareholders (excluding R&E) in terms whereof, should such scheme of arrangement become unconditional, each eligible scheme participant will transfer its ordinary shares in JCI ("JCI shares") to the Company in exchange for the issue and allotment of new ordinary shares in R&E ("R&E shares") on the basis of the merger ratio, being the allotment of one new R&E share for every 95 JCI shares held by eligible JCI scheme participants ("the merger ratio") on the scheme of arrangement's record date, subject to the fulfilment of certain conditions precedent as referred to in paragraph 4 below ("conditions precedent").

2. R&E GENERAL MEETING

R&E shareholders will accordingly be required in general meeting to be held at 10h00 on Monday, 19 January 2009 at The Hilton, Rivonia Road, Sandton, Johannesburg, South Africa ("R&E general meeting"), to consider and, if deemed fit, approve the ordinary and special resolutions as set out in the notice of general meeting enclosed in the circular and as further referred to in paragraph 3 below, which approval is required in order to authorise the board of R&E to proceed with the proposed merger and take such steps as are necessary to implement the scheme of arrangement.

3. RESOLUTIONS TO BE TABLED AT THE R&E GENERAL MEETING

- 3.1 R&E shareholders are referred to the notice of R&E general meeting which forms part of the circular in which the summarised resolutions as reflected below are set out in full.
- 3.2 Such resolutions require:
 - 3.2.1 that R&E shareholders ratify the proposal made to JCI on 4 November 2008 and updated on 2 December 2008 ("the proposal") in terms of which JCI, together with the JCI scheme participants (excluding R&E), conclude the scheme of arrangement on or before 31 March 2009 or such later date as R&E and JCI may prior to 31 March 2009 agree in writing (provided that such later date shall not exceed 90 (ninety) days after 31 March 2009), in terms whereof, subject to the fulfilment of the conditions precedent to such scheme of arrangement each eligible scheme participant, in South Africa and other permissible jurisdictions, will transfer its JCI shares to the Company in exchange for the issue and allotment of one new R&E share for every 95 JCI shares so transferred, on the basis that where any fractional entitlement to a new R&E share arises from the application of the merger ratio and:
 - such fractional entitlement to a new R&E share is 0.5 or more, such fraction will be rounded up to the nearest whole number, and
 - such fractional entitlement to a new R&E share is less than 0.5, such fraction will be rounded down to the nearest whole number;
 - 3.2.2 that the proposal be ratified by R&E shareholders subject to the further proviso that:
 - the Net Asset Value of JCI at 31 March 2008 as set out in the circular ("the JCI NAV") does not reduce by more than 10%, excluding the effect that any fluctuation in the prices of listed equities and derivatives and the JCI group's investment in Xelxwa (Pty) Limited (in liquidation) (formerly Jaganda (Pty) Limited) may have thereon; and/or
 - the Net Asset Value of R&E at 31 March 2008 as set out in the circular ("the R&E NAV") does not increase by more than 20%, excluding the effect that any fluctuations in the prices of listed equities and derivatives may have thereon,
 should either the JCI NAV or the R&E NAV fluctuate as set out above after the making of the proposal but prior to 31 March 2009 (or such later date as R&E and JCI may prior to 31 March 2009 agree in writing (provided that such later date shall not exceed 90 (ninety) days after 31 March 2009), or the date on which the last in time of the conditions precedent to such scheme of arrangement as set out in paragraphs 2.6.1 to 2.6.6 of the circular to be fulfilled, is fulfilled (whichever is the first occurring), the board of R&E shall in either of such events be obliged to withdraw the proposal;
 - 3.2.3 that subject to the passing of the resolution referred to in paragraph 3.2.1 above, and the special resolution authorising the creation of the new R&E shares referred to in paragraph 3.2.4 below, the Company be authorised to make a cash payment to each eligible JCI scheme participant whose fractional entitlement to a new R&E share upon application of the merger ratio will be rounded down to the nearest whole number, in terms whereof such JCI scheme participant, having so elected, will receive a cash payment of R16.19 for any such fractional entitlement that may be rounded downwards;
 - 3.2.4 subject to the passing of the resolution referred to in paragraph 3.2.1 above, and the fulfilment of the conditions precedent pertaining to the scheme of arrangement, as referred to in paragraph 4 below, that the Company approve a special resolution increasing its authorised ordinary share capital by the creation of 30 000 000 new R&E shares ("the new R&E shares") so as to ensure that there are sufficient unissued R&E shares in the authorised share capital of the Company for the issue and allotment of R&E shares as scheme consideration to eligible JCI scheme participants;
 - 3.2.5 following the adoption of the resolutions referred to in paragraphs 3.2.1 and 3.2.4, the new R&E shares are to be placed under the control of the board of R&E who are authorised to issue and allot such new R&E shares for the purposes of implementing the scheme of arrangement.

