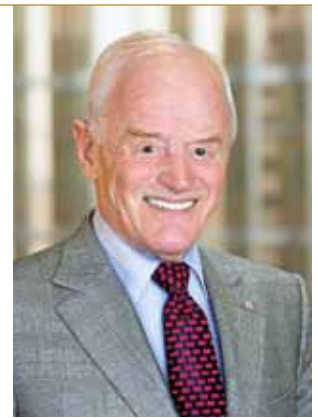


# Message from the Chairman



Peter Munk  
Founder and Chairman

Fellow shareholders,

There are countless theories that attempt to explain why gold prices behave the way they do. At its core, however, the gold market is not all that complicated: generally speaking, when people feel secure, gold prices fall; when people feel insecure, prices rise.

There was a time not that long ago – for about a decade, between 1988 and 2000 – that most of us in the West felt not just secure, but exuberant. The Berlin Wall came down. The Cold War ended. American power was at its zenith. In short, our confidence was unsurpassed. In his best-selling book of 1992, *The End of History and the Last Man*, Francis Fukuyama declared that in the long struggle between political ideologies, liberal democracy and market capitalism had clearly won the day. What was there to be worried about?

During this period of euphoria, gold prices dropped in half, from about \$500 per ounce to a low of around \$250 per ounce by 1999. You know what happened next. First, in 2000, the “dot-com” bubble burst and the stock market collapsed. One year later, on September 11, 2001, the whole world changed. We were not so secure, after all.

What has followed would have been unthinkable only a few years earlier: two intractable wars in the Middle East; a massive global economic recession; the collapse of the U.S. housing market; the bankruptcy of Lehman Brothers and the demise of Bear Stearns; and on and on. Investors

lost faith in the world’s two most powerful currencies – the U.S. dollar and the new Euro. Then came fears of sovereign default in Europe, where governments, desperate to restore confidence in their rattled markets, were forced to intervene.

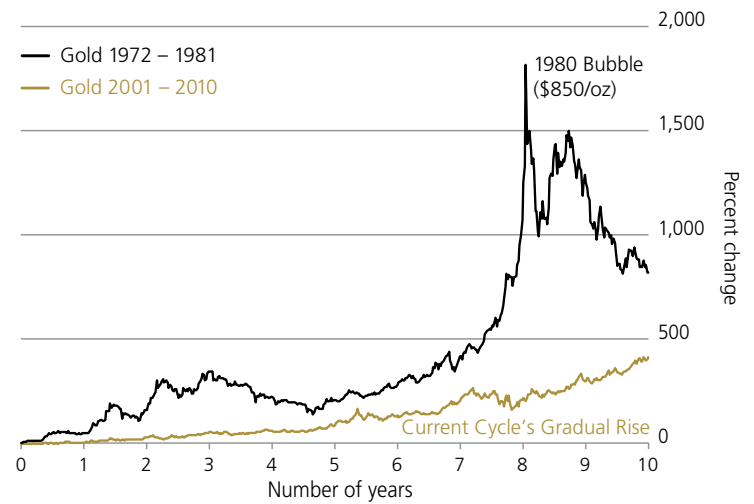
As I write this letter, amid spreading chaos and violence in the Mideast and North Africa, there continues to be little news to stir the confidence of investors. Our world is uncertain. More and more people are afraid of the future. The optimism of the 1990s has faded into an era of global pessimism.

With their confidence shaken, an ever-growing number of investors are moving into gold, and have been now for some 10 years. As a result, of course, the price of gold has climbed continually, increasing more than 400% in a decade. This, even while the S&P 500 Index has fallen by 5%.

Given how strongly gold has performed, it’s not surprising that some people now wonder if we’re in a bubble. They suggest we’re at a moment not unlike 1980, when gold prices, having reached unprecedented and historic highs, suddenly plummeted.

I don’t think we are in a bubble today; not at all. For one thing, the situation today could not be more different than it was in the late 1970s and early 1980s. What happened 30 years ago was clearly a kind of mania: in a single year, the price of gold shot up by more

## GOLD'S 1980 PEAK VS CURRENT CYCLE



than 250%, hitting an all-time record of \$850 per ounce in January 1980. It was madness! People around the world lined up outside banks to buy a few ounces of the metal, as prices rose daily. Then, almost as quickly as it had soared, gold collapsed.

