# BARRICK GOLD CORPORATION

**Consolidated Financial Statements**
**and**
**Management's Discussion and Analysis of Financial and Operating Results**

**For the year ended December 31, 2001**

**In accordance with Canadian Generally Accepted Accounting Principles**

# BARRICK GOLD CORPORATION

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## MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared by and are the responsibility of The Board of Directors and Management of the Company. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect Management's best estimates and judgments based on currently available information. The Company has developed and maintains a system of internal accounting controls in order to ensure, on a reasonable and cost effective basis, the reliability of its financial information.

The consolidated financial statements have been audited by PricewaterhouseCoopers LLP, Chartered Accountants. Their report outlines the scope of their examination and opinion on the consolidated financial statements.

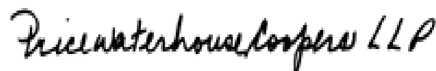
Jamie C. Sokalsky
Senior Vice President and Chief Financial Officer
Toronto, Canada
February 8, 2002

## AUDITORS' REPORT TO THE SHAREHOLDERS OF BARRICK GOLD CORPORATION

We have audited the consolidated balance sheets of Barrick Gold Corporation as at December 31, 2001 and the consolidated statements of income, cash flow and changes in shareholders' equity for each of the three years in the period ended December 31, 2001. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the United States. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of The Company as at December 31, 2001 and 2000 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2001, in accordance with accounting principles generally accepted in Canada.



Chartered Accountants
Toronto, Canada
February 8, 2002

## CONSOLIDATED STATEMENTS OF INCOME

## Barrick Gold Corporation

for the years ended December 31, 2001, 2000 and 1999

*(in millions of United States dollars, except per share data, Canadian GAAP basis)*

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| **Gold sales** | **$ 1,282** | $ 1,330 | $ 1,421 |
| **Costs and expenses** | | | |
| Operating | **621** | 550 | 516 |
| Amortization | **331** | 339 | 385 |
| Administration | **46** | 35 | 35 |
| Exploration and business development | **40** | 41 | 44 |
| Provision for mining assets *(note 13)* | **-** | 1,330 | - |
| | **1,038** | 2,295 | 980 |
| Interest and other income | **11** | 10 | 12 |
| Interest on long-term debt *(note 7F)* | **(14)** | (6) | (11) |
| Non-hedge derivative gains (loss) | **27** | 17 | (1) |
| **Income (loss) before income taxes** | **268** | (944) | 441 |
| Income taxes *(note 10)* | **(10)** | 178 | (110) |
| **Net income (loss) for the year** | **$ 258** | $ (766) | $ 331 |
| **Per share data** *(note 11)* | | | |
| Net income (loss) | | | |
| Basic | **$ 0.65** | $ (1.93) | $ 0.85 |
| Diluted | **0.65** | (1.93) | 0.83 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CASH FLOW

## Barrick Gold Corporation

for the years ended December 31, 2001, 2000 and 1999

*(in millions of United States dollars, Canadian GAAP basis)*

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| **Cash provided by operating activities** *(note 15)* | **$ 679** | $ 872 | $ 769 |
| **Cash provided by (used in) investing activities** | | | |
| Property, plant and equipment | **(549)** | (698) | (698) |
| Short-term investments | **(157)** | - | - |
| Business and property acquisitions *(note 12)* | **18** | (115) | 30 |
| Recovery (payments) of taxes on development costs | **(6)** | 27 | (13) |
| Other | **(3)** | (4) | 17 |
| **Cash (used in) investing activities** | **(697)** | (790) | (664) |
| **Cash provided by (used in) financing activities** | | | |
| Capital stock *(note 11)* | **7** | 6 | 29 |
| Long-term debt | | | |
| Proceeds | **49** | 137 | 24 |
| Repayments | **-** | (15) | 5 |
| Dividends | **(87)** | (87) | (79) |
| **Cash provided by (used in) financing activities** | **(31)** | 41 | (21) |
| Increase (decrease) in cash and equivalents | **(49)** | 123 | 84 |
| **Cash and equivalents at beginning of year** | **623** | 500 | 416 |
| **Cash and equivalents at end of year** | **$ 574** | $ 623 | $ 500 |

See accompanying notes to consolidated financial statements.

## CONSOLIDATED BALANCE SHEETS

## Barrick Gold Corporation

as at December 31, 2001 and 2000

*(in millions of United States dollars, Canadian GAAP basis)*

| | **2001** | 2000 |
|---|---|---|
| **Assets** | | |
| **Current assets** | | |
| Cash and equivalents | **$ 574** | $ 623 |
| Short-term investments | **159** | - |
| Accounts receivable | **114** | 70 |
| Inventories and deferred expenses *(note 3)* | **167** | 119 |
| | **1,014** | 812 |
| Property, plant and equipment *(note 4)* | **5,103** | 3,596 |
| Other assets *(note 5)* | **233** | 127 |
| Goodwill *(note 12A)* | **1,347** | - |
| | **$ 7,697** | $ 4,535 |
| **Liabilities** | | |
| **Current liabilities** | | |
| Accounts payable and accrued liabilities *(note 6)* | **$ 497** | $ 354 |
| Current portion of long-term debt *(note 7)* | **9** | - |
| | **506** | 354 |
| Long-term debt *(note 7)* | **793** | 676 |
| Other long-term obligations *(note 8)* | **379** | 147 |
| Future income taxes *(note 10)* | **586** | 335 |
| | **2,264** | 1,512 |
| **Shareholders' equity** | | |
| Capital stock *(note 11)* | **4,954** | 2,715 |
| Retained earnings | **479** | 308 |
| | **5,433** | 3,023 |
| | **$ 7,697** | $ 4,535 |

Commitments and contingencies *(note 17)*

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

## Barrick Gold Corporation

for the years ended December 31, 2001, 2000 and 1999

*(in millions of United States dollars, Canadian GAAP basis)*

| | Capital Stock | | | | |
|---|---|---|---|---|---|
| | Shares (millions) (note 11) | Amount | Stock options | **Retained earnings** | **Total shareholders' equity** |
| **Balance December 31, 1998** | $ 377 | $ 2,399 | $ - | $ 1,193 | $ 3,592 |
| In full consideration for all of the outstanding shares of Sutton Resources Ltd. *(note 12C)* | 17 | 281 | | | 281 |
| Issued for cash | 2 | 29 | | | 29 |
| Net income | | | | 331 | 331 |
| Dividends paid | | | | (79) | (79) |
| **Balance December 31, 1999** | 396 | 2,709 | - | 1,445 | 4,154 |
| Issued for cash | - | 6 | | | 6 |
| Change in accounting for income taxes *(note 2K)* | | | | (284) | (284) |
| Net loss | | | | (766) | (766) |
| Dividends paid | | | | (87) | (87) |
| **Balance December 31, 2000** | 396 | 2,715 | - | 308 | 3,023 |
| **In full consideration for all of the outstanding shares of Homestake Mining Company *(note 12A)*** | **140** | **2,202** | **30** | | **2,232** |
| **Issued for cash** | **-** | **7** | | | **7** |
| **Net income** | | | | **258** | **258** |
| **Dividends paid** | | | | **(87)** | **(87)** |
| **Balance December 31, 2001** | **$ 536** | **$ 4,924** | **$ 30** | **$ 479** | **$ 5,433** |

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

**Barrick Gold Corporation**
Tabular dollar amounts in millions of United States dollars, unless otherwise indicated, Canadian GAAP basis. References to C$ and A$ are Canadian and Australian dollars, respectively.

## 1 NATURE OF THE COMPANY

Barrick Gold Corporation ("Barrick" or the "Company") is engaged in the production of gold and related activities including exploration, development, mining and processing. These activities are conducted principally in the United States, Canada, Australia, Peru, Tanzania, Chile and Argentina. They require the use of specialized facilities and technology. The Company relies on such facilities to maintain its production levels. Also, the cash flow and profitability of the Company is affected by the market price of gold, operating costs, interest rates and exploration expenditures. The Company operates internationally, and accordingly, is exposed to fluctuations in currency exchange rates, political risk and varying levels of taxation. While the Company seeks to manage these risks, many of these factors are beyond its control.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The United States dollar is the principal currency of measure of the Company's operations. The consolidated financial statements of the Company have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles ("GAAP") and have been mailed to shareholders and filed with various regulatory authorities.

The Company prepares its primary consolidated financial statements in accordance with United States GAAP. The Company adopted United States GAAP as its primary accounting standard in order to provide information on a more comparable basis with the majority of companies in its gold mining industry peer group. Consolidated financial statements in United States GAAP have been mailed to shareholders and filed with various regulatory authorities.

Summarized below are those policies under Canadian GAAP considered particularly significant for the Company. References to the Company included herein mean the Company and its consolidated subsidiaries.

A Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

B Basis of consolidation

These consolidated financial statements include the accounts of Barrick and the more-than-50%-owned subsidiaries that it controls. All material intercompany transactions and balances have been eliminated upon consolidation. Barrick controls its subsidiaries through existing majority voting interests. The Company presents its proportionate share of assets, liabilities, revenues and expenses of unincorporated joint ventures in which it has an interest under each of the respective major captions in the balance sheets and statements of income.

C Business Combinations

In 2001, the Canadian Institute of Chartered Accountants issued Handbook Section 1581, *Business Combinations* ("CICA 1581") and Handbook Section 3062, *Goodwill and Other Intangible Assets* ("CICA 3062"). CICA 1581 is to be applied prospectively for all business combinations initiated on or after July 1, 2001, and for business combinations accounted for by the purchase method with a date of acquisition on or after July 1, 2001. Under CICA 1581, all business combinations must be accounted for using the purchase method. Previously, the pooling-of-interest method was allowed under certain cirumstances. The Company did not have any business combinations that were accounted for using the pooling-of-interests method under Canadian GAAP. Under CICA

1581, all assets acquired, including identifiable intangible assets, and liabilities assumed are recognized based on their fair value at the date if acquisition. Any excess of the purchase price over the fair value of net assets acquired is recognized as goodwill.

CICA 3062 requires that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. The Company is required to adopt CICA 3062 effective January 1, 2002, and it is required to be applied to all goodwill and other intangible assets recognized in its financial statements at that date. Impairment losses for goodwill and indefinite-lived intangible assets that arise due to the initial application of CICA 3062 (resulting from a transitional impairment test) are to be charged directly to retained earnings. Under an exception to the date at which CICA 3062 becomes effective, goodwill and intangible assets acquired after June 30, 2001, as in the Homestake acquisition (see note 12A), are subject immediately to the non-amortization and amortization provisions of this Handbook Section. The Company has not yet determined the impact, if any, of this Statement on its financial statements.

D Translation of foreign currencies

The United States dollar is the functional currency of all of the Company's operations which are classified as integrated for foreign currency translation purposes. Under the temporal method of accounting for integrated operations, translation gains or losses are included in the determination of net income.

E Cash and equivalents

Cash and equivalents comprise cash, term deposits and treasury bills, with original maturity dates of less than 90 days. The Company believes that no concentrations of credit risk exist with respect to cash and equivalents.

F Inventories

Gold in process, ore in stockpiles and mine operating supplies are valued at the lower of average production cost and net realizable value.

G Short-term investments

Short-term investments principally consist of highly rated and liquid government and corporate securities with original maturities in excess of three months and current maturities of less than twelve months from the balance sheet date. Declines in market value judged to be other than temporary are recognized in determining net income.

H Property, plant and equipment

(i) Property acquisition and mine development costs

Property acquisition and mine development costs are capitalized on properties where proven and probable reserves exist, or when sufficient objective evidence exists to support a conclusion that it is probable non-reserve material will be produced, thereby supporting the recognition of an asset. Amortization is calculated using the units of production method over the expected operating lives of the mines based on estimated recoverable ounces of gold. Estimated recoverable ounces of gold include proven and probable reserves and non-reserve material when sufficient objective evidence exists to support a conclusion that it is probable the non-reserve material will be produced.