4. CONDITIONS PRECEDENT TO THE PROPOSED MERGER

- 5.3 In terms of the JSE Listings Requirements, in view of the fact that JCI (and certain of its associates, being Consolidated Mining Management Services Limited and JCI Investment Finance (Pty) Limited) hold in aggregate 10 634 023 shares in R&E, comprising 14.21% of the issued share capital of R&E, the proposed merger is classified as a related party transaction. Accordingly, although JCI and its aforementioned associates ("the related parties") will be taken into account in determining whether or not a quorum is present, they will be excluded from voting on ordinary resolutions numbers 1, 2 and 3 as set out in the notice of the R&E general meeting attached to the circular.
- 5.4 Save for the restrictions on voting placed on the related parties as described in paragraph 5.3 above, all R&E shares in issue, as held by R&E shareholders, whether or not disputed R&E shares (i.e. shares that may have been issued by the Company without the Company having received any value therefor), are entitled to vote at the R&E general meeting, including American Depositary Receipts (ADR) holders.
- 5.5 In addition, in terms of the JSE Listings Requirements pertaining to related party transactions, the board of R&E is required to obtain a Fairness Opinion in respect of the proposed merger. The companies have jointly motivated their inability to produce a Fairness Opinion to the JSE. The opinion of the mediators, being Messrs Schalk Burger, Charles Nupen and Harvey Wainer ("the Mediators"), as expressed in their report of 3 November 2008 ("the Mediators' Report"), has been included in the circular. The opinion of the Mediators, as set out in the Mediators' Report has been included in the circular as it was not possible to produce a Fairness Opinion (as is ordinarily required in terms of the JSE Listings Requirements), as more fully explained in paragraph 6.3 below.

6. THE MERGER RATIO AND THE MEDIATORS' REPORT

6.1 Basis for the merger ratio as contemplated in the circular

- 6.1.1 The board of R&E has determined the merger ratio, as reflected in the circular, based on what it views as a pragmatic solution to the impasse between R&E and JCI and the resultant arbitration which seems inevitable.
- 6.1.2 The board of R&E has based the merger ratio on what it regards as being an equitable ratio for both R&E and JCI shareholders under the current circumstances.
- 6.1.3 Furthermore, the merger ratio enjoys the support of the Mediators as reflected in the Mediators Report which report is included in the circular and which is furthermore available for inspection as indicated in paragraph 10.2 below.

6.2 The impact of adverse market conditions on the merger ratio post 31 March 2008

- 6.2.1 By far the largest asset of JCI is its investment in Gold Fields Limited ("Gold Fields"). The investment in Gold Fields constitutes approximately 80% of JCI's NAV and 73% of the combined post-merger NAV of the enlarged R&E group (should the JCI scheme become unconditional).
- 6.2.2 Recently, the world equity markets have experienced significant downward trends, with the Gold Fields share price being no exception, having decreased by some 42.57% from the monthly VWAP of R123.51 for March 2008 to R70.93 for the month of October 2008.
- 6.2.3 Based on the proposed merger ratio of 95 to one, this reduction in the value of the Gold Fields investment has contributed to the reduction in the NAV of JCI from approximately R2 billion as at 31 March 2008 to R1.02 billion at 31 October 2008.
- 6.2.4 The board of R&E is of the opinion that the proposed merger ratio, after considering the above reduction still remains a commercially acceptable proposition, especially in the light of the alternative to a merger, namely immediate arbitration, as an R&E shareholder will continue to share in approximately 77% of the combined assets and liabilities of the combined companies subsequent to the merger (if so approved by R&E shareholders and on the assumption that the scheme of arrangement becomes unconditional).

