



Operations and projects

Loulo Gold Mine (“Somilo”) is located in the west of Mali, bordering Senegal, adjacent to the Falémé River. It is situated 350 kilometres west of Bamako and 220 kilometres south of Kayes. The mine is located within the Kedougou-Kenieba inlier of Birimian rocks, which hosts several major gold deposits in Mali namely Gara, Yalea, Sadiola, Segala, Tabakoto and Sabodala, across the border in Senegal.

LOULO MINE

The Gara orebody, previously known as Loulo 0, was first discovered on the lease by the Syndicat Or (a joint venture between the BRGM and DNGM) in 1981. In June 1992, BHP acquired the shares of BRGM (in Syndicat Or), and entered the Somilo joint venture together with the Malian government. BHP Minerals Mali Inc was subsequently acquired by Randgold Resources, in October 1996.

At that time, the total project gold resources were estimated by BHP to be 1.25 million ounces. Randgold Resources then undertook detailed exploration which resulted in the discovery of the Yalea deposit. Following the acceptance of a bankable feasibility study in 1999, by the board of directors of Somilo, Randgold Resources exercised its option to increase its participation in the project to 51%. However, the project was put on hold with the subsequent drop in the gold price to US\$250/oz. In 2001, Randgold Resources also acquired the 29% La Source share in Somilo, raising its stake to 80%, with the government of Mali holding the remaining 20%.

As a result of a gold price recovery in 2003 and the completion of a successful exploration drilling campaign (which added significant confidence to Randgold Resources’ knowledge of the orebodies and highlighted the potential of significantly more reserve ounces at depth with respect to both Yalea and Gara), a revised feasibility study was conducted and demonstrated that the project met the company’s investment return guidelines. The Randgold Resources board then approved the investment in Somilo, which facilitated the development of the Loulo mine.

The Loulo mine was officially opened on 12 November 2005. On 30 December 2005, notice was given to the main construction contractor and Randgold Resources’ capital projects team took over completing the hard rock crushing and related phase II circuits, which had fallen behind schedule. Despite delays caused by the late commissioning of the hard rock crushing circuit, throughput in 2006 was maintained at levels above the design specification. This resulted in production of 241 575 ounces for the year, only marginally below expectations, mainly as a result of not being in a position to feed as much of the originally planned higher grade hard ore.



The higher average spot gold price received of US\$601/oz was offset by the effects of delivering 66 925 ounces into the hedge at an average US\$434/oz and resulted in gold sales of US\$136.8 million for the year. This excludes the accounting impact of hedge contracts rolled forward, which resulted in gold revenue under IFRS of US\$132.4 million. Cash operating costs of US\$294/oz for the year are up from the previous year which reflected only two months of oxide operations. This resulted in profit from mining of US\$57.5 million for the first full year of operation at Loulo and a net profit of US\$25.3 million after deducting depreciation, financing costs and exploration and losses on hedge contracts rolled forward.

Loulo production has reached steady state and consequently the focus in 2007 will be on process optimisation and improving cost control given the cost pressures impacting the industry,

particularly with respect to grinding media, reagents and diesel for power generation.

Despite loading equipment difficulties, the mining contractor moved a total of 18.4 million tonnes at a strip ratio of 6.2:1 waste to ore. As part of an exercise to curtail the effect of rising contractor costs, all rise and fall formulae will be reviewed to take into account inflationary amounts and not contractor inefficiencies.

The Loulo mine has proved to be Randgold Resources' second successful mine development. The focus is now on ensuring that the operation becomes one of Africa's more efficient gold mines and the underground development is carried out cost effectively and on time.

Hard rock crusher at Loulo.





12 months ending
31 December

**LOULO:
SUMMARY OF RESULTS**

	2006	2005
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□ Mining		
Tonnes mined (million tonnes)	18.36	12.10
Ore tonnes mined (million tonnes)	2.55	1.21
□ Milling		
Total ore milled (million tonnes)	2.60	0.53
Tonnage rate (tonnes per hour)	337	304
Mill availability/utilisation (%)	87.90	47.30
Head grade – reconciled (g/t)	3.15	4.46
Overall gold recovery (%)	93.94	94.30
Gravity (%)	5.79	6.08
Cyanidation (%)	88.15	89.78
Gold produced and shipped (oz)	241 575	67 984
□ Total mine		
Average price received (US\$/oz)*	556	499
Cash operating costs (US\$/oz)*	294	137
Total cash costs (US\$/oz)*	328	165
Profit from mining (US\$ million)*	57.5	19.5
Gold sales (US\$ million)*	136.7	30.7
Net profit (US\$ million)	25.3	12.0

* Refer to explanation of non GAAP measures provided in note 23 on page 84 and 85.