In the determination of whether costs should be capitalized on individual properties, and the measurement of amortization and recoverability of the carrying amount of mining properties, the Company takes into account known proven and probable reserves as well as certain material that does not meet all the criteria required for classification as a proven or probable reserve. Management's determination as to whether the existence of non-reserve material should result in the capitalization of costs or the material should be included in the amortization and recoverability calculations is based on the existence of various circumstances, including, but not limited to: the existence and nature of known mineralization; the location of the property (i.e. whether the presence of existing mines and ore bodies in the immediate vicinity increases the likelihood of development of a mine on the property); the existence of proven and probable reserves on the property; whether the ore body is an extension of an existing producing ore body on an adjacent property; the results of recent drilling on the property; and the existence of a feasibility study or other analysis to demonstrate that the ore is commercially recoverable. When sufficient objective evidence exists to support a conclusion that it is probable non-reserve material will be produced, thereby supporting the recognition of an asset or contributing to the recovery of previously capitalized costs, the Company commences the capitalization of costs incurred and includes the material in amortization and impairment calculations.

Financing costs, including interest, are capitalized on the basis of expenditures incurred for the acquisition of assets and mineral properties and/or related development activities, without restriction to specific borrowings, while activities necessary to prepare the asset or property for its intended use are in progress. Capitalization is discontinued when the asset or property is substantially complete and ready for its intended use.

(ii) Buildings, plant and equipment

Buildings, plant and equipment are recorded at cost and amortized, net of residual value, using the straight-line method based on the estimated useful lives of the assets. The maximum estimated useful life of buildings and mill equipment is 25 years and of mine equipment is 15 years. Repairs and maintenance expenditures are charged to operations; major improvements and replacements which increase productive capacity or extend the useful life of an asset are capitalized and amortized over the remaining estimated useful life of that asset.

(iii) Deferred stripping costs

Mining costs incurred on development activities comprising the removal of waste rock at open-pit mines, commonly referred to as “deferred stripping costs”, are capitalized under property, plant and equipment. Amortization, which is calculated using the units of production method based on estimated recoverable ounces of gold, is charged to operating costs as gold is produced and sold, using a stripping ratio calculated as the ratio of total tons to be moved to total gold ounces to be recovered over the life of mine, and results in the recognition of the cost of these mining activities evenly over the life of mine as gold is produced and sold. The application of the accounting for deferred stripping costs and resulting differences in timing between costs capitalized and amortization generally results in an asset on the balance sheet, although it is possible that a liability could arise if amortization exceeds costs capitalized for an extended period of time. Deferred stripping costs are included in the carrying amount of the Company's mining properties for the purpose of assessing whether any impairment has occurred and is evaluated in accordance with the criteria described in note 2H(v).

(iv) Exploration expenditures

Exploration expenditures are expensed as incurred until such time as the existence of proven and probable reserves is determined, or sufficient objective evidence exists in the opinion of Management to support a conclusion that it is probable that non-reserve material will be produced based on the criteria included in Note 2H(i), thereby supporting the recognition of an asset. Costs capitalized are amortized in accordance with the policies described above upon commencement of production.

(v) Property evaluations

The Company reviews and evaluates the carrying amounts of its mineral properties and related buildings, plant and equipment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If the Company has reason to suspect an impairment may exist, estimated future net cash flows are prepared using estimated recoverable ounces of gold (considering current proven and probable mineral reserves and non-reserve material expected to be converted into mineral reserves); estimated future commodity price realization (considering historical and current prices, price trends and related factors); and operating costs, future capital expenditures, project financing costs, income taxes and reclamation expenditures. Reductions in the carrying amount of property, plant and equipment, with a corresponding charge to earnings, are recorded where the estimated future net cash flows are less than the carrying amount. Estimates of future net cash flows are subject to risks and uncertainties. It is reasonably possible that changes in circumstances may occur which could affect those future net cash flows and consequently the evaluation of the Company’s property, plant and equipment.

I Accounting for derivative instruments

(i) Commodity contracts

The Company enters into commodity contracts in the normal course of its business to establish future sales prices and manage the future cash flow risk associated with price volatility of the commodities produced at its operating mines. The contracts used are described in note 16 and include spot deferred contracts and commodity options. Commodity contracts may be designated as cash flow hedges of financial risk exposures of anticipated transactions if, both at the inception of the hedge and throughout the hedge period, the changes in fair value of the contract substantially offset the effect of commodity price changes on the anticipated transactions and if it is probable that the transactions will occur. The Company regularly monitors its commodity exposures and ensures that contracted amounts do not exceed the amounts of underlying exposures.

Realized prices under spot deferred contracts are recognized in gold sales and by-product credits as the designated production is delivered to meet commitments.

Purchased call options that are matched with spot deferred contracts with common maturity dates and notional amounts, which combined mimic the terms, cash flows, risks and rewards of real put options, are accounted for in the same manner as the real instruments. The option premium paid is deferred and recognized in gold sales, together with any realized gains, at expiry of the options.

Min-max options, which represent the combination of a purchased gold put option and a written gold call option with common notional amounts and maturity dates, and for which no net premium has been received, are designated as hedges of future gold production. The contracts have original maturities in periods prior to those in which the relevant production is anticipated to be sold, but the Company has the right to postpone the final maturity date of the contract, with the effect that each time the contract maturity date is postponed the contract price is adjusted for a premium. Providing that the criteria for an effective hedge continue to be met, and there is a reasonable likelihood that the Company will be able to renew the hedge as required, the contracts are designated as a hedge of the sale of future gold production and gains and losses on the contracts are deferred and recognized at the time of the sale of designated future gold production.

On October 24, 2000 the Canadian Institute of Chartered Accountants (CICA) Emerging Issues Committee issued EIC-113*, "Accounting By Commodity Producers For Written Call Options"*. Accordingly, written call options entered into on or after that date are recognized on the balance sheet as a liability measured at fair value with subsequent changes in the fair value of the liability recognized in earnings in the period of the change. Written call options entered into prior to October 24, 2000 are treated as possible future sales commitments. Providing that uncommitted production exists to meet these commitments, no mark-to-market gain or loss is accrued prior to their expiry date and premiums received are recognized in earnings at their expiry date.

In the event of early settlement or redesignation of hedging transactions, gains or losses are deferred and brought into income at the delivery dates originally designated. Where the anticipated transactions are no longer expected to occur, with the effect that the risk that was hedged no longer exists, unrealized gains or losses are recognized in income at the time such a determination is made.

Cash flows arising in respect of these contracts are recognized under cash flow from operating activities.

(ii) Interest-rate contracts

The Company enters into derivative financial instruments to manage the interest return component of its Premium Gold Sales Program, which comprise a portfolio of total return swaps, Libor interest rate swaps and lease rate swaps. The Company's total return swaps are accounted for in a manner similar to long-term portfolio investments, and accordingly, are carried at cost less any provisions for other than temporary impairment. Libor interest-rate swaps and gold lease rate swaps which are associated with spot deferred gold sales contracts are accounted for as synthetic hedging instruments, whereby the interest-rate swap modifies the interest return or gold leases rate costs in the spot deferred contracts from fixed to floating, or vice-versa. Gains and losses are recognized in the income statement under non-hedge derivative gains/loss upon realization or at the maturity of the instrument.

J Revenue recognition

Revenue from the sale of gold and by-products is recognized when the product is in a saleable form, a sales agreement has been entered into that establishes quantities and price, and collectability is reasonably assured. Adjustments to accounts receivable between the date of recognition and the settlement date used for changes in the market prices for gold and silver are adjusted through revenue at each balance sheet date.

Revenue from the sale of by-products such as silver and copper is credited against operating costs. Revenue from the sale of by-products was $40 million in 2001 (2000 - $37 million, 1999 - $42 million).

K Income taxes

The Company uses the liability method of accounting for income taxes whereby deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. The Company records a valuation allowance against any portion of those deferred income tax assets it believes will, more likely than not, fail to be realized. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year. Mining income taxes represent Canadian provincial taxes levied on defined profits from mining operations. Provisions are made for withholding taxes payable on anticipated repatriation of unremitted earnings of the Company's foreign subsidiaries. No provision is made for unremitted earnings which have been indefinitely reinvested. The Company adopted the above principles in accordance with CICA Handbook section 3465, *"Income Taxes"* in 2000. In accordance with CICA Emerging Issues Committee Abstract No. 108, the Company chose not to restate prior period comparative carrying amounts of assets acquired whose tax bases, at acquisition date, differed from the assigned values for accounting purposes. Initial implementation of the new provisions had the effect of: increasing property, plant and equipment by $69 million; increasing future income taxes by $353 million; and reducing retained earnings by $284 million. The adoption of the new standards had no effect on net income for the year.

L Earnings per common share

Earnings or loss per share are presented for basic and diluted net income (loss). Basic earnings per share is computed by dividing net income or loss (the numerator) by the weighted average number of outstanding common shares (the denominator) for the period. The computation of diluted earnings per share includes the same numerator, but the denominator is increased to include the number of additional common shares that would have been outstanding if potentially dilutive common shares had been issued (such as the common share equivalents for employee stock options). In 2001, the Company changed its method of calculating earnings per share, as described above, to comply with the revised standard issued by the CICA in Handbook Section 3500 *"Earnings per Share"*.

M Reclamation and closure costs

Estimated future reclamation and closure costs, relating to active mines, are accrued and charged to expense as revenue is recognized over the expected operating lives of the mines, using the units-of-production method based on the estimated recoverable ounces of gold. Changes in the estimate of future costs for inactive mines are reflected in earnings in the period an estimate is revised.

Assumptions used to estimate closure costs are based on the work that is required under currently applicable laws and regulations as well as the obligations under existing permits for the property in question or, where applicable, use government mandated assumptions and methodologies.

N Stock-based compensation plan

The Company has a stock-based compensation plan, which is described in note 11. No compensation cost has been recognized for the Company's stock options issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to capital stock. If stock or stock options are repurchased from employees, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings. Compensation cost relating to the Company's restricted stock unit plan is being recognized based on the fair value of the Company's stock over the period that the performance measurement and vesting criteria are estimated to be met.

O Employee benefit plans

Pension costs related to defined benefit plans for certain United States employees are determined using the projected unit credit actuarial method. The Company's funding policy for defined benefit pension plans is to fund the plans annually to the extent allowed by the applicable regulations. In addition, the Company provides medical and life insurance benefits for certain retired employees. The estimated cost of such benefits is accrued and expensed over the period in which active employees become eligible for the benefits. Post-retirement medical and life insurance benefits are paid at the time such benefits are provided.

## 3 INVENTORIES AND DEFERRED EXPENSES

| | **2001** | 2000 |
|---|---|---|
| Gold in process and ore in stockpiles | **$ 87** | $ 32 |
| Mine operating supplies | **72** | 43 |
| Derivative instruments | **8** | - |
| Purchased call options premium | **-** | 44 |
| | **$ 167** | $ 119 |

Gold in process and ore in stockpiles excludes $46 million (2000 – $22 million) of stockpiled ore which is not expected to be processed in the following 12 months. This amount is included in other assets.

The Goldstrike Property is the only operation that has significant stockpiled ore. These stockpiles arose from the optimization of the mining and processing plan for the Property. Stockpiles at the Property consist of two types of ore: ore that will require autoclaving, and ore that will require roasting. The processing of roaster ore commenced on start-up of the roaster facility in 2000, and both autoclave and roaster stockpiles are currently being processed and are expected to be fully processed by 2009 and 2016 respectively. The processing of ore in stockpiles occurs in accordance with the life of mine processing plan that has been optimized based on the known mineral reserves, current plant capacity and pit design. The timing of processing of ore in stockpiles has not been significantly affected by the historic price of gold.

## 4 PROPERTY, PLANT AND EQUIPMENT

| | | **2001** | | 2000 |
|---|---|---|---|---|
| Property acquisition and mine development costs | **$** | **4,628** | $ | 3,339 |
| Buildings, plant and equipment | | **2,041** | | 1,572 |
| Deferred stripping costs | | **299** | | 233 |
| | | **6,968** | | 5,144 |
| Accumulated amortization | | **(1,865)** | | (1,548) |
| | **$** | **5,103** | $ | 3,596 |

The deferred stripping costs relate primarily to the Betze-Post Mine at the Goldstrike Property where the stripping ratio in 2001 was 104 tons to a recovered ounce (2000 – 101 tons, 1999 - 93 tons).

