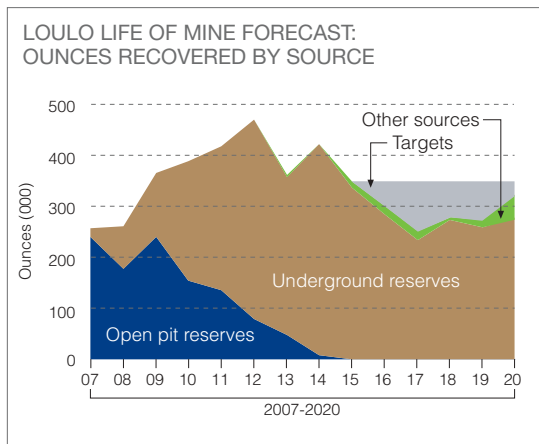




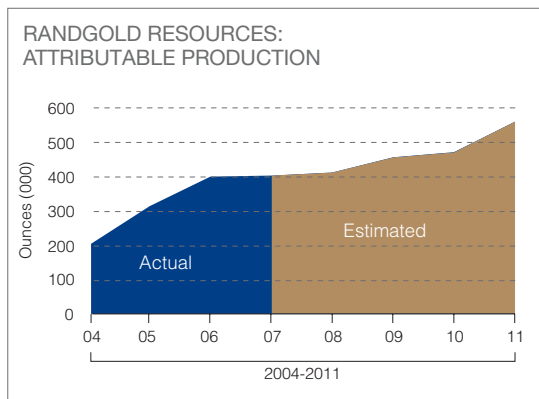
Chief executive's report

Randgold Resources' progress is systematic and strategy-directed but it is also fast. The year under review clearly reflected this process of building rapidly on solid foundations.

At the Loulo complex, a herculean effort by our capital projects team got the final phase of the plant up and running in the face of some very considerable challenges inherited from the construction contractor. In spite of the inevitable delay in the commissioning of the hard-rock circuit, and the cumbersome interim measures we had to take, we gradually caught up with our original production targets in the course of the year, maintaining plant throughput above design capacity in the latter half. Output for the year was a highly creditable 241 575 ounces at cash operating costs of US\$294 per ounce.



With the open pit operation running well, we were able to shift our focus to the development of the two high grade underground mines at Loulo. The construction of the boxcut for Yalea made good progress and the sinking of the decline shafts got under way on 22 December with the first blast into bedrock. In the meantime, doubling the Yalea underground reserve, produced by continued deep drilling, has resulted in significant upgrades of the mine's design and its production parameters. Essentially, the proposed production rate has been stepped up from 50 000 tonnes per month to 80 000 tonnes on the back of an increase in the reserve base from 1.87 million ounces to 3.63 million ounces.



Yalea's sister operation Gara (the former Loulo O) saw a similar improvement, with underground gold reserves more than doubling to 1.65 million ounces. Accordingly we have also increased the proposed production rate there, from 50 000 tonnes per month to 100 000 tonnes. In redesigning Gara, we opted for a conveyor belt system to transport ore and waste, similar to the one that will be used at Yalea. This will support the higher production rate more effectively than the conventional truck transport system.

As shown in the accompanying graph, the two underground mines will have a very substantial impact on Loulo's Life of Mine production profile. We envisage a steady 250 000 ounces per year until 2009, when Yalea will start contributing. We expect production to average above 350 000 ounces per year from 2009 to 2015 and exceed 400 000 in 2011/2012.



"Given our commitment to organic growth based on discovery and development, exploration remains Randgold Resources' engine room."

Mark Bristow
Chief executive

The challenge will be to maintain production at or above the 350 000 ounce per year level. To achieve this, we have been exploring around the two main orebodies, where we have added significant reserves over the past two years. We are now also looking for new orebodies in the area. Five clear target areas have been defined, with Baboto and Faraba already producing encouraging results.

COST CONTROL A KEY PRIORITY

Our joint venture Morila operation produced 516 667 ounces for the year at cash operating costs of US\$215 per ounce and total cash costs of US\$258 per ounce. Production was down on the previous year, mainly as a result of the move to lower grade areas of the pit. It was also affected by fleet availability limitations and throughput slippages in the second and third quarters, but these problems were addressed and by the year end the plant was operating at its full expanded capacity. The drive to find more reserves within the lease area continued but has so far not produced a significant discovery. There has, however, been a slight improvement in reserves, which stood at 2.15 million ounces after depletion of 562 000 ounces at the end of 2006, against 2.37 million ounces at the end of 2005.

At both Loulo and Morila, cost control will continue to be a major priority for management in the year ahead. Industry wide cost pressures are still mounting as a result of the weak dollar and the higher prices of diesel, steel and other inputs. Our mines are in remote locations and have to produce their own power from diesel fired generators. In addition, they run large diesel powered mining fleets. Consequently, diesel now makes up some 25% of our total production costs. In general, our costs were well controlled in 2006. Total cash costs for the group were US\$296 per ounce, up on the previous year due to grade decreases at both operations, but well below the industry average of US\$350 per ounce. It should be noted, incidentally, that ours are true gold production costs, untainted by by-product credit accounting.