MINE FACILITIES

Loulo mine consists of two main open pits (Yalea and Gara) as well as other smaller satellite pits. The mine is currently developing the first of its underground sections at Yalea. The second underground mine will follow in two years' time at Gara.

The plant is designed to process an average of 320 tonnes per hour, 2.5 million tonnes per annum using the following circuits: (1) crushing - a three-stage crushing circuit for the hard rock sulphide ores and a single stage roll toothed crusher for the soft weathered oxide ores, (2) milling - the milling circuit comprises two parallel single stage ball mills in closed circuit with a dedicated cluster of hydro-cyclones, (3) gravity - two XD 48 Knelson centrifugal primary concentrators followed by a shaking table for re-dressing of primary concentrates, (4) CIL recovery process, (5) Zadra elution process and gold recovery.

MINERAL RESOURCES

Despite the mining depletion, total resources increased by 1.42 million ounces to 11.35 million ounces.

During the year, a total of 2.5 million tonnes at 3.35g/t was mined from four pits: Yalea, Gara, P125 and P129. The softer oxide ore was initially fed to the plant, with hard ore being

stockpiled while the hard rock crusher was completed. On commissioning the hard rock crusher the plant was fed with ex-pit and stockpile material.

At the end of December 2006, total material on stockpile was 673 579 tonnes at 2.44g/t. Of this, 25 461 tonnes at 3.95g/t was on the plant cone, 45 431 tonnes at 3.59g/t on the Run of Mine ("ROM") pad and 602 687 tonnes at 2.29g/t on rehandle stockpiles behind the ROM pad.

Grade control versus plant check out reconciliations were acceptable for most of the year, leading up to the hard rock crusher commissioning, when reconciliation was poor as a result of ore being fed from unplanned sources. Once the feed was stabilised during the last quarter of the year, reconciliations were back within 3% on tonnage and 2% on grade. Infill RC drilling over P129 and Gara West has allowed us to improve our confidence in these resources and transfer them into the reserve category with pit designs.

Drilling concentrated on Gara Deeps during 2006, with definition drilling also continuing at Yalea. Incorporation of the Gara holes has allowed the extension of the resource to 600 metres below surface. Infill drilling has allowed for the conversion of resources to reserves with the completion of the latest underground mine design. Drilling at Faraba has allowed for additional resources to be added, while total resources have increased by 15% inclusive of mining depletion for the year. This takes the total resource number over the 11 million ounce mark. Greenfields exploration continued on the remainder of the permit with drilling at the P64 target and Gara South showing promising results.

ORE RESERVES

After mining depletion of 262 604 ounces, the overall reserve increased substantially from 5.7 million ounces to 6.8 million ounces. Most of the increase has taken place at Gara, but a small increase also occurred at Yalea. For more detail see the Resource and Reserve table on page 16.

The Loulo mine is a dynamic environment and consequently the planning department continually updates the mine plans. Due to the number of deposits and targets, mine plans are developed individually for parts of the operation as new information becomes available. When significant changes have been made to any part of the project, the LOM plan is updated.

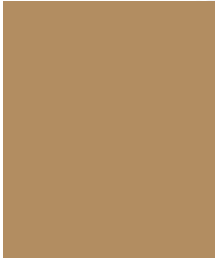
2006 was the first year of continuous operations and the resulting costs, mining rates and plant throughput realised have been used in updating the mine plans and have had a consequent effect on those plans. Pit optimisation was carried out at a gold price of US\$475/oz with actual 2006 costs for mining, processing, general and administration applied.



LOULO: MINERAL RESOURCES		Tonnes		Grade		Gold		Attribu- table (80%) (Moz)
		(Mt) 2006	(Mt) 2005	(g/t) 2006	(g/t) 2005	(Moz) 2006	(Moz) 2005	
□	Stockpiles	Measured	0.67	0.66	2.44	2.94	0.05	0.06
□	Gara (was Loulo 0)	Measured	8.15	9.40	3.86	3.84	1.01	1.16
		Indicated	15.86	9.93	4.10	4.34	2.09	1.39
		Inferred	1.32	0.31	3.25	6.28	0.14	0.06
□	Yalea (incl P125)	Measured	6.15	6.80	4.07	4.02	0.80	0.88
		Indicated	29.37	32.75	5.44	5.09	5.13	5.36
		Inferred	8.76	3.18	3.84	4.65	1.08	0.47
□	Satellites (P129, Gara West, Loulo 3, Baboto)	Indicated	1.57	2.32	2.46	2.28	0.13	0.17
		Inferred	5.91	6.33	1.82	1.75	0.35	0.33
	<i>Faraba</i>	Inferred	6.78	-	2.60	-	0.57	-
□	TOTAL MEASURED AND INDICATED		61.77	61.86	4.64	4.54	9.22	9.03
□	TOTAL INFERRED		22.77	9.82	2.91	2.87	2.13	0.90
								7.37
								1.70