## 5 OTHER ASSETS

| | | **2001** | | 2000 |
|---|---|---|---|---|
| Assets held in trust | **$** | **51** | $ | - |
| Ore in stockpiles | | **46** | | 22 |
| Taxes recoverable | | **36** | | 56 |
| Derivative instruments | | **16** | | - |
| Note receivable | | **17** | | 19 |
| Restricted cash | | **12** | | - |
| Deferred financing fees | | **11** | | 17 |
| Other | | **44** | | 13 |
| | **$** | **233** | $ | 127 |

## 6 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | **2001** | | 2000 |
|---|---|---|---|---|
| Accounts payable and miscellaneous accrued liabilities | **$** | **296** | $ | 334 |
| Current portion of reclamation and closure obligations *(note 8)* | | **80** | | 20 |
| Merger and related costs *(note 12A)* | | **65** | | - |
| Litigation *(note 17C)* | | **56** | | - |
| | **$** | **497** | $ | 354 |

## 7 LONG-TERM DEBT

| | | **2001** | | 2000 |
|---|---|---|---|---|
| 7½% debentures | **$** | **500** | $ | 500 |
| Project financing – Bulyanhulu | | **200** | | 151 |
| Variable-rate bonds | | **80** | | 25 |
| Capital leases | | **22** | | - |
| | | **802** | | 676 |
| Current portion | | **9** | | - |
| | **$** | **793** | $ | 676 |

A 7½% debentures

On April 22, 1997, Barrick Gold Finance Inc., a wholly-owned subsidiary of the Company, issued $500 million of redeemable, non-convertible debentures. The debentures, which are guaranteed by the Company, bear interest at 7½% per annum, payable semi-annually, and mature on May 1, 2007.

B Project financing – Bulyanhulu

On May 8, 2000, a wholly-owned subsidiary of the Company commenced the drawdown of a limited recourse amortizing loan of up to $200 million, provided by a syndication of international banks, to partially finance the construction, development, start-up and ongoing operation of the Bulyanhulu underground gold mining project in Tanzania. Repayment will consist of 14 equal consecutive semi-annual installments falling due on June 15 and December 15 of each year, with the first due no later than December 15, 2002 and as early as the first repayment date following completion. Completion is defined under the terms of the agreement as the satisfaction of certain physical, operational, financial, marketing, legal and environmental tests. The Company expects completion to occur in 2002. The Company has guaranteed the loan, except in the case of a political risk event occurring, until the completion date, at which point the loan will become non-recourse to the Company. This facility is insured for political risks equally by branches of the Canadian government and World Bank. The average interest rate, inclusive of political risk insurance premiums, is Libor plus 2.6% pre-completion, and increases following completion, rising in a number of steps to average approximately Libor plus 3.6%. The effective interest rate for 2001 was 7.3% (2000 - 9.2%).

C Variable-rate bonds

Wholly-owned subsidiaries of the Company have issued variable-rate, tax-exempt bonds of $17 million (due 2004), $25 million (due 2029) and $38 million (due 2032) for a total of $80 million. The Company pays interest monthly on the bonds based on variable short-term, tax-exempt obligation rates. The average interest rate at December 31, 2001 was 1.9% (2000 – 4.9%). No principal payments are required until cancellation, redemption or maturity.

D Credit facilities

The Company has a credit and guarantee agreement (the “Credit Agreement”) with a group of international banks (the “Lenders”). The Credit Agreement provides for the Lenders to make available to the Company and subsidiaries designated by it from time to time a credit facility in the maximum amount of $1 billion or the equivalent amount in Canadian currency. The Credit Agreement, which is unsecured, matures December 2002. The facility has an interest rate of Libor plus 0.15% when utilized, and an annual fee of 0.075%. As at December 31, 2001 and December 31, 2000, no amounts were drawn under the Credit Agreement.

E Scheduled payments

Scheduled minimum repayments for each of the next five years are: 2002 - $9 million, 2003 - $23 million, 2004 - $45 million, 2005 - $35 million, 2006 - $38 million.

F Interest

Interest of $56 million was incurred during the year (2000 – $50 million, 1999 – $41 million). Of this amount $42 million was capitalized to property, plant and equipment (2000 – $44 million, 1999 – $30 million).

## 8 OTHER LONG-TERM OBLIGATIONS

| | **2001** | 2000 |
|---|---|---|
| Reclamation and closure costs | **$ 273** | $ 147 |
| Pension and other post-retirement benefits *(note 9)* | **89** | - |
| Other | **17** | - |
| | **$ 379** | $ 147 |

The Company has estimated future site reclamation and closure obligations, which it believes will meet current regulatory requirements, to be $570 million, $353 million of which has been accrued to December 31, 2001

(2000 – $167 million). A total of $80 million of these accrued amounts is included in accounts payable and accrued liabilities at December 31, 2001 (2000 – $20 million).

The Company expects to spend approximately $80 million in 2002, $45 million in 2003, $40 million in 2004 and $25 million in 2005 on these activities. Future changes, if any, in regulations and cost estimates may be significant and will be recognized when applicable.

The Comprehensive Environmental Response, Compensation and Liability Act imposes heavy liabilities on persons who discharge hazardous substances. The United States Environmental Protection Agency publishes a National Priorities List ("NPL") of known or threatened releases of such substances. Homestake's former uranium millsite near Grants, New Mexico is listed on the NPL.

## 9 EMPLOYEE BENEFIT PLANS

### A Defined benefit plans

In connection with the Homestake acquisition, the Company assumed pension plans covering certain United States employees. Pension plans covering salaried and other non-union employees provide benefits based on the employee's years of service and highest compensation for a period prior to retirement. Pension plans covering union employees provide defined benefits based on each year of service. The Company also has other post-retirement plans, which provide medical and life insurance benefits for certain retired employees.

The fair value of plan assets at December 31, 2001 was $234 million and the accrued pension and post-retirement benefit obligations were $53 million and $32 million respectively.

For pension benefits, the weighted-average actuarial assumptions as at December 31, 2001 were as follows: discount rate – 6.75%, expected return on plan assets – 8.5% and rate of compensation increase – 5%. A discount rate of 6.75% was used to estimate other post-retirement benefits. The Company has assumed a health care cost trend rate of 7.5% for 2001, decreasing ratability to 5.0% in 2006 and thereafter.

The projected benefit obligation and accumulated benefit obligation for pension plans with accumulated benefit obligations in excess of plan assets were both $48 million at December 31, 2001. These amounts pertain to a nonqualified supplemental pension plan covering certain employees and a nonqualified pension plan covering directors of the Company. These plans are unfunded. The Company has established a grantor trust, consisting of money funds, mutual funds and corporate-owned life insurance policies, to provide funding for the benefits payable under these nonqualified plans and certain other deferred compensation plans. The grantor trust, which is included in other assets, amounted to $51 million at December 31, 2001.

The assumed health care cost trend rate has a minimal effect on the amounts reported. A one percentage point change in the assumed health care cost trend rate would have increased or decreased the accumulated post-retirement benefit obligation at December 31, 2001 by $2 million.

### B Defined contribution plans

Certain of the Company's other operations participate in defined contribution employee benefit plans. In addition, the Company has an unfunded retirement plan for certain officers. Pursuant to the plan, 15% of the officer's salary and bonus for the year are accrued and accumulated with interest until retirement. The Company's share of contributions to these plans was $10 million in 2001, $9 million in 2000 and $9 million in 1999. In 2001, the Company put in place a restricted stock unit incentive plan ("RSU Plan"). In accordance with the RSU Plan, a participant is granted a number of RSUs, where each unit will have a value equal to one Barrick common share at the time of grant. Each RSU, which vests and will be paid out on the third anniversary of the date of grant, will have a value equivalent to the then market price of a Barrick share. As at December 31, 2001 the value of the RSUs granted was $7 million. This amount has been accrued in other long-term obligations.

## 10 INCOME TAXES

A Income tax expense (benefit)

| | | **2001** | | 2000 | | 1999 |
|---|---|---|---|---|---|---|
| Current | | | | | | |
| Canada | **$** | **4** | $ | 3 | $ | 2 |
| United States | | **(9)** | | 42 | | 72 |
| Peru | | **17** | | 7 | | - |
| Other | | **12** | | 5 | | 1 |
| Total | | **24** | | 57 | | 75 |
| Future | | | | | | |
| Canada | | **(33)** | | (49) | | 6 |
| United States | | **25** | | (31) | | 36 |
| Chile | | **-** | | (93) | | - |
| Peru | | **(5)** | | (52) | | (6) |
| Other | | **(1)** | | (10) | | (1) |
| Total | | **(14)** | | (235) | | 35 |
| Total income tax expense (benefit) | **$** | **10** | $ | (178) | $ | 110 |

As the Company operates in a specialized industry and in several tax jurisdictions, its income is subject to varying rates of taxation. Major items causing the Company's income tax rate to differ from the federal statutory rate of 38% were as follows:

| | | **2001** | | 2000 | | 1999 |
|---|---|---|---|---|---|---|
| Income tax expense (benefit) based on statutory rate | **$** | **102** | $ | (358) | $ | 168 |
| Increase (decrease) resulting from: | | | | | | |
| Resource and depletion allowances | | **(4)** | | (28) | | (47) |
| Earnings in foreign jurisdiction taxed at different rates | | **(97)** | | (76) | | (35) |
| Provision for mining assets | | **-** | | 276 | | - |
| Non-deductible expenses (i.e. items not tax effected) | | **18** | | 4 | | 23 |
| Other | | **(9)** | | 4 | | 1 |
| Income tax (benefit) expense | **$** | **10** | $ | (178) | $ | 110 |

The principal temporary differences and their tax effects are:

| | | **2001** | | 2000 | | 1999 |
|---|---|---|---|---|---|---|
| Deferred mining and exploration costs | **$** | **-** | $ | (3) | $ | 33 |
| Amortization | | **15** | | (1) | | 4 |
| Reclamation and closure costs | | **6** | | 1 | | (1) |
| Net operating losses | | **(35)** | | (2) | | (1) |
| Provision for mining assets | | **-** | | (230) | | - |
| Total | **$** | **(14)** | $ | (235) | $ | 35 |

B Deferred income tax assets and liabilities

| | | 2001 | | 2000 | | 1999 |
|---|---|---|---|---|---|---|
| Deferred income tax assets | | | | | | |
| Tax loss carry-forwards | **$** | **312** | $ | 172 | $ | 173 |
| Reclamation and closure costs | | **83** | | 20 | | 27 |
| Property, plant and equipment | | **32** | | - | | - |
| Employee benefit liabilities | | **48** | | - | | - |
| Alternative minimum tax credit carry-forwards | | **111** | | 48 | | 35 |
| Unrealized foreign exchange losses | | **6** | | - | | - |
| Deferred gains on close-out of cash flow hedge contracts | | **8** | | - | | - |
| Inventory | | **6** | | - | | - |
| Other | | **39** | | - | | - |
| Gross deferred tax assets | | **645** | | 240 | | 235 |
| Valuation allowance | | **352** | | 113 | | 102 |
| Net deferred tax assets | | **293** | | 127 | | 133 |
| Deferred income tax liabilities | | | | | | |
| Property, plant and equipment | | **821** | | 446 | | 708 |
| Other | | **58** | | 16 | | 15 |
| Gross deferred tax liabilities | | **879** | | 462 | | 723 |
| Net deferred tax liability | **$** | **586** | $ | 335 | $ | 590 |
| | | | | | | |
| Net deferred liabilities include: | | | | | | |
| Current deferred tax assets | | **(6)** | | - | | - |
| Long-term deferred tax assets | | **(232)** | | (127) | | (133) |
| Long-term deferred tax liabilities | | **824** | | 462 | | 723 |
| Total | **$** | **586** | $ | 335 | $ | 590 |

The amount of unrecognized future tax liabilities for temporary differences related to the Company's investment in the United States, which is essentially permanent in duration, is $75 million (2000 - $81 million). Tax assets include operating loss carry-forwards and temporary timing differences that relate to property, plant and equipment and reclamation and closure liabilities. Net future tax assets include $76 million relating to operating loss carry-forwards, the recognition of which is based on the Company's judgement regarding its ability to utilize the related tax losses against future income.