6.3 The Mediators' Report

- 6.3.1 On 14 April 2008, the Mediators issued an opinion that "In the unusual and variable circumstances [enumerated above], the swap ratio proposed by the companies is in our opinion commercially prudent and not inequitable to the shareholders of R&E and JCI." In arriving at their assessment, the Mediators had regard to various factors and circumstances applicable to the companies at such time, as more fully set out in paragraph 11.6.4 of the circular.
- 6.3.2 In October 2008, the Mediators were requested to advise whether the opinion issued by them on 14 April 2008 still applied "in the significantly changed financial circumstances of R&E and JCI since issuing that opinion."
- 6.3.3 In re-considering their opinion, the Mediators again took into account various factors and the changed circumstances of the companies, as more fully set out in paragraph 11.6.7 of the circular, and, based on such new set of factors and circumstances taken into account by them, confirmed that their opinion per paragraph 6.3.1 above remained unchanged.
- 6.3.4 The Mediators' Report is included in the circular and is furthermore available for inspection in terms of paragraph 10.2 below.

7. RATIONALE FOR THE PROPOSED MERGER

7.1 Factors detracting from arbitration

JCI has denied all liability to R&E and litigation seems inevitable. Such litigation will be time consuming and very costly before resolution is obtained. In the interim, R&E may also not be able to pursue its ordinary business and executive management will need to be dedicated to the prosecution of the R&E claims. More importantly, the success of the arbitration is constrained by JCI's NAV of R1.02 billion at 31 October 2008, as set out in the circular. There is no prospect of R&E being able to satisfy the R&E claims (if successful) beyond the extent of JCI's NAV. R&E's prospects of success in the arbitration cannot be assured. The present board of R&E is of the opinion that protracted and expensive litigation is not in the best interests of shareholders and regards the merger as a pragmatic means to restore shareholder value, representing a sensible resolution to the impasse with JCI.

7.2 Support from various parties for the proposed merger

Certain of the shareholders of R&E have, since the R&E announcement dated 26 August 2008, requested the present board of R&E to revisit a merger, as a possible means of bringing about a resolution to the difficulties faced by them, indicating their support therefor. The Mediators reaffirmed their support for a merger on 3 November 2008 as a commercially realistic basis for

The unaudited *pro forma* financial effects have been prepared for illustrative purposes only and because of its nature and the inhibiting factors referred to above, the unaudited *pro forma* consolidated balance sheet after the proposed merger may not give a fair reflection of R&E's financial position after the proposed merger. It has been assumed for the purposes of the *pro forma* financial information that the proposed merger took place on 31 March 2008. It does not purport to be indicative of what the financial position would have been had the proposed merger been implemented on a different date. The unaudited *pro forma* financial effects of the proposed merger are based on the estimates and assumptions set out in the notes below. The directors of R&E are responsible for the preparation of the unaudited *pro forma* financial information.

The unaudited *pro forma* financial effects as set out below should be read in conjunction with the unaudited *pro forma* consolidated balance sheet of R&E as set out in Annexure 9a which is attached to the circular, together with any estimates and assumptions upon which the financial effects are based, as indicated in the notes thereto in the aforementioned Annexure 9a.

The independent reporting accountant's report, issued by KPMG Inc., relating to the unaudited *pro forma* consolidated balance sheet of R&E as set out in Annexure 9a which is attached to the circular is included as Annexure 9b which is attached to the circular and is available for inspection in terms of paragraph 10.2 below.

The unaudited *pro forma* financial effects after the proposed merger as presented below has been prepared from the information available to the directors of R&E and includes the consolidated balance sheet of R&E at 31 March 2008 (attached as Annexure 8a to the circular) before the proposed merger and the Group NAV Statement of JCI at 31 March 2008 (attached as Annexure 6a to the circular), together with adjustments as further set out in the notes thereto.