LOULO: ORE RESERVES		Tonnes		Grade		Gold		Attribu- table (80%) (Moz)
		(Mt) 2006	(Mt) 2005	(g/t) 2006	(g/t) 2005	(Moz) 2006	(Moz) 2005	
□	Stockpiles	Proved	0.67	0.66	2.44	2.94	0.05	0.06
□	Gara (was Loulo 0)	Proved	6.12	7.29	3.19	3.29	0.63	0.77
		Probable	0.74	0.24	3.11	3.00	0.07	0.02
		Sub-total	6.87	7.53	3.18	3.28	0.70	0.79
□	Yalea - shallow pit	Proved	3.29	4.72	3.80	3.56	0.40	0.54
		Probable	0.01	0.04	2.49	2.87	0.001	0.004
		Sub-total	3.30	4.76	3.80	3.55	0.40	0.54
□	Yalea - deep pit	Proved	1.08	1.07	4.79	4.79	0.17	0.17
		Probable	0.68	0.68	5.71	5.72	0.13	0.12
		Sub-total	1.77	1.75	5.15	5.15	0.29	0.29
□	P125	Proved	0.05	-	4.69	-	0.01	-
		Probable	0.001	0.51	3.59	3.53	0.0001	0.06
		Sub-total	0.05	0.51	4.66	3.53	0.01	0.06
□	P129	Probable	0.15	0.24	2.70	2.67	0.01	0.02
□	Gara West	Probable	0.56	-	2.10	-	0.04	-
□	Total surface sources		13.37	15.46	3.51	3.56	1.52	1.77
□	Gara (was Loulo 0) UG	Probable	13.14	5.14	3.91	4.00	1.65	0.66
□	Yalea UG	Probable	22.64	17.98	4.99	5.46	3.63	3.15
□	Total UG sources		35.78	23.12	4.59	5.13	5.28	3.82
□	TOTAL PROVED		11.21	13.75	3.47	3.48	1.26	1.54
□	TOTAL PROBABLE		37.93	24.82	4.54	5.07	5.54	4.43
□	TOTAL MINE		49.14	38.57	4.30	4.51	6.80	5.59
								5.44

* See glossary of terms on website at www.randgoldresources.com.



The underground operation at Yalea, which had its inaugural blast on 17 October 2006, has seen significant reworking of the mine plans. The increased confidence in understanding the underground cost profile has had an effect on optimising the open pit to underground interface leading to more ore being planned to be mined from underground. The deeper pit reserves in the south of Yalea attract a stripping ratio of approximately 13:1 indicating it might be more efficient to exploit this ore from underground. These have consequently been separated from those shallower reserves pending completion of an underground mine design and plan, at which stage they might report to the underground reserve.

The 2006 mining operation at Yalea led to the depletion of 1.08 million tonnes at a grade of 3.15g/t for 108 782 ounces.

The open pit design at Gara has also been updated based on the latest resource model and updated costs. An update to the open pit/underground interface is currently underway. The higher operating costs have been offset by the higher gold price indicating a similar size pit to that previously reported. During the year, 1.28 million tonnes at a grade of 3.47g/t for 142 951 ounces were mined from the Gara pit.

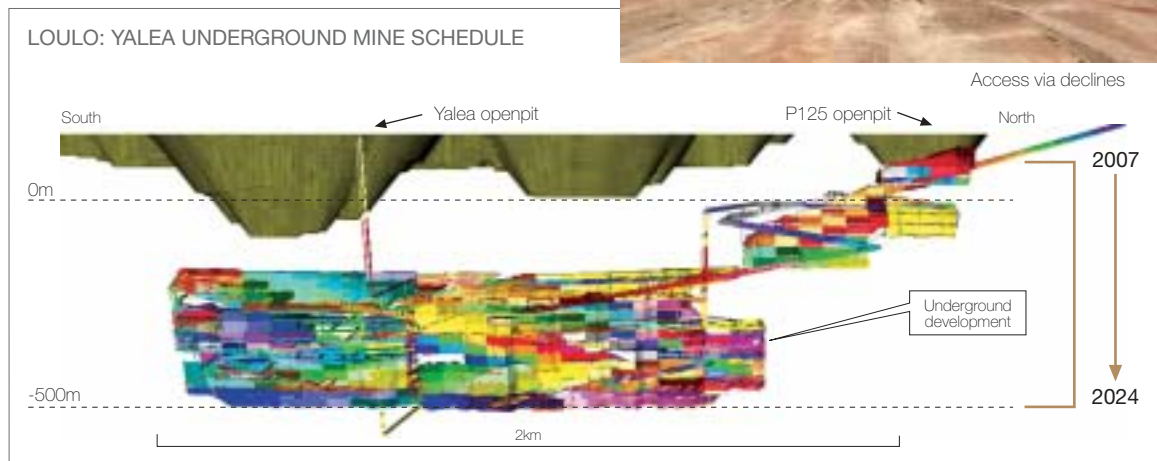
During the year mining also took place in the two smaller pits, P125 and P129, where a combined total of 18 252 ounces was mined.

