



Chief executive's report



While 2004 was a time of consolidation for Randgold Resources, 2005 was the year in which we spread our wings and took off again from the higher ground our efforts had established. In a year of challenges and delivery, these events and achievements were particularly notable:

- We doubled our profit year-on-year and increased attributable production by 54%.
- We opened Loulo, our second new mine in five years, and it made profits from month one.
- We finalised plans for an underground operation at Loulo and its development will start in the third quarter of 2006.
- We solved the production problems that had plagued Morila and it ended the year ahead of forecast.
- We updated the prefeasibility study on the Tongon project and confirmed that it would meet our investment criteria.
- We expanded our reserves and resources through dynamic exploration programmes.
- We strengthened our balance sheet ahead of a new growth phase through a successful equity placement.

THE FINANCIAL SCORECARD

Net profit for the year of US\$40.9 million was more than double that of 2004, mainly due to a substantial rise in the profit from mining. This in turn resulted from the improvement in the gold price and a big increase in our attributable production, which rose from 204 194 ounces to 314 831, thanks to a strong performance by Morila and the fourth quarter contribution from Loulo. The profit improvement was achieved in spite of higher expenditure on exploration and Morila's first tax payment.

On the balance sheet, the substantial increase in property, plant and equipment is related mainly to the development in Loulo and is, in fact, a further reflection of the company's continued investment in its future. The balance sheet also shows cash resources of some US\$152 million. Our equity offering of 8.1 million ordinary shares and American Depositary Shares, designed to raise funds for the Loulo underground development and other growth opportunities, produced US\$103 million after costs and the balance of the cash came from the Morila and Loulo revenue streams.

It is worth noting that we could have taken an easier fundraising option, but that would have limited it to qualified institutions. We chose to go the fully marketed global offering route, even though this required an enormous administrative effort, to give all our current shareholders and some new ones the chance to participate.

"Randgold Resources has developed into a fully independent, integrated business, while its management has matured into a well rounded unit that can handle the most formidable corporate and operational challenges with great dexterity."

- 1 *His Excellency, Amadou Toumani Touré, the President of Mali with Philippe Liétard at the opening of the Loulo Mine on 12 November 2005.*
- 2 *First gold pour at Loulo in September 2005.*
- 3 *CEO Dr Mark Bristow addresses the dignitaries and thousands of guests at the official opening of Loulo.*
- 4 *Local residents in traditional costumes joined in the festivities.*

LOULO: ANOTHER STAR IS BORN

Our new mine at Loulo poured its first gold in September and shipped its first commercial consignment of bullion four days before its official opening by President Amadou Toumani Touré of Mali on 12 November. The mine produced just under 68 000 ounces in the December quarter at a total cash cost of US\$165 per ounce.

While the start up was slightly later than originally planned, Phase 1 of the plant was sufficiently complete by the year end to allow steady gold production. This was a major achievement for our project team, considering the daunting logistical challenges presented by the remoteness of the site and the lack of infrastructure

world class status. During the course of 2005 SRK Consulting conducted a feasibility study on the underground development which confirmed our high expectations of it. Since then we have completed a detailed internal and external review of this study and have fine tuned the original design. We have budgeted US\$20 million for this project in 2006, with portal construction due to start in the third quarter and the main decline development commencing in the last quarter. We expect to access the first development ore in late 2007.

In the meantime, we have continued to build the resource base at Loulo, which grew by 24% to 9.9 million ounces



and by the failure of the main plant contractor, which obliged us to take over the completion of Phase 2, the hard-rock crushing circuit.

Phase 2 is now scheduled for commissioning in the second quarter of 2006. Until then, production will be maintained at planned levels by feeding soft and screened ore through the Phase 1 circuit. This should ensure that the delay of the hard rock circuit will not have a negative effect on Loulo's operating budget for the year.

With production from Loulo's open pit operation now settled down, the scene is set for the next stage of the project: the development of an underground operation, which will not only significantly extend the life and enhance the value of the mine, but will elevate it to true

during the year despite the depletion by mining. The most recent round of deep drilling has returned excellent results, further defining and expanding the high grade zones.

MORILA BACK ON TRACK

After a difficult start to the year, with production stuttering as a result of persistent problems with the plant expansion project, Morila recovered strongly. Production of 651 110 ounces was well ahead of forecast and some 140 000 ounces up on 2004, and cash costs were reasonably well contained at US\$221 per ounce.

The remedial measures we initiated at the mine, which included a change in the management team, are clearly taking effect, with monthly throughput in the second half of the year 10% up on the first. The plant is still not

- 5 *Our exploration strategy is to develop good models and then establish a dominant land position.*
- 6 *Mining began at Loulo in the last quarter of 2004.*
- 7 *Loulo and the area around it remains our most prospective region.*
- 8 *Morila paid out dividends of US\$90 million during the past year.*

functioning at its full expanded capacity, however, so there is room for further improvement and this remains a key management issue.

The other major focus at Morila is the continuing hunt for more ounces. Last year we came close to replacing the reserves that were depleted, and we believe there is still a considerable upside in the lease area. We currently have a two pronged exploration strategy there: we are looking closely at the known mineralisation around the margins of the mine, and we're also about to embark on an ambitious strategic drilling programme which will cover the full 200km² of the lease and give us a complete picture of its overall resource potential.

to press for a durable reconciliation of the conflicting parties' differences. We therefore remain optimistic that our patience and our long term faith in the country will eventually be rewarded.

In anticipation of that day we recently revisited the project site and confirmed that it would be relatively simple to resume our activities there. We have had preliminary discussions about our plans with the various parties concerned and we hope to do some preliminary drilling before the start of the wet season. If the elections have the anticipated stabilising effect, we would then mobilise a comprehensive programme to complete the feasibility study.



Morila last year paid out dividends of US\$90 million and it remains a spectacular cash generator. We are forecasting production of at least 500 000 ounces per year for another three years, and even modest exploration success will enable the mine to sustain its output at that level for a fourth year.

WAITING IN THE WINGS

Our three million ounce Tongon project in the Côte d'Ivoire has been put on hold by the political unrest which has plagued that country for the past two years. There has been some progress towards a settlement, but it has been a bumpy road with frequent diversions. However, elections have now been scheduled for later this year, and there is a considerable momentum within Africa as well as the wider international community

GENERATING ORGANIC GROWTH

Our annual resource and reserve declaration, published elsewhere in this report, shows that our resource base has grown by 14% to 16.54 million ounces over the past year, (16% to 11.67 million ounces attributable) a clear tribute to the continuing success of our exploration programmes.

Randgold Resources' key business model is the resource triangle: a broad base of targets, the best of which become projects, from the ranks of which emerge the mines. This model requires expertise in the evaluation of targets and the development of projects; and, equally important, a constant flow of fresh prospects to expand and replenish the base. Finding these is the task of our exploration teams, and their consistent record of success has been the main driver of this company's growth.

