



Chairman's statement

Even by the hectic standards of recent times, 2006 was a momentous year for the gold market and for Randgold Resources. The bull run continued into its seventh year - and is now the longest in the industry's history - while Randgold Resources advanced on all fronts as its profitable growth strategy continued to deliver positive results.

In 2006, Randgold Resources increased its profit before tax by more than 50% to US\$74 million and its net profit by 6% to US\$51 million after a US\$23 million tax charge at Morila. The company ended the year with cash of US\$143 million after spending more than US\$100 million on the completion of the Loulo plant, the repayment of the first third of the Loulo project finance, the first stage of the Yalea underground development and its ongoing exploration programmes.

Given the robust balance sheet and the continued strong cash flows expected from the operations, the board decided that it was appropriate to start dividend payments and declared a dividend of 10 cents per share. This is, of course, not our first distribution to shareholders: In 2002, the company returned some US\$81 million to investors through a share buyback.

Operationally, it was also a successful year for Randgold Resources, with gold production increasing by 36%. The delays and difficulties caused by a defaulting contractor at Loulo were overcome and in its first full year of production, the mine has lived up to our expectations. With the plant and the openpit operations settled at the rated level, work started on the development of the Yalea underground mine and the planning of the Gara underground mine was completed. These higher grade mines will significantly enhance Loulo's production profile and extend its life to 2024.

The company's Morila joint venture again continued to make a solid contribution. Unhedged and debt free, it remains a major cash generator. In Côte d'Ivoire, the Tongon project has progressed to the bankable feasibility stage; a development decision will be made within two years. Elsewhere in the company's prospect portfolio, a number of advanced targets are returning promising results.

During the review period, as before, Randgold Resources' management has been guided by a simple philosophy: to invest our financial and intellectual capital in exploration to find successful operations capable of generating profits which we can reinvest in our future to create sustainability. The growth strategy based on this belief is a long term one, and while we regularly review its implementation, we do not allow ourselves to become distracted from our course by transient market trends. It is this consistency, I believe, that has given Randgold Resources a record of value creation that has very few peers in the gold industry.

This is particularly important in the current market, where the excitement of a rising gold price seems to have shifted the industry's emphasis from building profitable businesses to pursuing short term trading opportunities. Similarly, some investors appear to be more interested in production and short term share price performance than in real value creation and sustainable profitability.

The industry's market capitalisation has grown substantially but this growth has been driven by merger and acquisition activity and a flurry of new listings, rather than by the discovery



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and development of new gold reserves. Indeed, the new gold supply remains flat at best. This suggests that the market is being buoyed up by short term speculative sentiment rather than the development of new resources and the creation of real value.

We do not know how long the bull run in the gold price will continue. However, as far as Randgold Resources is concerned, our overriding priority is to continue finding and developing good gold prospects and building a business that will be profitable not only at the present gold prices but also at the much lower price levels at which the metal has traded in the past.

This is why we maintain our focus on organic growth through discovery and development, and why we continue to invest and to re-invest in our future, thus strengthening and enhancing the quality of our assets. And it is important to note that in our pursuit of growth, we place quality far above size. As the philosopher Voltaire observed: *"Dieu n'est pas pour les gros bataillons, mais pour ceux qui tirent le mieux (God is not on the side of the heavy battalions, but of the best shots)"*.

Chief among these assets are Randgold Resources' people. In the challenging spheres of African mining and international markets, a company's success is directly linked to the skills and motivation of its personnel and their ability to work as a team. The Randgold Resources team is acknowledged as one of the best in the business. Indeed, a recent analyst's report from Arbuthnot Securities puts it even more strongly: *"Management with a solid understanding of production and exploration is key to the success of a mining company. Randgold has in our opinion the foremost team of any in the industry. They have demonstrated their ability, initially through the discovery and construction of Morila, followed by the development of the Loulo operation"*.

Randgold Resources has since its establishment had exceptionally competent executive and exploration teams. Over time, the company has also developed first class skills in evaluation, design and development of capital projects, operational management, corporate finance, procurement and logistics. It has also invested a great deal of effort in nurturing local managers in host countries, to considerable effect. For example, the general manager and the financial controller for Mali as well as the general manager of Loulo are all Malian nationals.

The fine results of the past year, and the company's distinguished record of delivery, stand as a tribute to the wide ranging abilities, depth of experience and seamless cooperation of its corporate, regional and operational teams.

As part of the continuing expansion of the company's intellectual base, two eminent international businessmen joined our board as non-executive directors last year. They are Norborne P Cole, Jr and Karl Voltaire.

Norb, a US national, is a former chief executive of the second-largest Coca-Cola bottler in the world while Karl, a French national, oversaw the development of a number of major mining projects in Africa during more than 20 years with the World Bank and the International Finance Corporation. Both of them have extensive board level experience and they have significantly broadened the Randgold Resources board's international dimensions and enhanced its capacity to deal with an increasingly complex legal and commercial environment.

Jean-Antoine Cramer retired as a non-executive director. We thank him for almost 10 years of service to the company. I should also like to express my gratitude to my colleagues on the board for the sure guidance they again supplied at the strategic level and in matters of governance. A special word of appreciation is due to Mark Bristow for his dedication and the inspirational leadership he continues to provide.

We also thank the many other people, including our business partners, advisors and suppliers, who in one way or another again contributed to the company's success last year.

Over the past 10 years, Randgold Resources has invested more than US\$1 billion in Africa. The mines it has developed have paid more than US\$550 million in taxes, dividends and royalties to their host countries and provided skills and careers for more than 3 000 people. By working in partnership with these countries, we aim to create not only short term prosperity but economic welfare capable of outliving the mines on which it was built. We also seek to be a responsible corporate citizen and a good neighbour in the countries where we operate, with concerted actions to improve the quality of life and protect the environment.

We have sustained our efforts to explain the company and its intentions clearly to investors worldwide. We are gratified by the level of investor interest and support Randgold Resources enjoys and which are reflected not only in the performance of its share price but in the breadth and quality of its shareholder base. We thank our shareholders for their support and look forward to delivering on their expectations in years to come.