Underground reserves were increased during the year as a result of an increase in the resource model due to extra drilling.

This translated into an increase in underground reserves at Gara of approximately 720 000 ounces which was reported at the end of the fourth quarter of 2006. Subsequent to that a further refinement in the underground mine design has led to the reserve being increased to 13.14 million tonnes at a grade of 3.91g/t for 1.65 million ounces (2005: 5.14 million tonnes at a grade of 4.00g/t for 0.66 million ounces). While this has almost tripled the Gara reserve, early indications from drilling to the south of the current reserves, is that additional high grade mineralisation is present in this area. This could lead to a re-planning and scheduling of the Gara underground where mining is due to commence in 2009.

MINING

Mining operations at Loulo are carried out under contract by BCM Mali SA, a subsidiary of BCM International Ltd. BCM operates a fleet of two Liebherr 994B excavators and 14 Caterpillar 777D dump trucks, assisted by various ancillary equipment. Apart from mining of the main Gara and Yalea pits, this year also saw the mining of two satellite pits, P129 and P125. BCM also provides the drill and blast services with bulk explosive products and accessories being supplied by MAXAM Mali SARL, a subsidiary of MAXAM International.





The average production volume for the mining fleet during 2006 was 700 kbcm per month, which was ramped up to 800 kbcm per month towards the end of the year.

**LOULO:
MINING RESULTS**

	2006	2005
Ore tonnes mined (million tonnes)	2.55	1.21
□ Ore grade (g/t)	3.35	4.50
□ Waste mined (million tonnes)	15.82	10.88
□ Stripping ratio	6.2:1	10:1
□ Total tonnes mined (million tonnes)	18.36	12.09

**ORE PROCESSING
Production**

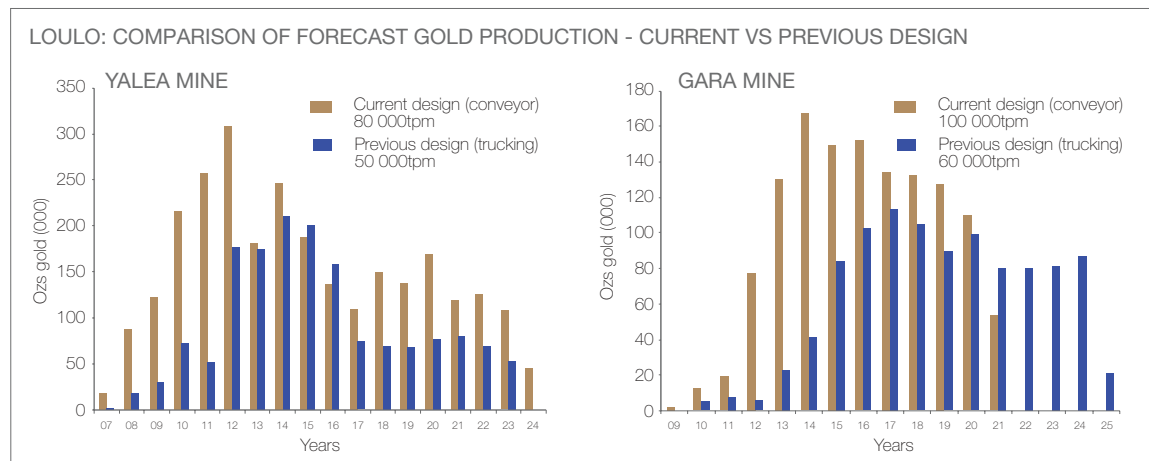
The year commenced with milled production rates of 370 to 395 tonnes per hour being achieved, higher than the 300 tonnes per hour target originally planned. Soft ore from upper levels, predominantly from Yalea, made this feasible. Tonnage throughput ramped up and peaked at 257 377 tonnes in March 2006 and thereafter gradually decreased to an annual low of 180 311 tonnes in June 2006. Several factors contributed to this decrease in monthly tonnage throughput, with the main issues being the increased throughput of Yalea transitional ore, the introduction of harder Gara pit ore and the commissioning

of the hard rock crusher. The last quarter saw monthly tonnage throughput rates back to the 220 000 tonnes per month planned, as the total process plant achieved steady state.