Based on merger ratio of 95:1	Consolidated Balance Sheet at 31 March 2008 ¹	<i>Pro forma</i> Consolidated Balance Sheet at 31 March 2008 after the proposed merger ²	% Difference
Net asset value per R&E share (Cents)	766.72	2 523.77	229.16%
Net tangible asset value per R&E share (Cents)	766.72	2 523.77	229.16%
Number of net R&E shares in issue	74 813.128	83 568.118 ³	

Notes:

1. This column is extracted from the consolidated balance sheet of R&E at 31 March 2008 prepared on the basis described in the accompanying notes thereto, which is in accordance with the recognition and measurement requirements of IFRS, as detailed in Annexure 8a which is attached to the circular. The qualified review report issued by the independent auditor, KPMG Inc., on the consolidated balance sheet of R&E at 31 March 2008 is included in Annexure 8b to the circular and is available for inspection in terms of paragraph 10.2 below.
2. The *pro forma* financial effects after the proposed merger have been adjusted taking into account the effects of the acquisition of JCI, based on the NAV of JCI at 31 March 2008, adjusted in terms of the recognition and measurement requirements of IFRS, based on the R&E directors' best estimate to reflect the acquired assets and liabilities at fair value based on available information included in the Group NAV Statement of JCI at 31 March 2008 and subject to the inhibiting factors referred thereto in Annexure 6a and Annexure 8a, which is attached to the circular. The Group NAV Statement of JCI at 31 March 2008 was published on SENS by JCI on 24 November 2008. Annexure 6a of the circular therefore reflects such published Group NAV Statement of JCI at 31 March 2008.
3. It has been assumed that 20 619 612 R&E shares will be issued in order to effect the proposed merger in terms of the merger ratio (i.e. one R&E share for every 95 JCI shares held by JCI scheme participants). The shares to be issued were reduced by treasury shares and certain shares identified for cancellation. Refer to the notes to Annexure 9a, which is attached to the circular, for further details.

8.2 Unaudited *pro forma* financial effects of the proposed merger on the net asset value statement of R&E at 31 March 2008

The unaudited *pro forma* financial effects of the proposed merger on the NAV Statement of R&E, before and after the proposed merger are set out below. These unaudited *pro forma* financial effects are presented in a manner consistent with the basis on which the NAV Statement of R&E and JCI has been presented which is in accordance with the basis of preparation described in the accompanying notes thereto (which is not in accordance with IFRS) set out in Annexures 5a and 6a, which is attached to the circular.

In the respective notes to the NAV Statement of R&E at 31 March 2008 (attached as Annexure 5a to the circular) and the NAV Statement of JCI at 31 March 2008 (attached as Annexure 6a to the circular), the respective directors highlight certain limitations relating to the lack of audited financial information as well as limitations on the completeness of financial information. For a better understanding of the circumstances and the basis of preparation of the respective NAV Statement at 31 March 2008 of R&E (attached as Annexure 5a to the circular) and the NAV Statement of JCI at 31 March 2008 (attached as Annexure 6a to the circular), reference should be made to the respective notes thereto.

The unaudited *pro forma* financial effects of the proposed merger on the NAV Statement of R&E has been prepared for illustrative purposes only and because of its nature and the inhibiting factors referred to above, the unaudited *pro forma* combined NAV Statement as set out in Annexure 7a attached to the circular may not give a fair reflection of R&E's NAV position after the proposed merger. It has been assumed, for the purposes of the unaudited *pro forma* financial effects on the NAV Statement of R&E, that the proposed merger took place on 31 March 2008. It does not purport to be indicative of what the financial effects on the NAV would have been had the proposed merger been implemented on a different date. The unaudited *pro forma* financial effects of the proposed merger on the NAV Statement of R&E are based on the estimates and assumptions set out in the notes to Annexure 7a which is attached to the circular. The directors of R&E are responsible for the preparation of the unaudited *pro forma* financial effects of the proposed merger on the NAV Statement of R&E. The unaudited *pro forma* financial effects as set out below should be read in conjunction with the unaudited *pro forma* combined NAV Statement of R&E as set out in Annexure 7a, which is attached to the circular, together with any estimates and assumptions upon which the financial effects are based, as indicated in the notes thereto in Annexure 7a.

