



Chairman's statement



Last year Randgold Resources celebrated the tenth anniversary of its establishment and with it a remarkable record of achievements.

When this company was incorporated in 1995, it was little more than a collection of exploration permits. Ten years on, it is a major mid-tier gold business which has discovered and developed two new mines, carved out a dominant position in some of Africa's most prospective regions, built a broad global investor

base and earned a reputation for creating value for its stakeholders.

It did so, initially at least, in a stressed market and with slender resources. But as Napoleon once observed, success is not so much a matter of materials as one of personal character and relations, and this has certainly been the case at Randgold Resources. In Mark Bristow and his team, the company has what I believe to be one of the most energetic and accomplished managements in the industry. It is their dynamism that has driven Randgold Resources from a zero base to a market capitalisation which now exceeds US\$1 billion, and it is their understanding of the gold business and the African continent that has enabled the company to forge productive partnerships wherever it has gone.

While Randgold Resources' growth has been rapid, it has not been precipitate. The company has executed its plans boldly, but the plans themselves have been carefully formulated and thoroughly tested against clear objectives and consistent strategies. And the strategy on which the business has been based has remained essentially unchanged since the start: it is to build real value for its shareholders on the back of sustainable organic growth.

This systematic, long term approach - and its worth - are illustrated by the company's history. Randgold Resources started by elevating its activities to the operational level by acquiring BHP Mali's assets, an acquisition funded by a placement of the company's then still unlisted stock. This was followed by an IPO and a London listing, which gave it both some seed capital as well as a functioning presence in the global capital market, enabling it to discover, finance and develop the world class Morila mine. Its subsequent secondary listing on Nasdaq significantly expanded the company's share register and confirmed its status as a fully independent business.

The Morila deposit was found by the Randgold Resources exploration team and the fact that this mine has to date produced more than 3 million ounces of gold and paid out some US\$430 million to its shareholders shows the soundness of the company's creed that value is created by discovery and development. It is in pursuit of this belief that it has maintained an intensive exploration programme throughout

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its existence, at a time when the industry generally cut back on exploration.

Another distinctive feature of Randgold Resources is that it has continued to invest substantially in its own future - and the exploration drive is one facet of this. Its long-range perspective on the industry and the courage of its convictions have given it the confidence to make those investments ahead of the curve. Loulo is a prime example of the potential benefits of this approach. The decision to proceed with the development of the mine was taken when the market was soft; but now that the mine is in production, it is delivering gold at historically high price levels.

Gold's bull run continued in 2005 with average prices rising to US\$445 per ounce from the previous year's US\$409. The metal ended the year at US\$513 and at the time of writing is at US\$570, a 25-year high.

The factors that are driving the gold price include geopolitical instability, economic concerns and mainstream investment interest from generalist funds and the public as well as some hedge fund speculation. Physical demand has provided an underpin every time the price has made significant moves downwards. Producer forward selling has again been at a low level. For a producer, the key factor is replacing production profitably. The general cutback on exploration expenditure in the Nineties has resulted in a dearth of discoveries, especially large ones. Such new ore bodies as have been found have been relatively small and production from the areas which traditionally host large deposits, notably South Africa, has been declining for years. The environment therefore appears to be weighted in gold's favour, and it is difficult to foresee a significant downturn in its fortunes in the short to medium term.

Against this background, we expect that 2006 will be another good year for Randgold Resources. The Morila joint venture will continue to be a healthy cash generator and Loulo will weigh in with a substantial contribution. The successful equity placement of 2005 has strengthened the company's balance sheet, giving it a sound base from which to grasp the next generation of growth opportunities. Foremost among these is the underground development at Loulo, preparatory work on which has started. When the current unrest in the Côte d'Ivoire is ended, the feasibility stage Tongon project will be advanced. And in the meantime, the company's extensive exploration programmes will continue to generate prospects for the future.

For a business to be truly successful it has to be more than merely profitable, however: it must also be a responsible citizen and a good neighbour. This is particularly true for those companies operating in emerging markets, where a constructive partnership between the providers and managers of capital on the one hand, and the government and the people on the other, is an essential requirement for an economic environment in which business can create prosperity for all. Randgold Resources is a great believer in such relationships and has contributed more than US\$1 billion to the economies of countries where it is active through salaries, taxes and payments to local suppliers. This is tangible proof of its long term commitment to their sustainable development.

In return, governments need to provide an enabling environment for business to flourish. In some of the countries we work in, there are constraints to effective or efficient business. Dialogue is essential to address issues to improve the ability of investing companies to operate.

I should like to express our gratitude to the governments and the people of those countries for the support they have given us. Without that support the company could not have functioned, let alone prospered. For our part, we shall continue to do everything in our power to ensure that these partnerships are mutually beneficial.

A word of appreciation is due also to the investment community for their interest in the company and in particular to our shareholders for their faith in management's ability to maintain the creation and delivery of value. Mark Bristow and his team merit special commendation for another stellar performance at the corporate as well as the operational level. Finally, my personal thanks to my colleagues on the board, whose enormous experience of mining and finance gives context and direction to our strategic thinking.



Philippe Liétard
Chairman