A total of 2.6 million tonnes was milled during the year with a head grade of 3.15g/t. An overall year to date gold recovery of 93.9% was achieved resulting in 241 575 gold ounces produced and shipped. Gold recoveries have generally been affected by the mineralogy of the ore. Deeper transitional and fresh ore from the Yalea pit have resulted in lower recoveries in the range of 89.5 to 92.5% (as per plan), whereas the treatment of Gara pit oxide ore resulted in significantly higher than expected gold recoveries of 97.0% plus. The mill availability varied through the year but averaged 91% during the final quarter as steady state conditions were attained.

Tailing storage facility

Somilo recognises the importance of sound tailings disposal practices for safety and environmental reasons. It has formed partnerships with tailings disposal specialist Fraser Alexander Tailings and mine residue and environmental engineering consultant Epoch Resources, to develop the Tailings Storage Facility ("TSF") at Loulo. Fraser Alexander Tailings mobilised to site in March 2006. The main starter wall is being mechanically raised to the 147 metre level and thereafter cycloning will commence to raise the TSF walls.





UNDERGROUND

Mine design

During the course of the year further progress was made re-assessing the designs for both the Yalea and the Gara mines.

Yalea underground mine

While the original SRK feasibility study on the mining of the Yalea deposit from underground envisaged a single truck decline, a re-design with increased production via a twin decline system incorporating the use of conveyor belts to transport ore to surface was adopted at the end of 2005. The main reason for the change was the increase in the resource and reserve base which allows for higher production levels. Additional benefits relate to safety and access aspects of mining. This design also has the advantage of accessing the higher grade payshoot earlier in the schedule allowing a much faster buildup in forecast gold production.

During 2006, the design was refined further: while the LOM remains almost the same. Total ore reserves for the Yalea underground now amount to 3.63 million ounces (from 1.87 million ounces previously quoted in the SRK feasibility study) and the production rate has been increased to 80 000 tonnes per month from 50 000 tonnes per month with the possibility of even higher rates yet to be examined.

Gara underground mine

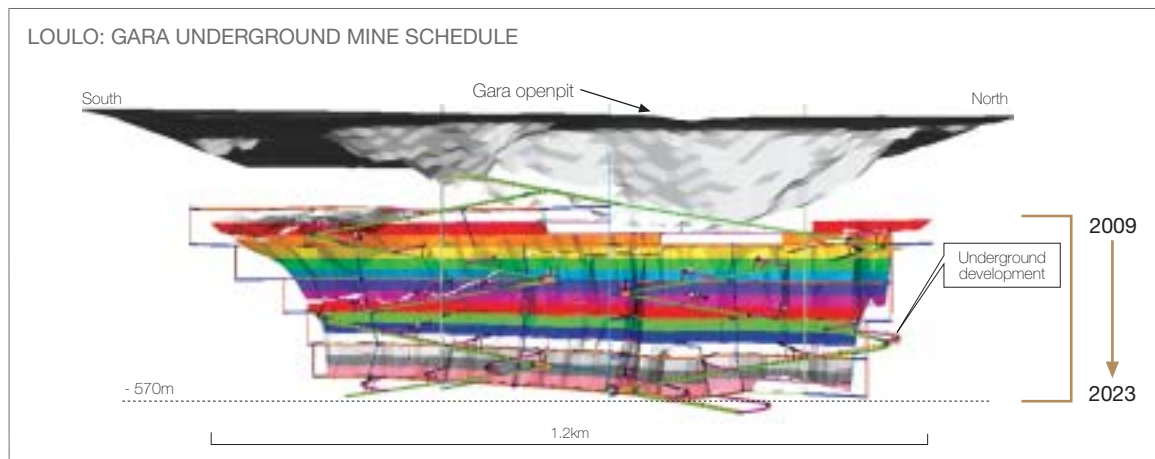
During the third quarter of the year, a deep underground drilling programme was completed at the Gara deposit demonstrating

considerable extensions to the orebody. An updated resource estimate was published of 25 million tonnes at a grade of 4.11g/t for a total of 3.3 million ounces, an increase over the 2005 year end of 800 000 ounces.