Operating loss carry-forwards amount to $1,364 million, of which $1,068 million do not expire and $296 million expire at various times over the next 20 years. Alternative minimum taxes credits amount to $110 million and do not expire.

The measurement and recognition of income tax assets and liabilities is based on the Company's interpretation of relevant tax legislation; known tax planning strategies; estimates of the tax bases of individual assets and liabilities; and the deductibility of costs incurred for income tax purposes. Future changes in the recognized amounts of income tax assets and liabilities, if any, may be significant and will be recognized when applicable.

## 11 CAPITAL STOCK

A Authorized and issued capital

Authorized capital stock of the Company is comprised of an unlimited number of common shares (issued 534 million), 9,764,929 First preferred shares Series A (issued nil), 9,047,619 Series B (issued nil), and 1 Series C special voting share (issued 1) and 14,726,854 Second preferred shares Series A (issued nil).

B Exchangeable shares

In connection with the acquisition of Homestake, Homestake Canada Inc., a subsidiary of Homestake, ("HCI") has 3 million HCI exchangeable shares. Each HCI exchangeable share is exchangeable for 0.53 of a Barrick common share at any time at the option of the holder and has essentially the same voting, dividend (payable in Canadian dollars), and other rights as 0.53 of a Barrick common share. A share of special voting stock, which was issued to the transfer agent in trust for the holders of the HCI exchangeable shares, provides the mechanism for holders of the HCI exchangeable shares to receive their voting rights. As at December 31, 2001, 3 million

HCI exchangeable shares were outstanding and are equivalent to 1.6 million Barrick common shares. As at December 31, 2001 the Company had reserved 1.6 million Barrick common shares for issuance on exchange of the HCI exchangeable shares outstanding. At any time on or after December 31, 2008, or at such time that there are fewer than 1.4 million HCI exchangeable shares outstanding, the Company will have the right, but not the obligation, to require the exchange of all HCI exchangeable shares then outstanding for 0.53 of a Barrick common share for each HCI exchangeable share.

C Common share purchase options

As at December 31, 2001, there were 25 million common share purchase options outstanding, expiring at various dates to December 2, 2011. The options have an exercise price of the Company's market closing share price on the day prior to the date of grant. They vest over the first four years at a rate of one quarter each year, beginning in the year subsequent to granting, and are exercisable over 7 to 10 years.

As at December 31, 2001, 9 million (2000 – 6 million, 1999 – 7 million) common shares, beyond those outstanding at year-end, were available for granting of options.

The following is a summary of common share purchase option activity:

| | Common shares (millions) | Weighted average price (C$) | Common shares (millions) | Weighted average price (US$) |
|---|---|---|---|---|
| Outstanding as at December 31, 1998 | 20 | | | |
| 1999 activity | | | | |
| Granted | 3 | $ 26.32 | | |
| Exercised | (1) | $ 25.71 | | |
| Cancelled or expired | (1) | $ 31.72 | | |
| Outstanding as at December 31, 1999 | 21 | | - | |
| 2000 activity | | | | |
| Granted | 5 | $ 24.24 | | |
| Exercised | - | $ 22.95 | | |
| Cancelled or expired | (4) | $ 32.77 | | |
| Outstanding as at December 31, 2000 | 22 | | - | |
| 2001 activity | | | | |
| Granted | 1 | $ 24.32 | | |
| Assumed in connection with the acquisition of Homestake *(note 12A)* | - | - | 6 | $ 16.67 |
| Exercised | - | $ 22.77 | | |
| Cancelled or expired | (4) | $ 29.66 | | |
| Outstanding as at December 31, 2001 | 19 | | 6 | |

The following is a summary of common share purchase options outstanding as at December 31, 2001:

| | Options outstanding | | | Options exercisable | |
|---|---|---|---|---|---|
| Range of exercise prices | Common shares (millions) | Average remaining life (years) | Weighted average price | Common shares (millions) | Weighted average price |
| C$ options | | | | | |
| $ 22.55 - $ 31.05 | 15 | 8 | $ 25.69 | 7 | $ 26.18 |
| $ 34.00 - $ 44.25 | 4 | 4 | $ 38.90 | 4 | $ 38.90 |
| | 19 | 7 | $ 28.29 | 11 | $ 30.32 |
| US$ options | | | | | |
| $ 8.96 - $ 17.68 | 4 | 8 | $ 12.02 | 1 | $ 15.92 |
| $ 17.75 - $ 28.73 | 1 | 6 | $ 21.82 | 1 | $ 23.12 |
| $ 29.00 - $ 40.66 | 1 | 3 | $ 33.58 | 1 | $ 33.58 |
| | 6 | 7 | $ 16.67 | 3 | $ 22.99 |

In addition to the above common share purchase options, the Company is obligated to issue approximately 0.7 million shares (2000 – 0.7 million shares) of its common stock in connection with outstanding Sutton stock options that were assumed by the Company as part of the acquisition. The options have an average exercise price of C$19.34 (2000 – C$19.12) and an average remaining term of 4 years (2000 – 5 years).

D Net income (loss) per share

Net income (loss) per share was calculated on the basis of the weighted average number of common shares outstanding for the year, which amounted to 396 million shares (2000 – 396 million shares, 1999 – 390 million shares). Diluted net income per share reflects the dilutive effect of the exercise of the common share purchase options outstanding as at year end. The effect of common share purchase options on the net loss per share in 2000 was not reflected, as to do so would be anti-dilutive. The number of shares for the diluted net income per share calculation for 2001 and 1999 were 397 million shares and 410 million shares, respectively.

E Dividends

In 2001, the Company declared and paid dividends in United States dollars totalling $0.22 per share (2000 – $0.22 per share, 1999 – $0.20 per share).

## 12 BUSINESS COMBINATIONS AND PROPERTY ACQUISITIONS

A Homestake Mining Company

On December 14, 2001, a wholly-owned subsidiary of Barrick acquired Homestake Mining Company ("Homestake"). Homestake was a global gold mining company with its primary operations in the United States, Australia, Canada and Argentina. Under the terms of the agreement, approximately 139.5 million shares of Barrick common stock were issued in exchange for all of the outstanding shares of Homestake common shares based upon an exchange ratio of 0.53:1. The acquisition has been accounted for as a purchase for Canadian GAAP purposes, with the results of Homestake's operations included in the consolidated financial statements effective December 31, 2001. For US GAAP purposes, the acquisition has been accounted for as a pooling-of-interests. Under Canadian GAAP, the method of accounting used for business combinations depends upon whether or not one of the combining companies can be identified as an acquirer. In the Barrick/Homestake combination, where voting shares have been exchanged to effect the combination, factors relating to control over the resultant combined company must be considered. A company whose shareholders (as a group) hold more than 50% of the voting shares of the combined company will normally be identified as the acquirer. In this case, the Barrick shareholders (as a group) hold in excess of 70% of the voting shares of the combined company and Barrick is therefore identified as the acquirer. Accordingly, the combination has been accounted for as a purchase for Canadian GAAP purposes.

The aggregate purchase price was $2,250 million including common stock of $2,220 million and the fair value of stock options issued to Homestake employees of $30 million. In addition, the Company incurred $18 million

in share issue costs, which have been offset against capital stock. The value of the 140 million common shares issued, was determined based on the average market price of the Company's common shares over the five-day period before and after the terms of the acquisition were agreed to and announced.

The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition. Current assets include cash and equivalents of $36 million. Accounts payable and accrued liabilities include termination and restructuring costs of $65 million. Termination and restructuring costs represent external, incremental costs directly related to the acquisition and includes employee termination and closure of Homestake corporate office and certain other facilities. Through December 31, 2001, the accrual for termination costs represents the approved reduction of the work force by 177 people, mainly comprising administrative functions at the Homestake corporate office. We notified these people as of December 17, 2001. Terminations of the employees will take place within one year of notification. Employee termination costs include accrued severance benefits and costs associated with change-in-control provisions of certain Homestake executives' employment contracts.

The Company is in the process of obtaining third-party valuations of certain mineral properties and other assets; and thus the allocation of the purchase price is subject to refinement. Once the outstanding third-party valuations of certain mineral properties and other assets are obtained, the Company will complete the purchase price allocation process.

| | |
|---|---|
| Current assets | **$ 171** |
| Property, plant and equipment | **1,440** |
| Other long term assets | **116** |
| Goodwill | **1,347** |
| Total assets acquired | **3,074** |
| Current liabilities | **(251)** |
| Long-term debt | **(74)** |
| Future income taxes | **(265)** |
| Other long-term obligations | **(234)** |
| Total liabilities assumed | **(824)** |
| Net assets acquired | **$ 2,250** |

B Pangea Goldfields Inc.

On July 27, 2000, the Company acquired Pangea Goldfields Inc. ("Pangea") an exploration company, at a cost of $131 million. Each outstanding common share of Pangea was purchased for C$7.00. The acquisition has been accounted for as a purchase. The assigned values of total assets and liabilities acquired, including $16 million in cash, amounted to $140 million and $9 million, respectively.

C Sutton Resources Ltd.

On March 26, 1999, the Company acquired Sutton Resources Ltd. ("Sutton"), publicly-traded exploration company whose principal asset was the Bulyanhulu mine in Tanzania. Each outstanding common share of Sutton was exchanged for 0.463 of a common share of the Company, resulting in 17 million common shares being issued. The Company assigned a value of $281 million to the common shares issued based upon their fair value. The acquisition has been accounted for as a purchase. The assigned values of total assets and liabilities acquired, including $30 million in cash, amounted to $307 million and $26 million, respectively.

## 13 PROVISION FOR MINING ASSETS

In 2000, the Company performed a comprehensive evaluation of its property, plant and equipment, on the basis set out in note 2H(v). This evaluation resulted in the reduction of carrying values of certain assets to their estimated fair values, which was triggered by a number of events. These events included: the continued weakness in the spot gold price and the downward reassessment of the long-term realized price of gold; and a re-evaluation of certain exploration properties to reflect the current gold price environment. The Company took a $1.1 billion non-cash provision to earnings, net of income taxes of $230 million, to cover the writedown of the carrying amounts of various assets. These assets included: the Pascua-Lama Project in Chile and Argentina; the Pierina Property in Peru and exploration properties; various assets including low-grade stockpile inventories at the Betze-Post Mine in the United States; and the Bousquet Mine in Canada.