MANAGING FOR THE LONG TERM

We manage our business for the long term, which means that we constantly have to search beyond our existing borders for fresh, profitable growth opportunities, and never allow ourselves the luxury of settling down into a comfort zone. Exciting and demanding as the Yalea and Gara developments are, we are already looking past them at further prospects. We can do this because, as our record shows, our management teams are more than capable of running one operation while building another and advancing a third.

We are therefore setting our sights on the Tongon project in Côte d'Ivoire, which could well have the makings of our third major mine. Tongon has been in our portfolio since 1997 but we backed off from it when the civil unrest started in Côte d'Ivoire. With a resource base of more than 3 million ounces, however, it remained a key asset in our portfolio. While the political situation has not stabilised yet, we were sufficiently encouraged by the progress that had been made to re-establish a team at Tongon last year. Senior officials from the government ministries as well as the opposition have since visited the site and we have been impressed by their support for the project and the level of cooperation they have provided. An 8 hole 1 992 metre diamond drilling exercise was undertaken and its results used to plan a detailed drilling programme which is now under way. This programme, along with the engineering, infrastructure, impact assessment and capital estimate studies, will be combined in a final bankable feasibility study which should be ready at the end of 2008, when a development decision will be made. In spite of its problems, Côte d'Ivoire compares well to other African countries that have recently become the targets for gold mine development, not least because of its excellent infrastructure and great geological prospectivity.

CONTINUED EXPLORATION SUCCESS

Given our commitment to organic growth based on discovery and development, exploration remains Randgold Resources' driver. The highlights of the past year have been the continued success in identifying and adding new resources and reserves at Loulo, and the emergence of the Kiaka target in Burkina Faso as a significant mineralised gold system.



The Burkina Faso team has also completed a first pass evaluation of our other permits in that country, identifying four anomalies with strike lengths in excess of three kilometres.

In the Côte d'Ivoire, we are not confining ourselves to Tongon but are pursuing opportunities in our own name as well as in cooperation with the state mining company with a view to acquiring as much prospective ground as possible before the anticipated normalisation of the political situation.

In Senegal, we are evaluating three drill targets and a RAB drilling programme has started on 12 advanced targets to select candidates for inclusion in a new diamond drilling campaign planned for later this year. The Ghana team has completed a thorough evaluation of the portfolio we have accumulated in that country. This has enabled us to discard unpromising holdings to concentrate on a well defined structure showing significant large scale anomalism. Following our decision to scrap the Kiabakari project, our team in Tanzania has embarked on a new generative phase, coupled with a review of some of the junior projects.

We ended the year with a total of 128 promising targets on almost 20 000km² in six countries in West and East Africa. In line with our policy of constantly seeking to widen our horizons, we have recently put together a dedicated "African hunting team", whose brief is to find and evaluate opportunities in prospective countries where we do not already have a presence.

CONTINUING ASSESSMENT OF CORPORATE OPPORTUNITIES

As the gold price continues to rise and the new gold supply remains static, the market pressure on producers to buy growth at almost any cost is increasing.

We regularly review our corporate strategy and investment criteria against this trend but nothing that we have seen so far has persuaded us that the Randgold Resources way of building value on a solid base of organic growth can easily be bettered. Indeed, every time we test it, our resolve to stick to our strategy

is reinforced. During my roadshows last year I canvassed our major shareholders on this point and, to a fund, they were supportive of our approach.

The commitment to organic growth is not a blinkered one, however, and we continue to watch the market closely for corporate growth opportunities that are capable of adding real value instead of amounting to just another consolidation.

THE NEXT BIG THING

The year ahead will see Randgold Resources building again, with the focus areas being the Loulo underground mines and the Tongon feasibility study. Production from our operations is expected to be in line with the past year's output, with Morila scheduled to produce 500 000 ounces and Loulo set to exceed 250 000. If the gold price performs according to market expectations, Randgold Resources should therefore again produce robust profits for 2007.

The second graph on page 8 of this report shows our production profile for the past three years and the forecast for the next five. The impact of Loulo is obvious and its planned growth should more than make up for the tapering off of Morila. Should Tongon get the go-ahead, the picture improves even further.

Randgold Resources' efforts have earned it some exceptional laurels but we have no intention of resting on them. Our aim is to hunt down that real profitable growth opportunity, either organic or external. There are no guarantees in this business, but given our performance record and the proven capability of our team, I am positive about our prospects of achieving this objective.

A GREAT TEAM EFFORT

On that note, I would like to take this opportunity of placing on record my admiration for the great work that our managements and people have done and continue to do. It is their dauntless spirit that has enabled us to conquer the challenges and seize the opportunities. I would also like to thank our chairman, Philippe Liétard, and the other members of the board for the support, direction and perspective they provide.