By contrast, the past decade's rise in gold prices has displayed neither extreme volatility nor irrationality; instead, the ascent of gold since 2001 has been steady, measured, and rational. What's more, when compared to other commodities such as copper and oil, gold prices have not appreciated disproportionately. A simple glance at a chart comparing gold's frenzied rise in 1979 to the gradual build-up of the past 10 years tells the story graphically: to me, it clearly suggests that the behavior of gold today has none of the attributes of a "bubble."

If the last decade, fraught with insecurity, has driven up demand for gold, the question is, what happens next? None of us has a crystal ball, but all of us are determined to protect the assets we own or manage – and for the moment at least there is little doubt that gold is one of the best ways to protect the value of those assets.

While equities, debt markets, property and currencies – to name some of the more obvious forms of investment alternatives – have begun to recover in the past 18 months or so, there remain many ominous clouds on the geopolitical front. New risks continue to emerge, from

growing political instability in the Middle East to the continued threat of terrorism. Meanwhile, excessive sovereign debt, huge unfunded government entitlement programs, an ever-greater use of quantitative easing, stalled economic growth in developed countries, stubbornly high unemployment, and an aging population are just some of the problems we have yet to resolve.

As we embark on a new decade, I can only conclude that the world is a long way from feeling secure. In fact, I believe we in the developed world have more reason today to be concerned and pessimistic than at any time in recent history – and with the outlook gloomy, there is, in my mind, no doubt that investors will continue to turn to gold as a rare safe haven.

Having made the case for gold generally, I'd like to comment on the past year at our Company, the world's biggest gold producer. In 2010, Barrick recorded the most profitable year in its 27-year history, earning just under \$3.3 billion. We increased production to 7.8 million ounces last year – and, despite the fact that currencies in most countries where we operate have appreciated against the U.S. dollar, our cash costs decreased to \$457 per ounce.

Barrick's remarkable performance led not only to record earnings, but also to record margins and cash flow. Thanks to the strength of our balance sheet, we were able to increase our dividend by 20%. Barrick's share

price, up 35% in 2010, outperformed both the price of gold and our peer group.

Meanwhile, our gold reserves now total 140 million ounces. And as the price of gold climbs, those reserves become increasingly valuable. Our new Cortez Hills mine in Nevada, for example, produced over 1.1 million ounces of gold in its first full year of operation – at a total cash cost of only \$312 per ounce. Our Pueblo Viejo and Pascua-Lama projects, both of which we inherited through past acquisitions, will soon be contributing significant quantities of gold to our total production, again at low cash costs. Looking further ahead, our next generation of projects, including Cerro Casale and Donlin Creek, represent some of the most valuable gold assets in the world.

Whether it's a question of financial strength or fiscal responsibility, basic operations or long-term strategic execution, Barrick's track record is unmatched. For eight years in a row we have met or surpassed our annual targets. I'm also proud that we have achieved these extraordinary results while maintaining the highest commitment to corporate responsibility and integrity. We believe firmly in supporting the communities in which we operate, respecting the environment, and treating our employees and their families with dignity. From our senior management team to the individuals who work in our

mines, from our directors to our support staff, Barrick's team is composed of the most motivated and passionate people I have ever known. I am grateful to them all.

The newest member of our Board of Directors, Nathaniel Rothschild, represents yet another invaluable addition to Barrick's brain trust. Nat is not only a member of one of Europe's most prominent banking families, he is also an enormously successful financier and entrepreneur in his own right. Already, Nat's knowledge of and experience in mining and resources have proven to be great assets to Barrick.

I noted earlier that I, unfortunately, don't have a crystal ball. For one thing, I can't promise that gold prices will keep rising. However, I can, with confidence, assure you that whatever happens in the world, Barrick will continue to lead the industry, always acting in the best interest of its shareholders. For nearly 30 years now, regardless of the price of gold, we've done just that.



Peter Munk  
Founder and Chairman