## 14 SEGMENT INFORMATION

The Company operates in the gold mining industry and its operations are evaluated and managed on a district basis.

| | **2001** | 2000 | 1999 |
|---|---|---|---|
| **Gold sales** | | | |
| Goldstrike | **$ 781** | $ 864 | $ 822 |
| Pierina | **310** | 296 | 322 |
| Bulyanhulu | **82** | - | - |
| Other | **109** | 170 | 277 |
| | **1,282** | 1,330 | 1,421 |
| **Operating costs** | | | |
| Goldstrike | **458** | 413 | 335 |
| Pierina | **44** | 41 | 40 |
| Bulyanhulu | **46** | - | - |
| Other | **73** | 96 | 141 |
| | **621** | 550 | 516 |
| **Amortization** | | | |
| Goldstrike | **125** | 117 | 127 |
| Pierina | **170** | 173 | 172 |
| Bulyanhulu | **23** | - | - |
| Other | **13** | 49 | 86 |
| | **331** | 339 | 385 |
| **Segment income before income taxes** | | | |
| Goldstrike | **198** | 334 | 360 |
| Pierina | **96** | 82 | 110 |
| Bulyanhulu | **13** | - | - |
| Other | **23** | 25 | 50 |
| | **330** | 441 | 520 |

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| **Provision for mining assets** | | | |
| Pascua-Lama | **-** | (883) | - |
| Goldstrike | **-** | (170) | - |
| Pierina | **-** | (184) | - |
| Other | **-** | (93) | - |
| | **-** | (1,330) | - |
| Exploration and business development | **(40)** | (41) | (44) |
| Corporate expenses, net | **(22)** | (14) | (35) |
| Income taxes | **(10)** | 178 | (110) |
| **Net income (loss)** | **$ 258** | $ (766) | $ 331 |
| **Gold sales by geographic area** | | | |
| United States | **$ 781** | $ 864 | $ 852 |
| Peru | **310** | 296 | 322 |
| Tanzania | **82** | - | - |
| Canada | **80** | 92 | 120 |
| Chile | **29** | 78 | 127 |
| | **$ 1,282** | $ 1,330 | $ 1,421 |
| **Segment capital expenditures** | | | |
| Goldstrike | **$ 257** | $ 284 | $ 483 |
| Pierina | **27** | 49 | 32 |
| Bulyanhulu | **153** | 203 | 77 |
| Pascua-Lama | **83** | 149 | 85 |
| Other | **29** | 13 | 21 |
| | **$ 549** | $ 698 | $ 698 |
| **Identifiable assets by geographic area** | | | |
| United States | **$ 2,111** | $ 1,985 | $ 2,282 |
| Peru | **647** | 805 | 1,093 |
| Chile/Argentina | **513** | 416 | 1,169 |
| Tanzania | **889** | 729 | 366 |
| Canada | **749** | 149 | 236 |
| Australia | **845** | - | - |
| Goodwill | **1,347** | - | - |
| Other | **596** | 451 | 207 |
| | **$ 7,697** | $ 4,535 | $ 5,353 |
| | | | |
| **Segment assets** | | | |
| Goldstrike | **$ 1,772** | $ 1,804 | $ 1,937 |
| Pierina | **642** | 800 | 1,089 |
| Bulyanhulu | **882** | 726 | 363 |
| Pascua-Lama | **475** | 394 | 1,113 |
| Kalgoorlie | **393** | - | - |
| Eskay Creek | **378** | - | - |
| Hemlo | **181** | - | - |
| Plutonic | **136** | - | - |
| Round Mountain | **157** | - | - |
| Other | **334** | 53 | 151 |
| **Total assets for reportable segments** | **5,350** | 3,777 | 4,653 |
| Cash and equivalents and short-term investments | **733** | 623 | 500 |
| Goodwill | **1,347** | - | - |
| Other | **267** | 135 | 200 |
| | **$ 7,697** | $ 4,535 | $ 5,353 |

## 15 SUPPLEMENTAL CASH FLOW INFORMATION

| | 2001 | 2000 | 1999 |
|---|---|---|---|
| ***Cash provided by operating activities includes the following cash payments:*** | | | |
| Interest, net of amounts capitalized | **$ 12** | $ 4 | $ 11 |
| Income taxes | **7** | 21 | 110 |
| ***Components of cash provided by operating activities are as follows:*** | | | |
| Net income (loss) | **$ 258** | $ (766) | $ 331 |
| Adjustments to reconcile net income (loss) to cash provided by operating activities: | | | |
| Amortization | **331** | 339 | 385 |
| Amortization of deferred stripping costs | **150** | 137 | 83 |
| Future income taxes | **(14)** | (235) | 35 |
| Provision for mining assets | **-** | 1,330 | - |
| Other items | **17** | 4 | (10) |
| Change in operating assets and liabilities: | | | |
| Accounts receivable | **(1)** | 20 | (34) |
| Inventories and deferred expenses | **37** | (7) | (69) |
| Accounts payable and accrued liabilities | **(99)** | 50 | 48 |
| Cash provided by operating activities | **$ 679** | $ 872 | $ 769 |

## 16 DERIVATIVE INSTRUMENTS

A Derivative instruments

The Company utilizes over-the-counter ("OTC") contracts as the primary basis for entering into derivative transactions. These privately negotiated agreements, compared to exchange traded contracts, allow the Company to incorporate credit, tenor and flexibility into the contracts. The underlyings in the contracts include commodities, interest rates, foreign exchange rates or bond indices with diversified credit exposure. The Company does not enter into derivative instruments which it would consider to be leveraged.

B Objectives and strategies for using derivative instruments

The Company has operations in six principal countries to produce and sell its primary product, gold, as well as by-products such as silver and copper. The Company's activities expose it to a variety of market risks, including risks related to the effects of changes in commodity prices, foreign-currency exchange rates and interest rates. These financial exposures are monitored and managed by the Company as an integral part of its overall risk-management program. The Company's risk-management program focuses on the unpredictability of commodity and financial markets and seeks to reduce the potentially adverse effects that the volatility of these markets may have on its operating results.

The Company maintains a commodity-price risk-management strategy that uses derivative instruments to mitigate significant, unanticipated earnings and cash flow fluctuations that may arise from volatility in commodity prices. Price fluctuations in gold and silver commodities cause actual cash inflows from the sale of gold and silver to differ from anticipated cash inflows. The Company uses spot deferred sales contracts and options contracts to manage these risks.

The Company maintains an interest-rate risk-management strategy that uses of derivative instruments to mitigate significant unplanned fluctuations in earnings or cash flows that arise from volatility in interest rates. The Company's goals are to (1) manage interest rate sensitivity on its short-term investments, debt obligations and total return swaps; (2) lower the cost of its borrowed funds, including borrowing costs implicit in spot deferred contracts; and (3) manage the interest return component implicit in its spot deferred contracts. The Company uses interest-rate swaps and swaptions to manage interest-rate sensitivity, and to manage borrowing costs. The Company uses total return swaps to modify the interest return component of spot deferred contracts.

The Company maintains a foreign-currency risk-management strategy that uses derivative instruments to mitigate unanticipated fluctuations in earnings and cash flows that may arise from volatility in currency exchange rates. The Company uses foreign-currency forward exchange contracts, swaps and options to manage these risks.

The Company's derivatives activities are subject to the management, direction, and control of its Finance Committee as part of that Committee's oversight of the Company's investment activities and treasury function. The Finance Committee, which is comprised of five members of the Company's Board of Directors, including the

Company's Chief Executive Officer, reports to the Board of Directors on the scope of the Company's risk-management strategy and on its derivatives activities. The Finance Committee approves corporate policy that defines the Company's risk-management objectives and philosophy relating to derivatives activities; provides guidance for derivative-instrument usage; and reviews internal procedures relating to derivative instruments in the areas of internal control and valuation, as well as monitoring and reporting of derivative activity. The Finance Committee also approves hedging strategies that are developed by management through its analysis of risk exposures to which the Company is subject, and commodity, foreign exchange and interest rate market analysis from internal and industry sources. The resulting hedging strategies are then incorporated into the Company's overall risk-management strategies. Responsibility for the implementation of hedging and risk-management strategies is delegated to the Company's treasury function.

C Spot deferred sales contracts

The Company has entered into spot deferred sales contracts that establish selling prices for future gold and silver production with various counterparties and which act as a hedge against possible price fluctuations in gold and silver.

At December 31, 2001 the Company had outstanding commitments to deliver 18.2 million ounces of its future gold production at pre-determined prices under spot deferred sales contracts. Under the terms of the contracts, the Company has the ability, at its sole discretion, to reschedule the delivery date under the contracts. At the time a delivery date is rescheduled, the contract price is adjusted based on the difference between the prevailing forward gold market price at the revised delivery date and the contract price at the original and revised delivery dates. The favourable fair value of the contracts at December 31, 2001 was $356 million, and is estimated based on the net present value of cash flows under the contracts, based on a gold spot price of $279 and market rates for Libor and gold lease rates. The outstanding gold sales commitments at December 31, 2001 were:

| **Scheduled for delivery in** | 2002 | 2003 | 2004 | 2005 | 2006+ | **Total** |
|---|---|---|---|---|---|---|
| Ounces (thousands) | 2,800 | 2,600 | 2,800 | 1,400 | 8,600 | **18,200** |
| Average price per ounce | $ 365 | $ 340 | $ 340 | $ 340 | $ 344 | **$ 345** |

D Fair value of derivative instruments – asset (liability)

| | |
|---|---|
| Total return swaps | $ (18) |
| LIBOR interest-rate and lease rate swaps | (13) |
| Commodity options | 23 |
| Foreign exchange contracts | (8) |
| Fair value of derivative financial instruments at December 31, 2001 | $ (16) |

**Fair value by maturity of derivative instruments**

| 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|---|---|---|---|---|---|
| $ 5 | $ (11) | $ 1 | $ (18) | $ 7 | $ (16) |

The fair values reflect the netting of the fair values of individual derivative instruments, and amounts due to/from counterparties that arise from derivative instruments, when the following conditions are met: each of the two parties owes the other determinable amounts; the Company has the right to set off the amount owed by/to the counterparty; and the Company intends to either settle on a net basis or to realize an asset and settle a liability simultaneously.

The fair values of the Company's derivative instruments are determined using models and other valuation techniques based on market rates at December 31, 2001.

Fair value estimates for commodity and currency options are calculated using option pricing models, reflecting the following assumptions: spot prices for gold and silver of $279 and $4.61 per ounce, respectively, the remaining term of the options; market gold, silver and currency volatilities and the risk-free interest rate.

Fair value estimates for Libor, gold lease rate swaps and foreign exchange contracts are calculated based on the net present value of future cash flows arising under the contracts based on market interest and currency exchange rates.

Fair value estimates for total return swaps are calculated based on the difference between the fair value of the underlying reference asset compared to the net present value of the Libor-based borrowing costs using market interest rates.

E Derivative instruments outstanding at December 31, 2001

| Maturity | 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|---|---|---|---|---|---|---|
| Written gold call options (i) | | | | | | |
| Ounces (thousands) | 1,330 | 425 | 570 | 550 | 1,460 | **4,335** |
| Average strike price | $ 303 | $ 363 | $ 328 | $ 336 | $ 362 | **$ 336** |
| Min-max gold call options (ii) | | | | | | |
| Ounces (thousands) | 1,600 | | | | | **1,600** |
| Average floor price per ounce | $ 272 | | | | | **$ 272** |
| Average cap price per ounce | $ 297 | | | | | **$ 297** |
| Written silver call options (i) | | | | | | |
| Ounces (thousands) | 12,000 | 3,750 | 2,000 | 2,000 | | **19,750** |
| Average exercise price per ounce | $ 4.88 | $ 5.25 | $ 5.50 | $ 5.00 | | **$ 5.03** |
| Silver forward sales contracts | | | | | | |
| Ounces (thousands) | 11,000 | 7,000 | 3,000 | 2,000 | 1,000 | **24,000** |
| Average price per ounce | $ 5.00 | $ 5.10 | $ 5.10 | $ 5.10 | $ 5.10 | **$ 5.05** |
| Cash flow interest rate hedges | | | | | | |
| Receive fixed for short-term investments and gold sales contracts – swaps and swaptions (iii) | | | | | | |
| Notional amount (millions) | $ 61 | $ 403 | $ 150 | $ 100 | $ 193 | **$ 907** |
| Fixed rate (%) | 4.4% | 4.3% | 3.6% | 4.9% | 5.4% | **5.3%** |
| Pay fixed for Bulyanhulu financing (iii) | | | | | | |
| Notional amount (millions) | | | | | $ 200 | **$ 200** |
| Fixed rate (%) | | | | | 4.50% | **4.50%** |
| Fair value interest rate hedges | | | | | | |
| Receive fixed against debentures (iii) | | | | | | |
| Notional amount (millions) | | | | $ 100 | | **$ 100** |
| Fixed rate (%) | | | | 5.6% | | **5.6%** |
| Gold lease rate swaps (iii) | | | | | | |
| Receive fixed, pay floating | | | | | | |
| Notional (thousands of ounces) | 340 | 451 | 440 | 891 | 4,033 | **6,155** |
| Fixed rate (%) | 1.2% | 2.0% | 2.1% | 2.2% | 2.6% | **2.4%** |
| Total return swaps (iii) | | | | | | |
| Notional amount (millions) | $ 20 | $ 115 | $ 530 | $ 100 | $ 176 | **$ 941** |
| Cash flow interest rate hedges | | | | | | |
| Pay fixed on total return swaps – swaps and swaptions | | | | | | |
| Notional amount (millions) | $ 25 | | | $ 50 | $ 200 | **$ 275** |
| Fixed rate (%) | 5.3% | | | 7.4% | 6.0% | **6.0%** |
| Foreign exchange contracts | | | | | | |
| C$ forward and min-max currency contracts | | | | | | |
| Notional amount (C$ millions) | $ 96 | 88 | | | | **$ 184** |
| Average price (US$) | $ 0.64 | $ 0.64 | | | | **$ 0.64** |
| A$ forward and min-max currency contracts | | | | | | |
| Notional amount (A$ millions) | $ 30 | $ 30 | $ 30 | $ 30 | $ 30 | **$ 150** |
| Average price (US$) | $ 0.51 | $ 0.51 | $ 0.51 | $ 0.51 | $ 0.51 | **$ 0.51** |

(i) Written call options are contracts in which the writer, for a fee (premium), sells the purchaser the right, but not the obligation, to buy on a specified future date a stipulated quantity of gold or silver at a stated price.
(ii) The Company has entered into combination, otherwise known as "min-max", options that act as a hedge against possible price fluctuations in gold, silver and foreign currencies. The options give the holder the right to buy and the Company the right to sell stipulated amounts of the commodities or currencies at the upper and lower exercise prices, respectively.
(iii) Interest rate swaps and swaptions and gold lease rate swaps generally involve the exchange of fixed and variable-rate interest payments between two parties, based on a common notional principal amount and maturity date.

