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# Mining for Good

Although mining catches a lot of heat publicly for its impact, Randgold Resources has successfully developed five mines in Africa by taking a partnership approach.

Images courtesy of Randgold Resources

**M**ining has always been a complex industry. There is a wide range of stakeholders and interests at play, from the social to the economic, the environmental to the political. These challenges are heightened when operating in a socially and politically unstable environment. No one understands this better than Chief Executive of Randgold Resources, Mark Bristow.

Mark established Randgold Resources in 1995 on the foundation of his pioneer exploration work in West Africa and has overcome many obstacles to take the business to where it is today—one of the gold-mining industry's most respected companies. This started with the company's acquisition of Syama mine. "BHP had ventured into gold mining in West Africa and developed a small gold mine in southern Mali. They ran into major social and labour issues and decided to pull out. So I went and saw them and said, 'Look, we can take this over for you', and they essentially funded me to acquire

their assets. We went from being a small exploration company to an operating company."

Exploration was the company's origin and is still the engine that drives Randgold's growth. "In late '96, six months after the Syama transaction, we made our first major discovery in the form of Morila in Mali, which was a spectacular find. It's probably one of the most profitable gold companies of the last two decades. In '97 we listed Randgold Resources on the London Stock Exchange. We raised \$82 million but the gold price was collapsing. In fact, we had set out to raise \$150 million and had to reprice it three times on the pre-listing roadshow.

Challenges were springing up everywhere for Randgold Resources, but the company's saving grace was Morila and the relationships Mark had forged with his creditors. "I had to go back to the original commercial lenders behind the IFC loan and I convinced them to write out some more cheques to build this mine. I explained to them, 'We're going to

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do this thing properly, we have all the engineers, we're going to use independent auditors, and we'll prove to you that it's a really significant project'. They believed in it and they lent me another \$100 million on a non-recourse basis at the project level.

"It was the understanding that we could option out half of the asset because it was so valuable. So, we sold half of our stake to AngloGold Ashanti. We funded the government of Mali in for 20 per cent. We built Morila in record time, on budget, and we commissioned it in 2001 and paid the capital back in a year. By that stage we'd already set our corporate DNA. The gold price was under \$300 but we produced at around \$35 an ounce. In 2002 we produced one million ounces.

Randgold Resources was built on the understanding that mining is a multifaceted industry that must look after the needs of all stakeholders. "If you're a miner, a gold miner in particular, when you take on a project you are actually mining a national asset. You don't ever own the deposits, so you >







effectively have to pay rent for them. If you don't deliver value for the country, for the government, the communities, you're toast. There's a lot of criticism levelled at the mining industry about exactly that.

"Today we've discovered and built five gold mines in Africa. Our share price when we listed was just over \$100 and today we are worth \$7.5 billion, employ some 15,000 people, and rank among the six or seven largest gold-mining companies by market cap. We're certainly one of the 10 most profitable and deliver the most value to our shareholders if you look back over time, and we've done it all in Africa.

"We have been through a few wars and coups d'état and we've had to deal with serious infrastructural challenges. We run some of the biggest and most complex gold mines in the world. Loulo in Mali has two underground mines—one open-pit. It's a very big complex and

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it's run by Malians. Our Malian office is run by Malians and our mines in that country account for about 12.5 per cent of the GDP of Mali based on last year's figures."

After almost 20 years of challenges and triumphs, Mark still runs the company on specific principles to spearhead progress and success. "There is a big drive, when you run a public company, to get caught up in quarterly reporting. We report quarterly, but we don't run our business on a quarterly basis. So I've always set milestones; we had a milestone to become a producer, we had a milestone to bring in our first mine. Three years ago we started developing five-year rolling plans to show the market where we're going and we set a target of 1.2 million ounces on a consolidated basis by 2015.

"The reason we set that target was because everyone was trying to promise one million ounces and I thought there was a bit of voodoo against one million ounces. I just

don't like to follow the herd. More importantly, 1.2 million ounces by 2015 means we would have got our underground mines in Mali up to speed and we would be fully up and running in the DRC [Democratic Republic of Congo] with our latest mine, Kibali."

Randgold Resources is very much about local talent and development. "We don't have a head office, so we're all in the field. We operate our business like we are owners. Our locals-first employment policy means that all our mines are run and operated almost entirely by host-country nationals. We don't pay lip service to our community commitments, and really encourage a strong partnership at every level.

"We're an African-focused gold company run by Africans for the benefit of Africans, and we've been able to deliver value for our stakeholders because that is our focus. The other thing is that we have a simple strategic

filter; we don't invest in projects below three million ounces and that will deliver at least 20-per-cent return at \$1,000 an ounce long-term gold price."

By using local talent, Randgold Resources has been able to eliminate many of the challenges that come with managing a major mining operation. "Logistics is a core, integral part of our business. Just looking at the mining industry, it's notorious for poor procurement and logistics initiatives. The way we got around it is that we don't use any international service providers.

"We've gone to the best that we can find in West Africa, a private company out of Senegal called CSTTAAO, which has now got an arm called Afrilog, which is a big procurement and logistics business with a mining focus. We partnered with them and over the years we've built them up. We then did the same in east Africa when we went into DRC and we found Freight Forwarders, a very interesting consortium of businesses out of Nairobi and Mombasa."

Mark notes how vital line managers are to the company's procurement process and strives to have every line manager as the owner of their own store, entrusting them with the management of their own operations. "We've got to have, on our side, professional management; not retrained mining engineers, but really professional logistics people. You've also got to have an open and integrated interface between your service providers in the form of your procurement and logistics people and partners. We aspire to be like some of the world leaders such as Volvo, Toyota, and Airbus in procurement and just-in-time delivery. We're nowhere near there yet, but if we can get just halfway there then we'll be world beaters in the mining industry."

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Mark sees a bright future ahead for his organisation and aims to not only become a world-class miner, but to dispel the common misconceptions surrounding the industry. "For the mining industry to really succeed we've got to appreciate that we are, first of all, custodians of our shareholders' money, just like governments are custodians of the country's assets. When you look at the mining industry exploiting a national asset, it should do so in a way that benefits all stakeholders and there should be a complete alignment between governments and mining managements, because the mining companies bring in the capital and the government is there to allocate the assets.

"The third leg of that partnership is the workers and the communities around the mine. So you need a really strong partnership—an open and transparent relationship with

them. This industry can bring enormous benefits, but sometimes we don't appreciate the risks that governments take because they also have to deliver value and benefits to their populations. You can look at the sad example of the platinum industry in South Africa where you've just got a total breakdown in that partnership, and with that you can do some real damage.

"There are not many mineral resources left in the more developed parts of the world, so we as miners have to go to the more infrastructurally challenged and emerging countries. We can play a huge role; when we go into a country, we have to be very careful about how we deliver value and what we develop. We should be investing in skills development, engaging with the governments in a transparent manner, and make a long-term commitment to that country." •