Based on this increased resource base, a mine re-design was completed and scheduled. Total underground ore reserve for Gara at the end of the fourth quarter 2006 amounted to 1.38 million ounces, an increase of 720 000 ounces over the previous reserve. The production rate has been increased to 100 000 tonnes per month (previously 60 000 tonnes per month). Subsequent to this, additional design has increased the reserve to 1.65 million ounces.

The main features of the design for Gara are as follows:

- The design has been based on the Yalea design with the exception that the two declines will both be developed from the open pit instead of a boxcut.
- The twin declines will form part of a twin ramp system, one towards the north and the other towards the south, dividing the underground mine in two separate mining and ventilation districts.
- A conveyor belt system will be used to transport ore and waste out of the mine rather than the conventional truck transport.
- Waste passes will be developed from inside the pit to facilitate backfill.
- The reverse Avoca mining method is planned to reduce ore lock up in pillars.





This design has also been tested by comparing the enlarged resource to the modification of original design. Comparison of the forecast gold production by the conveyor option over the trucking option shows a much faster build-up of production as well as a higher level of production, improved safety and ventilation conditions.

Currently the Gara decline is planned to start in 2009 with full production being achieved in 2014.

The following table lists the salient features of the underground mine designs:

LOULO: DESIGN FEATURES			
	Gara	Yalea	
<input type="checkbox"/> Life of Mine	13 years	18 years	
<input type="checkbox"/> Ore reserve	1.38 Mozs	3.21 Mozs	
<input type="checkbox"/> Production rate	100 000 tpm	80 000 tpm	
<input type="checkbox"/> Capital expenditure first four years	US\$45m	US\$61m	
<input type="checkbox"/> Ongoing capital expenditure (development, fleet and infrastructure) per year	US\$5.5m	US\$3.8m	
<input type="checkbox"/> Average total cash cost per ounce	US\$277/oz	US\$199/oz	

Operational progress

The excavation work of the Yalea boxcut, carried out by G&S Contractors with technical assistance from mining contractor Shaft Sinkers, made good progress. Bedrock was exposed during November and the final soft excavation work was completed mid December, some 60 000m³ in total having been removed. The first blast into solid rock was taken on 22 December 2006.

The delivery of the underground heavy vehicle fleet from JA Delmas is almost completed. A service contract has been concluded with Manutention Africaine.

Construction of the mine offices, workshops and other site infrastructure including electrical supply, has commenced and is expected to be completed by the end of the first quarter of 2007.

Exploration

Exploration is reported on in the exploration review on page 34.

ENVIRONMENT AND COMMUNITY DEVELOPMENT

Monthly monitoring programmes continued through the year, incorporating dust fallout levels as well as physiochemical, cyanide, oil, grease and bacteriological levels of surface and ground water points covering the site and the main water courses surrounding the mine. No pollution was detected in this testwork. Bi-annual audits were completed by independent environmental consultants, as well as by a National Environmental Delegation from the government to verify results and audit environmental management procedures. With the completion of the main capital construction, rehabilitation programmes were initiated which included the landscaping and re-vegetation of borrow pit and construction sites with vegetation germinated in the mine nursery.

The waste recycling system continued with mine waste being separated into steel, wood, glass, plastic, aluminium, organic and other waste. Glass, plastic, aluminium, wood and steel is sold off to local contractors and the funds channelled back to the community development budget.

ISO14001 training was initiated and it is the mine's intention to move towards compliance with this code. Revised closure and environmental management systems are being designed incorporating LOM changes as a result of the underground projects.

Community liaison meetings were held monthly between the mine and village representatives to address issues raised by both parties. It is Randgold Resources' commitment to address basic health, education and access to potable water and will support initiatives to create employment and income for the community. In this light four new boreholes were drilled in the surrounding villages and local artisans were trained in the repair of the pumps; a malaria spraying programme was expanded to include the villages of Loulo and Djidian-Kenieba, resulting in a 55% reduction in malaria cases treated compared to 2005; HIV awareness campaigns were supported in conjunction with NGOs; a foot bridge was built across the Gara River to allow farmers to access land adjacent to the new permanent water supply of the Gara Dam; a beekeeping test farm was initiated; school furniture was donated to the local schools; and the Bolibanta Women's market gardens were supported with donations of seed.

The construction of a new school at Loulo and a Mayoral Office at Sitakily were other projects initiated during the year.



CONSTRUCTION REPORT

Having taken the construction project back from the primary contractor, MDM, in December 2005, the balance of the work has been completed by our in-house project team. The overall process facility is performing well with tonnage throughput averaging 16% above the design capacity for the year.