Interest rate options represent contracts that allow the holder of the option to enter into interest rate swaps and cap and floor agreements with the writer of the option. The Company enters into forward start interest rate swaps to lock in interest rates implicit in the contango that will be earned on spot deferred contracts to be entered into in the future. The Company uses this strategy to minimize its exposure to volatility in Libor.
(iv) Total return swaps represent the exchange of variable Libor-based interest payments and the total return (fixed coupons plus capital gains and losses) or a fixed amount paid in the future on a specific reference asset, based on a common notional principal and maturity date. In the case of the Company, the specific reference assets are various highly diversified corporate bond funds. At December 31, 2001, the weighted average credit rating of the underlying bond funds for the outstanding total return swaps was "A-".

F Credit and market risks

By using derivative instruments, the Company exposes itself to credit and market risk. Market risk is the risk that the value of a financial instrument might be adversely affected by a change in commodity prices, interest rates, gold lease rates, or currency exchange rates. The Company manages the market risk associated with commodity-price, interest rate, gold lease rate, and foreign-exchange contracts by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

Credit risk is the risk that a counterparty might fail to fulfill its performance obligations under the terms of a derivative contract, or in the case of total return swaps, the risk that a deterioration in credit quality of the underlying reference asset, or a credit default event, will give rise to a loss under the derivative instrument. If a counterparty fails to fulfill its performance obligations under a derivative contract, the Company's credit risk will equal the fair-value gain in a derivative. For the Company's total return swaps, the maximum amount of credit risk is limited to the notional amount of the contract, plus or minus unrealized gains or losses. Generally, when the fair value of a derivative contract is positive, this indicates that the counterparty owes the Company, thus creating a repayment risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and, therefore, assumes no repayment risk. The Company minimizes its credit (or repayment) risk in derivative instruments by (1) entering into transactions with high-quality counterparties whose credit ratings are generally "AA" or higher, (2) limiting the amount of its exposure to each counterparty, (3) monitoring the financial condition of its counterparties, and (4) by ensuring that the reference assets in total return swaps are highly diversified such that concentrations of credit risk do not arise. The Company also maintains a policy of requiring that an International Swaps and Derivatives Association Master Agreement govern all derivative contracts.

When the Company is engaged in more than one outstanding derivative transaction with the same counterparty and also has a legally enforceable master netting agreement with that counterparty, the "net" credit exposure represents the netting of the positive and negative exposures with that counterparty. When there is a net negative exposure, the Company regards its credit exposure to the counterparty as being zero. The net mark-to-market position with a particular counterparty represents a reasonable measure of credit risk when there is a legally enforceable master netting agreement (i.e., a legal right of a setoff of receivable and payable derivative contracts) between the Company and that counterparty. The Company's policy is to use master netting agreements with all counterparties.

## 17 COMMITMENTS AND CONTINGENCIES

A Royalties

Substantially all of the Company's properties are subject to royalty obligations based on the valuable minerals produced from the properties and various methods of calculation. The most significant royalties are at the Goldstrike, Bulyanhulu and Pascua-Lama properties.

Most of the property comprising Goldstrike is subject to a net smelter return ("NSR") and net profits interest ("NPI") royalities payable on the value of minerals produced from the property. The maximum royalties payable are a 5% NSR and a 6% NPI. The Bulyanhulu Property is subject to a NSR-type royalty of 3% on the valuable

minerals produced from the Property. A portion of the Pascua-Lama Property is subject to a gross proceeds sliding scale royalty on gold produced from the Property ranging from 1.5% to 10% and a 2% NSR royalty on copper produced. Another portion of the Property is subject to a 3% NSR on all gold and silver among other minerals, extracted. Royalty expense, which is included in operating costs, was $25 million in 2001 (2000 - $31 milion, 1999 - $26 million).

B Environmental

The Company's mining and exploration activities are subject to various federal, provincial and state laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company conducts its operations so as to protect public health and the environment and believes its operations are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future, expenditures to comply with such laws and regulations.

C Litigation and claims

In October 1997, Homestake Canada Inc., ("HCI") a wholly-owned subsidiary of the Company entered into an agreement with Inmet Mining Corporation ("Inmet") to purchase the Troilus mine in Quebec for $110 million plus working capital. In December 1997, HCI terminated the agreement after determining that, on the basis of due diligence studies, conditions to closing the arrangement would not be satisfied. On February 23, 1998, Inmet filed suit against HCI in the British Columbia Supreme Court, disputing the termination of the agreement and alleging that HCI had breached the agreement. On Janaury 15, 2002, the Supreme Court of British Columbia released its decision in the matter and found in favour of Inmet and against HCI. Specifically, the Court held that Inmet should be awarded equitable damages in the amount of C$88.2 million. The Court did not award Inmet prejudgement interest. Inmet has requested the Court to re-open the trial to permit Inmet to make submissions on its claim for prejudgement interest from the date of the breach by HCI. The Court has not yet ruled on Inmet's request. On February 7, 2002, HCI filed a Notice of Appeal of the decision with the British Columbia Court of Appeal. An amount of $56 million has been included in current liabilities assumed at the date of acquisition of Homestake.

On April 30, 1998, the Company was added as a defendant in a class action lawsuit initiated against Bre-X Minerals Ltd., certain of its directors and officers or former directors and officers and others in the United States District Court for the Eastern District of Texas, Texarkana Division. The class action alleges, among other things, that statements made by the Company in connection with its efforts to secure the right to develop and operate the Busang gold deposit in East Kalimantan, Indonesia were materially false and misleading and omitted to state material facts relating to the preliminary due diligence investigation undertaken by the Company in late 1996. On July 13, 1999, the Court dismissed the claims against the Company and several other defendants on the grounds that the plaintiffs had failed to state a claim under United States securities laws. On August 19, 1999, the plaintiffs filed an amended complaint restating their claims against the Company and certain other defendants and on June 14, 2000 filed a further amended complaint, the Fourth Amended Complaint. On March 31, 2001, the Court granted in part and denied in part the Company's Motion to Dismiss the Fourth Amended Complaint. As a result, the Company remains a defendant in the case. The Company believes that the remaining claims against it are without merit. The Company filed its formal answer to the Fourth Amended Complaint on April 27, 2001 denying all relevant allegations of the plaintiffs against the Company. Although a trial date has been set for July 9, 2002 in Texarkana, Texas, it presently appears unlikely that the trial will commence at that time. Discovery in the case has been stayed by the Court pending the Court's decision on whether or not to certify the case as a class action. The amount of potential loss, if any, which the Company may incur arising out of the plaintiffs claims is not currently determinable.

The Company is from time to time involved in various claims, legal proceedings and complaints arising in the ordinary course of business. The Company is also subject to reassessment for income and mining taxes for certain years. It does not believe that adverse decisions in any pending or threatened proceedings related to any potential tax assessments or other matters, or any amount which it may be required to pay by reason thereof, will have a material adverse effect on the financial condition or future results of operations of the Company.

D Commitments

The Company has entered into various commitments during the ordinary course of business including commitments to perform assessment work and other obligations necessary to maintain or protect its interests in mining properties, financing and other obligations to joint ventures and partners under venture and partnership agreements, and commitments under federal and state environmental health and safety permits.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL AND OPERATING RESULTS

Our financial objectives are to create value by maximizing our earnings and cash flow per share and return on equity while maintaining a strong balance sheet. We use four operating strategies to achieve our objectives: Increasing production and increasing reserves through organic growth and selective acquisitions; lowering unit costs to improve operating contribution; and increasing our revenue through our Premium Gold Sales Program.

A discussion and analysis of the factors contributing to the results of operations is presented below. The consolidated financial statements of the Company have been prepared in United States dollars and in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Company prepares its primary consolidated financial statements and related notes in accordance with United States GAAP, which are included in the Company's annual report. The accompanying Canadian GAAP consolidated financial statements and related notes, together with the following information, are intended to provide investors with a reasonable basis for assessing our operations, but should not serve as the only basis for predicting our future performance.

**OVERVIEW**

For the year ended December 31, 2001, we produced 3.7 million ounces of gold at total cash costs of $160 per ounce compared to 3.7 million ounces of gold at $145 per ounce in 2000. We benefited from record production and record low costs at Pierina and a strong contribution from Goldstrike, as well as from initial production at our newest mine, Bulyanhulu in Tanzania. Net income was $258 million ($0.65 per share) compared to $334 million ($0.84 per share), before provision for mining assets in 2000 (refer to pages 42 and 43 for an explanation of non-GAAP performance measures). After the provision for mining assets the net loss was $766 million ($1.93 per share) in 2000. Operating cash flows were $679 million ($1.71 per share) for 2001 versus $872 million ($2.20 per share) for 2000.

We completed the merger with Homestake, an international gold mining company with operating mines in the United States, Canada, Chile, and Australia on December 14, 2001. The merger has been accounted for as a purchase for Canadian GAAP purposes, with the results of Homestake's operations included in the consolidated financial statements effective December 31, 2001. We are in the process of obtaining third-party valuations of certain mineral properties and other assets acquired; and thus the allocation of the purchase price is subject to refinement. Once the outstanding third-party valuations are obtained, we will complete the purchase price allocation process. New accounting standards require that goodwill no longer be amortized to earnings, but instead be reviewed for impairment. Our Company is expected to be one of the world's largest gold producers, with among the lowest cash costs of any major producer and with the industry's strongest balance sheet. We issued approximately 140 million shares to acquire Homestake at a total value of $2.3 billion.

The Financial and Administrative Integration Team has estimated the annual merger-related after tax cost savings at $60 million in 2002, comprised of $27 million in administration, $13 million in exploration and $20 million in taxes, and we anticipate further cost savings in 2003 and 2004. A second integration team, focused on operations, undertook a comprehensive assessment of the potential to expand production and cost savings opportunities at the combined company's properties on four continents. Some of the opportunities identified in this exercise are reflected in the 2002 mine operating plans, while mine management looks to implement additional opportunities this year and next. A third integration team, tasked with examining development opportunities, is assessing synergies at the Pascua-Lama/Veladero properties as a unified mining district, with an emphasis on greater speed in development, as well as reduced capital and operating expenditures.

**Global – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces (thousands)** | 3,744 | **3,739** | 5,684 |
| **Gold sales proceeds per ounce** | $ 360 | **$ 340** | $ 320[(1)] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ 124 | **$ 150** | $ 175 |
| Applied (deferred) stripping | 22 | **13** | 1 |
| By-product credits | (10) | **(10)** | (15) |
| **Cash operating costs per ounce** | 136 | **153** | 161 |
| Royalties | 8 | **6** | 6 |
| Production taxes | 1 | **1** | - |
| **Total cash costs per ounce** | 145 | **160** | 167 |
| Amortization | 88 | **87** | 101 |
| Reclamation | 4 | **4** | 2 |
| **Total production costs per ounce** | $ 237 | **$ 251** | $ 270 |
| Cash margin per ounce | $ 215 | **$ 180** | $ 153 |
| Capital expenditures (millions) | $ 698 | **$ 533** | $ 351 |
| Mineral reserves (millions of ounces) | 58.5 | **82.3** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

**GOLD SALES**

Revenue for 2001 declined to $1,282 million on gold sales of 3.77 million ounces, compared with $1,330 million on gold sales of 3.69 million ounces in 2000. The 30,000-ounce higher gold sales than production in 2001 represents the impact of ounces produced in 2000 but not sold until 2001. The lower revenue resulted from a $20 per ounce, or 6 percent, decline in the average realized price, partially offset by a 2 percent increase in gold sales. For the year, we realized a $69 per ounce premium over the average spot price of $271 on our gold sales delivered into our Premium Gold Sales Program. This compares to a realized price of $360 in 2000 and a premium of $81 on gold sales delivered into the Program during the year. Overall, we generated an additional $260 million in revenue in 2001 through our Premium Gold Sales Program. The decline in our average realized price is due to lower spot gold prices, which have declined from nearly $400 per ounce in the mid-1990s to a 22-year-low average of $271 in 2001, with a resulting impact on the realized prices achievable under our forward sales contracts.

The future gold production committed under spot deferred contracts in our Premium Gold Sales Program totaled 18.2 million ounces at December 31, 2001. This represents approximately 22 percent of proven and probable reserves, deliverable over the next 15 years at an average price of $345 per ounce at the scheduled delivery dates. Fifty percent of planned production in 2002 is committed at an average price of $365 per ounce. The balance of 2002 production is expected to be sold at prevailing spot gold prices. If gold prices, interest rates and lease rates remain at current levels ($290 spot gold), we would anticipate that our realized gold price would be in the $330-$340 per ounce range over the longer term.

As a result of the Homestake merger, the current price environment, and the Company's overall financial strength, we have reassessed the approach that guides our Premium Gold Sales Program. While we have currently retained the number of ounces in the Program at roughly 18 million ounces, or 22 per cent of reserves, we will adjust our delivery schedule. Whereas in 2001, as a result of the merger with Homestake, on a pro forma basis we would have delivered 61 per cent of our combined production into the Premium Gold Sales Program, we expect to deliver 50 per cent of production into the Program going forward.

This shift in our delivery schedule parallels a shift in the strategic goals of our hedging program. Barrick began hedging 14 years ago for two reasons. First, the environment allowed producers to lock in higher prices and lower risk by borrowing gold from central banks. Second, when we established our forward sales program in 1987, we were a smaller, higher cost producer, embarking on what was at the time one of the largest development projects in the history of the gold industry – The Goldstrike Property.

With the initial development of Goldstrike and other capital projects behind us, we can now adjust our Program to today's needs. Our goal going forward is to set a minimum floor price to ensure sufficient cash flow to cover cash requirements for the year, including capital expenditures. Combined with our low-cost production, our new forward sales approach gives us security and predictability, plus benefits that, if gold prices strengthen, should go straight to our bottom line.

## REVIEW OF OPERATIONS BY GEOGRAPHIC AREA

For the year 2001, we reported total operating costs, including reclamation, of $621 million, compared with $550 million for the prior year. On a per ounce basis, total cash costs for the year were $160, compared to $145 per ounce for 2000. With the continued weakness in gold prices, all of our mines have focused on reducing costs under their control across all areas of their operation, including unit mining, processing and administrative costs per ton. At the same time, higher power costs and lower grades at Goldstrike and lower recovery rates during start-up at Bulyanhulu have resulted in higher cash costs per ounce compared to the prior year. At the end of 2001, our Other Properties include seven mines, six of which are in various stages of closure. One of the mines was closed in 2001 (Homestake), with the other five scheduled to close in 2002 (El Indio, Bousquet, McLaughlin, Ruby Hill and Agua de la Falda). With the closure of these six mines and several new projects not expected to contribute to production until late 2004, we anticipate marginally lower production in 2003, excluding the possibility of adding production through a property or corporate transaction.

### NORTH AMERICAN PROPERTIES

**Goldstrike, Nevada**
**Betze-Post**
**Meikle**
**Round Mountain, Nevada**
**Eskay Creek, British Columbia**
**Hemlo, Ontario**
**Holt-McDermott, Ontario**

In 2001, our North American operations produced 2,347,000 ounces of gold, 63 percent of the Company's total production, at an average cash cost of $195 per ounce compared to 2,543,000 ounces of gold at cash costs of $169 per ounce in 2000. The Goldstrike Property again contributed solid results, despite higher power costs and lower processed ore grades. As a result of the Homestake merger, the following mines will contribute to 2002 production: Round Mountain, Eskay Creek, and Hemlo.

***Goldstrike Property (Nevada)***

The Goldstrike Property produced 2,262,663 ounces of gold in 2001, an 8 percent decrease compared to the Property's record 2000 production. The lower production was largely due to an anticipated 22 percent reduction in grades processed and marginally lower recovery rates, partially offset by higher throughput at the process facilities with the completion of a new ball mill in the autoclave facilities. At $197 per ounce, total cash costs for 2001 were higher than the prior year's $170 per ounce, due largely to the lower grades processed and an $8 per ounce increase in power costs.

The Goldstrike Property has essentially moved to reserve grade in 2002, increasing throughput to maintain its consistent 2 million-ounce production level. For 2002, the Property is expecting to produce 2.1 million ounces of gold, 7 percent lower than 2001, while total cash costs are expected to rise 4 percent to $205 per ounce. Through productivity improvements, which are expected to lead to lower unit mining, processing and administration costs, the Property expects to be able to partially offset the anticipated 15 percent reduction in ore grades processed. The Property is also budgeting a power cost increase – the third in the last two years – totaling $10 million, or $5 per ounce in 2002. Overall, power costs have increased $27 million or $13 per ounce since the power crisis began in the Western United States. With the power crisis subsiding, we anticipate power costs to decrease over the next several years.

***Betze-Post Mine***

The Betze-Post Mine produced 1,549,975 ounces of gold for the year, 6 percent lower than the previous year, as mining of high-grade ore in the 7th West Layback was completed in the second quarter of 2001. Total cash costs were $220 per ounce, compared to $195 in 2000. Recovery rates were 2.4 percent lower than the prior year, due to a significant amount of transitional ore (1.5 million tons) processed primarily in the third quarter. The Mine is expected to experience lower recovery rates of approximately 80 percent on the planned 2 million tons of transitional ore to be encountered over the next two years. Proven and probable gold reserves decreased to 16.4 million ounces from 18 million ounces in 2000 due to production during the year. With the Property focus on high-grade underground targets, the Mine does not have an active exploration program around the pit.

The Mine is expected to produce about 1.4 million ounces of gold in 2002 at total cash costs of $220 per ounce. The lower production and similar costs relate to 20 percent lower grades processed, partially offset by lower unit mining costs, with shorter haulage costs as backfilling of the eastern portion of the pit continues.

***Meikle Mine***

The Meikle Mine produced 712,688 ounces of gold for the year, 7 percent higher than plan compared to production of 805,718 ounces in 2000. Total cash costs were $147 per ounce, compared to $119 per ounce in 2000, with higher costs attributable to planned mining of lower grade ore in Meikle, more low-grade development ore and higher training costs. Tons mined surpassed plan by 13 percent in 2001, due to an increase in development ore from Griffin and to the earlier than expected access to Rodeo development ore.

Proven and probable reserves decreased to 3.9 million ounces from 6.5 million in 2000, due to production during the year, reclassification of certain ounces to resources and the removal of other ounces. While we carefully prepare reserve calculations, such calculations are by their nature estimates. Our mining experience last year caused us to reassess the assumptions we used to estimate reserves at the mine. This resulted in the reclassification of 745,000 ounces of gold from reserves to resources. We are confident that this amount of material will be brought back into reserves through ongoing infill drilling and in-mine exploration. In addition, because of our inability to economically mine some of the smaller more difficult areas of the ore body, we removed 945,000 ounces from reserves. These reserve reclassifications in no way reduce the potential for adding ounces to the underground, where we still see potential. Our 2001 exploration program identified new deep targets in areas not drilled in the past, some of which we have begun drilling with favorable results, particularly just north of Meikle at Banshee.

Production for 2002 is expected to total 700,000 ounces. Total cash costs are expected to be $173 per ounce, with the higher costs related to a decrease of 14 percent in ore grades processed, an increase of 18 percent in tons processed and higher mining costs.

***Round Mountain (Nevada)***

For 2002, Round Mountain joint venture, acquired with the Homestake merger, is expected to contribute 363,000 ounces of gold to our 50% account at total cash costs of $198 per ounce. In 2002, lower production (2001 – 373,000 ounces) and higher costs (2001 - $187 per ounce) are primarily due to lower production from the run-of-mine leach pad, which produces about half of the Mine's production. Capital expenditures in 2002 are estimated at $7 million. The Mine has a $2.5 million exploration program planned to follow up on the Gold Hill target, where wide space drilling identified prospective opportunities in 2000. Our share of proven and probable reserves at December 31, 2001 was 2.2 million ounces.

***Eskay Creek (British Columbia)***

At Eskay Creek, which was acquired with the Homestake merger, mining and processing rates are expected to increase 12 percent in 2002, benefiting from a full year under the operating changes instituted in the second half of 2001.

For 2002, production is expected to rise to 366,000 ounces of gold (2001 – 321,000 ounces) and 16 million ounces of silver, at total cash costs of $51 per ounce (2001 - $49 per ounce), despite marginally lower gold and silver grades. Capital expenditures in 2002 are estimated at $5 million. The Mine has an extensive exploration program set to begin in 2002 to follow up on encouraging drill results from the fourth quarter of 2001. Proven and probable reserves at December 31, 2001 were 1.8 million ounces.

***Hemlo (Ontario)***

Hemlo, a joint venture of the David Bell and Williams underground mines and the Williams open pit, of which we own a 50 percent interest, was also acquired with the Homestake merger. For 2002, production to our account is expected to total 304,000 ounces of gold (2001 – 307,000 ounces) at a total cash cost of $192 per ounce (2001 - $196 per ounce). Cash costs in 2002 are expected to be lower than 2001 due to improved recovery rates and throughput from the new grinding mill which was completed in the first quarter of 2002, offsetting a marginal decrease in grades processed and the additional cost of operating the new grinding mill. Our share of proven and probable reserves at December 31, 2001 was 2.5 million ounces.

**North America – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces** (thousands) | 2,543 | **2,347** | 3,223 |
| **Gold sales proceeds per ounce** | $ 360 | **$ 340** | $ 320[(1)] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ 116 | **$ 160** | $ 199 |
| Applied (deferred) stripping | 40 | **26** | (3) |
| By-product credits | (1) | **(1)** | (20) |
| **Cash operating costs per ounce** | 155 | **185** | 176 |
| Royalties | 12 | **9** | 7 |
| Production taxes | 2 | **1** | 1 |
| **Total cash costs per ounce** | 169 | **195** | 184 |
| Amortization | 50 | **55** | 94 |
| Reclamation | 2 | **3** | 3 |
| **Total production costs per ounce** | $ 221 | **$ 253** | $ 281 |
| Cash margin per ounce | $ 191 | **$ 145** | $ 136 |
| Capital expenditures (millions) | $ 290 | **$ 264** | $ 184 |
| Mineral reserves (millions of ounces) | 24.9 | **27.2** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

**SOUTH AMERICAN PROPERTIES**
**Pierina, Peru**
**Pascua-Lama, Chile**
**Veladero, Argentina**

Our South American operations consist of our second-largest cash flow generator, the low-cost Pierina Mine, which set property records for production and costs in 2001, and our largest development project, the Pascua-Lama and Veladero district, which straddles the Chilean and Argentinean border. With the Homestake merger, we acquired the remaining 60% interest in the Veladero Project which we did not already own. We also have significant exploration programs in Peru, and to a lesser extent, in Chile and Argentina, where we believe prospects for discovery of large gold deposits are good.