The hard ore crushing facility, comprising three stages of crushing, was built during the first half of 2006 and commissioned in June. Crushing operations have progressed well and the plant is now exceeding its original specified duty. Construction of the 40 000 tonne (live) crushed ore stockpile has recently been completed and commissioned.

Construction of the first of Loulo's underground sections, the Yalea decline, commenced in July with the excavation of the boxcut, with access to the twin portals. The boxcut excavation has been completed and work on the decline tunnels is in progress. The underground construction contract was awarded to Shaft Sinkers.

The remaining work to complete the fuel farms at the plant site and at the mining area was carried out during 2006 and these facilities are now fully operational.

The raw water pumping station, at the Falémé River, is now fully operational. Construction of the Gara storage dam pump station is complete and commissioned.

The CIL expansion project (an additional 4 CIL tanks) is nearing completion, with commissioning scheduled for the second quarter of 2007. This plant expansion will increase circuit residence time, improving recoveries, but will later facilitate a future expansion in plant throughput.

The first phase of the cyanide destruction system is in construction with the introduction of a tailings thickener and return water tank to the circuit. This will reduce the quantity of cyanide in the tailings stream. Wash water will be returned to the process water circuit. This is scheduled for commissioning in the third quarter of 2007. The circuit is being constructed as an add-on in parallel with the existing circuit. The tie-in to the existing circuit will be completed during normal maintenance downtime. The circuit may be bypassed, which will ensure no disruption to the existing process. A further cyanide destruction phase using Degussa technology is scheduled for commissioning in early 2008.

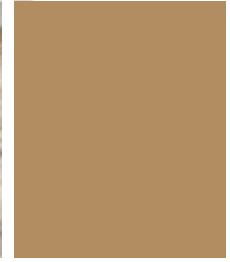
In conjunction with Randgold Resources' power supply contractor, Africa Power Systems (a division of Caterpillar), the power station is being expanded by a further 7MW. This additional power will cover the needs of the underground development at Yalea. Two medium speed diesel generators will be installed to meet this demand. The new facility is being engineered to house four units and depending on future demand a further two units may be acquired later. It is anticipated that the medium speed engines will supply base load and the remaining high speed units would supply the additional power up to the demand. The medium speed machines are slightly cheaper to operate on diesel and they are capable of conversion to run on heavy fuel oil, which will allow the company to reduce its processing cost. Construction has commenced on the concrete bases for the engines. The first engine is expected to be operational in the third quarter of 2007 and the second unit will be commissioned in the first quarter of 2008.

HUMAN RESOURCES

Manpower

Overall manpower levels, including contractors, at Loulo increased during 2006 as the project progressed and mining and processing commenced.

LOULO: MANPOWER	December	
	2006	2005
□ Mine labour	327	519
□ Capital projects	375	499
□ Mine contractors	643	184
□ TOTAL	1 345	1 202



Training

Three team effectiveness workshops were held at Loulo during 2006. These were attended by the CEO, the Randgold Resources' capital projects team, the general manager of the mine and all his departmental managers and superintendents.

Amadou Famanta obtained an MBA from the University of Quebec and Rodney Quick, Chiaka Berthe and Abdoulaye Cisse earned management diplomas from the Graduate School of Business Leadership of the University of Cape Town in South Africa.

A five-day managerial and supervisory skills course held at Loulo in July 2006 was attended by 35 managers and supervisors. Twenty employees, including 14 from local villages, successfully completed a crusher operator course at Morila mine. Structured engineering maintenance and metallurgical on-the-job action learning training was ongoing at the processing plant throughout the year. This training has enabled those employees recruited from the local villages to successfully transfer to their jobs the information and skills learned at the initial job training programme they attended at Morila in 2005.

All Somilo and contractor employees recruited during the year were required to attend the mine's induction and safety training course, before commencing work. In addition, all production employees attend workplace toolbox safety talks at the start of each shift. A series of first aid and safety courses were attended by 47 engineering and metallurgical employees during the year. Seventeen senior managers attended an ISO14001 executive briefing and five line managers and four environmental and safety staff attended the four-day ISO14001 audit course during the last quarter of 2006.

Industrial relations

Industrial relations remained positive throughout the year. Following the successful union election at the start of the year and the subsequent establishment of union structures at Loulo in February 2006, regular monthly meetings were instituted between the union and management. Agreement was reached with the union in November regarding the mine's rules and regulations. These were implemented in December 2006 following authorisation from the Regional Labour Inspectorate.

In addition, an innovative transport allowance scheme tied to a hire purchase arrangement between Somilo and its employees, was successfully negotiated with the union. The scheme consists of motor cycles being purchased by the company on behalf of employees who repay the company over a period of 36 months, using their monthly transport allowance. The scheme overcomes a total lack of public transport in this remote area, supports the sustainable development objectives of encouraging employees to remain in their home villages to support the economies of the villages (such as assisting with harvests and getting produce to local markets) and creates job opportunities outside of the mine in the supply of fuel and maintenance of the motorcycles.

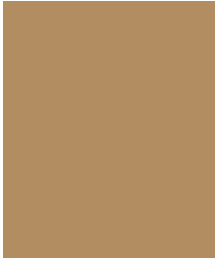
Somilo, together with other large mining companies in Mali, is represented at the talks concerning a proposed new National Mining Industry Collective Agreement taking place between mining industry employers, SYNACOM (Mining Union Confederation), the Directorate of Labour and the National Employers' Association. Two meetings were held during 2006 and further meetings are scheduled in 2007.

Community development

Relations with the community remained positive throughout the year and community liaison committee meetings were held monthly. The focus areas of the committee remain on employment of local villagers by the mine and the three pillars of the mine's social programme, which are basic education, food security and basic health (which includes potable water provision).

During the year, the following community development activities were undertaken:

- Employment of local villagers - Learning ability and other psychometric testing was carried out in all the villages surrounding the mine to select young people to work on the newly installed crushing circuit. Fourteen of the 20 successful applicants were from the local villages. In addition, Loulo and its contractors continued throughout the year to apply a selection process that gives precedence to local villagers over other job seekers, with a view to maximising the employment of people from the villages most affected by the mine.
- Education - The opening of the new school built by the mine in Djidian-Kenieba and the building of a new primary school at Loulo (70% completed at December 2006). The



repair and refurbishing of schools at Sakola and Baboto and the provision of teaching resources and aids to all schools in the local area. Furthermore under the supervision of the Malian Department of Education there was the subvention of teaching staff at Sakola village school in terms of the mine funding one teacher for each one funded by the community. School furniture and learning resources and equipment were donated by the mine to village primary schools.

- Food security - Farming land was prepared as compensation for those farmers who had lost fields due to the building of a security fence and the installation of a conveyor belt, in addition to the establishment of vegetable gardens, the setting up of crop production training programmes and the provision of seeds and fertiliser to 35 farmers in seven local villages surrounding the mine. The mine's agricultural education programme for local farmers established a model beekeeping enterprise which farmers are invited to visit. The test apiary aims to educate people about beekeeping and encourage them to take up beekeeping in the area.
- Basic health - The mine's medical officer treated and provided medicines to 9 600 patients from the local community. The mine evacuated several seriously ill villagers to hospitals in Bamako and Kayes.
- Malaria control and HIV/AIDS awareness - Educational and awareness campaigns were undertaken, with assistance from NGOs, to sensitise people in the local villages about malaria and HIV/AIDS, how to avoid contracting the diseases and the necessity of testing and treatment. Malaria control programmes were introduced in line with the recommendations from malaria vector surveys carried out in 2005 and 2006 by Prof Richard Hunt of the school of Animal, Plant & Environmental Sciences, University of the Witwatersrand, South Africa. Repeat spraying of the dwellings in local villages was undertaken prior to the start of the rainy season. In addition, mosquito nets were distributed to households in Djidian-Kenieba and Kenieba, as part of a mine inspired best kept village competition.
- Water provision - The mine installed a further two Indian pumps in the Loulo and Djidian-Kenieba villages. In addition, all defective Indian pumps were overhauled using mine supplied spares and a new access road was prepared

so that the cattle from Loulo village could be watered at the Falémé River. The aim of the water provision exercise is to ensure a continuous and reliable supply of potable water to all the local villages.

- Local government support - The mine, with agreement from the community development committee, financed the construction of an office for the Mayor of the Commune at Sitikily village.

LOULO: EXPENDITURE ON COMMUNITY DEVELOPMENT		2006 US\$
□ Community liaison committee meetings	2 495	
□ Potable water supply (bore-holes and Indian pumps)	59 564	
□ Education	42 438	
□ Vegetable programme	1 059	
□ Corn programme (SETRA)	5 644	
□ Health care evacuations	3 933	
□ Malaria control (purchase of mosquito nets)	990	
□ Hygiene/sanitation at Loulo village school	460	
□ Building capacity	42 425	
□ Support revenue generation activities	16 188	
□ TOTAL	175 196	

Note: Not reflected is the cost to the mine of providing medical treatment, medical evacuations, medicines, vaccinations, creating disease awareness and education training.