***Pierina (Peru)***
The Pierina Mine reported record production of 911,076 ounces of gold in 2001, at the lowest costs in the Mine's history of $40 per ounce. In 2000, Pierina's production totaled 821,614 ounces at a total cash cost of $43 per ounce. Unit operating costs – particularly administration, labor and reagent costs – continue to decrease from earlier life-of-mine estimates. In 2001, 220,000 ounces were added to proven and probable reserves through an infill-drilling program. At year-end 2001, proven and probable reserves stood at 4.7 million ounces compared to 5.7 million ounces in 2000. The 2002 exploration program will follow up on targets located near surface at the north end of the pit, as well as one adjacent to the final wall of the south end of the pit. In addition, in 2002, the Mine will finalize the optimization plan that began in 2001. The optimization plan consists of revising mine plans, lowering waste haulage cycles, increasing processing rates and lowering administration costs with a goal of increasing annual production by bringing production forward, shortening the mine life and lowering costs.

Pierina expects to produce 820,000 ounces of gold in 2002, at a total cash cost of $77 per ounce. The higher costs reflect a 22 percent reduction in grades processed, a 23 percent increase in tons processed and higher applied stripping costs. We anticipate that production at the Mine will continue to decline in 2003 and beyond as processed ore grades, which are currently running 50 percent higher than reserve grade are set to decrease. Partially offsetting the decline in ore grades is the optimization plan designed to bring production forward by increasing the processing rate. In addition, the Mine has been able to partially replace production over the past two years and the 2002 exploration program will follow up on targets identified in 2001. In 2002 capital expenditures are expected to be $24 million, including deferred stripping of $16 million.

***Pascua-Lama and Veladero (Chile/Argentina)***
Current work on the Pascua-Lama Project is directed at investigating improvements to infrastructure and process costs. On the process front, initial studies indicate opportunities to lower the anticipated capital cost of developing the project. We made the decision to postpone construction start-up, based on current low gold and silver prices; however, optimization work on the development plan, as well as permitting, continues. The Company is evaluating unified development opportunities made possible by the merger with Homestake. Early work suggests that both Pascua-Lama and Veladero will benefit in a variety of ways, in terms of capital and operating cost savings. Immediate synergies include the sharing of infrastructure, administration costs and background environmental work, as well as the incorporation of our Filo Norte reserves into the Veladero mine plan.

The Veladero Project is currently half way through its 2001/2002 field season. Activities in 2001 consisted of over 50,000 meters of definition drilling to expand proven and probable reserves from 3.9 million to 8.4 million ounces. Extensive metallurgical test work is underway, which includes tunneling into the ore body for approximately 825 tons of ore for test heap leaching on site, as well as work for the environmental permits. An updated feasibility study, which is underway, envisions an open pit mining operation with a two-stage crushing circuit and conventional valley-fill heap leach, very similar to our Pierina Mine. Veladero could be the first phase of development of the consolidated district that extends along the Chilean/Argentinean border.

The attraction of the Veladero Project is that with the lower capital cost and easier metallurgy than Pascua-Lama, the project appears to be capable of generating solid rates of return at a gold price of $300 per ounce. Beyond that, we are now beginning to factor in the Argentinean currency devaluation to the project economics for both Veladero and Pascua-Lama, which are costed in United States dollars.

In the right gold and silver price environment the Pascua-Lama/Veladero District has the capability to be a low-cash-cost, long-life gold producing district that could provide us with significant growth in production, earnings, and cash flow in the future.

**South America – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces (thousands)** | 822 | **911** | 820 |
| **Gold sales proceeds per ounce** | $ 360 | **$ 340** | $ 320[1] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ 78 | **$ 65** | $ 70 |
| Applied (deferred) stripping | (22) | **(13)** | 17 |
| By-product credits | (13) | **(12)** | (10) |
| **Cash operating costs per ounce** | 43 | **40** | 77 |
| Royalties | - | **-** | - |
| Production taxes | - | **-** | - |
| **Total cash costs per ounce** | 43 | **40** | 77 |
| Amortization | 202 | **187** | 180 |
| Reclamation | 7 | **8** | 11 |
| **Total production costs per ounce** | $ 252 | **$ 235** | $ 268 |
| Cash margin per ounce | $ 317 | **$ 300** | $ 243 |
| Capital expenditures (millions) | $ 198 | **$ 110** | $ 63 |
| Mineral reserves (millions of ounces) | 23.1 | **30.1** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

**AFRICAN PROPERTIES**
**Bulyanhulu**
**Tulawaka**
**Kabanga**

Tanzania (East Africa) represents our newest frontier, with the opening of our first African mine at Bulyanhulu in April 2001, as well as our large and active early stage exploration program. We hold over 6,000 square kilometers in the Lake Victoria goldfields of northern Tanzania, one of the best exploration areas for major new discoveries. In 2001, six areas underwent initial drill testing with promising results at a total cost of $9 million. One of the factors that makes Tanzania attractive from an exploration perspective is the lower exploration cost as a result of the region's flat, arid conditions. The 2002 program will follow up drilling on targets initially tested last year, while completing a feasibility study for the Tulawaka Property in the second half of 2002.

At the Kabanga nickel property, we increased the resource by 50 percent in 2001 to 600,000 tonnes of contained nickel, with the discovery of a new ore body. The 2002 program will follow up on last year's program with the goal of taking the resource to the 1 million-tonne-level.

***Bulyanhulu***

Our newest mine enjoyed an on-time start-up in April 2001, working at, or better than, expectation in most areas. Gold recovery rates provided the only exception, running at 82 percent, 7 percent below plan for most of the year. Improvements during the second half of the year led to recovery rates rising to 86 percent in December. The Mine produced 241,575 ounces of gold at total cash costs of $190 per ounce. Proven and probable reserves increased for the third year in a row, rising 20 percent to 12 million ounces.

Mining rates averaged almost 1,700 tons per day, and unit-mining costs were on plan. The shaft should reach its planned depth and be fully equipped early in 2003, well ahead of the originally scheduled fourth quarter 2003 completion date. Bulyanhulu's process facilities operated at 13 percent above forecast throughput levels for the year, while unit-processing costs were lower than plan, due to the higher throughput levels. The mill processed lower grade ore during the second half of the year while the process group worked on improving recovery rates. Modifications to the gravity circuit were completed in December and modifications to the flotation plant to increase the recovery rate to the design rate of 89 percent are expected to be implemented in the first half of 2002 at a cost of about $5 million.

Development of an incline to access the east ore zone is expected to be completed in the second quarter of 2002, at a cost of $7 million, and should provide a platform for additional reserve development to begin in mid-2002. Preliminary engineering continues on the west and deep extensions of the ore body. As the ore body expands at depth and along strike, Bulyanhulu's development team is focused on how best to develop this expanding reserve base.

For 2002, production is expected to increase to 362,000 ounces of gold at total cash costs of $173 per ounce, benefiting from expected higher grades and recovery rates, particularly in the second half of the year.

**Africa – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces** (thousands) | - | **242** | 362 |
| **Gold sales proceeds per ounce** | $ - | **$ 340** | $ 320[(1)] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ - | **$ 211** | $ 182 |
| Applied (deferred) stripping | - | **-** | - |
| By-product credits | - | **(29)** | (17) |
| **Cash operating costs per ounce** | - | **182** | 165 |
| Royalties | - | **8** | 8 |
| Production taxes | - | **-** | - |
| **Total cash costs per ounce** | - | **190** | 173 |
| Amortization | - | **97** | 91 |
| Reclamation | - | **1** | 1 |
| **Total production costs per ounce** | $ - | **$ 288** | $ 265 |
| Cash margin per ounce | $ - | **$ 150** | $ 147 |
| Capital expenditures (millions) | $ 207 | **$ 156** | $ 56 |
| Mineral reserves (millions of ounces) | 10.0 | **12.0** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

**AUSTRALIAN PROPERTIES**
**Yilgarn District**
**Plutonic**
**Darlot**
**Lawlers**
**Kalgoorlie**
**Cowal**

With the Homestake merger providing two key assets – a 50 percent interest in the Kalgoorlie Super Pit, Australia's largest gold mine, and three mines comprising the Yilgarn District – we now rank as the second-largest gold producer in Australia. Our share of proven and probable reserves at December 31, 2001 was as follows: Plutonic – 1.6 million ounces, Darlot – 1.3 million ounces, Lawlers – 0.5 million ounces and Kalgoorlie – 5.7 million ounces. In addition, the merger adds a portfolio of exploration properties in Australia, the most advanced of which is the Cowal project, with 2.8 million ounces of proven and probable reserves and an updated development plan underway. Production for these mines in 2001 was as follows: Plutonic – 288,000 ounces, Darlot – 125,000 ounces, Lawlers –104,000 ounces and Kalgoorlie – 385,000 ounces.

***Plutonic (Western Australia)***
Plutonic, the largest of the three Yilgarn District mines, consisting of both open pit and underground operations. We view the exploration potential of this Mine as high and will continue with a significant exploration program around the Mine in 2002. For 2002, production is expected to increase 13 percent to 325,000 ounces of gold, at total cash costs of $156 per ounce. Higher production and lower costs in 2002 are primarily due to the expanding higher-grade underground operations.

***Darlot and Lawlers (Western Australia)***
In 2002, the Darlot Mine is expected to increase production to 139,000 ounces at total cash costs of $154 per ounce, while Lawlers expects to increase production to 108,000 ounces at total cash costs of $178 per ounce. The higher production and lower cost are due to higher processing rates and grades and lower unit cash costs at both of the mines.

***Kalgoorlie – Super Pit (Western Australia)***
We expect the Kalgoorlie Super Pit to produce 734,000 ounces of gold in 2002, 367,000 to the Company's 50% account, at total cash costs of $205 per ounce with marginally lower overall gold grades after the closing of the higher-grade underground operation in 2001.

***Cowal Project (New South Wales)***
We acquired the Cowal project through the merger with Homestake, which had acquired Cowal in the first quarter of 2001. In the latter part of 2001, Homestake began a technical program, including drilling and engineering studies to update the feasibility study. At year-end, 2.8 million ounces were added to proven and probable reserves. The current mine plan and process facilities have been designed to produce approximately 250,000 ounces of gold per year. In 2002, we will continue with the program, including further drilling, and test work to optimize the scope and economics of the project.

**Australia – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces** **(thousands)** | - | **-** | 939 |
| **Gold sales proceeds per ounce** | $ - | **$ -** | $ 320[(1)] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ - | **$ -** | $ 169 |
| Applied (deferred) stripping | - | **-** | 1 |
| By-product credits | - | **-** | - |
| **Cash operating costs per ounce** | - | **-** | 170 |
| Royalties | - | **-** | 8 |
| Production taxes | - | **-** | - |
| **Total cash costs per ounce** | - | **-** | 178 |
| Amortization | - | **-** | 87 |
| Reclamation | - | **-** | - |
| **Total production costs per ounce** | $ - | **$ -** | $ 265 |
| Cash margin per ounce | $ - | **$ -** | $ 142 |
| Capital expenditures (millions) | $ - | **$ -** | $ 40 |
| Mineral reserves (millions of ounces) | - | **11.9** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

**OTHER PROPERTIES**

Other Properties include six mines in various stages of closure, as well as the small Marigold Mine, five of the seven mines in this group were acquired with the Homestake merger. One of the mines was closed in 2001 (Homestake), with the other five scheduled to close in 2002 (El Indio, Bousquet, McLaughlin, Ruby Hill and Agua de la Falda). In 2001, Other Properties, produced 239,000 ounces of gold, 6 percent of our production, at an average total cash cost of $241 per ounce, compared to 379,000 ounces at total cash costs of $212 per ounce in the prior year.

For 2002, the plan calls for Other Properties to produce 340,000 ounces of gold, 6 percent of total production, at an average total cash cost of $193 per ounce. By year-end 2002, all of the mines in this group other than Marigold, which contributes about 30,000 ounces per year, are expected to have ceased operations due to the depletion of reserves. As a result, our production profile in 2003 should be lower by this amount unless we expand production at our other properties or acquire a producing mine during the year.

**Other Properties – Results**

| (Canadian GAAP basis) | 2000 | **2001** | 2002E |
|---|---|---|---|
| **Gold production – ounces** **(thousands)** | 379 | **239** | 340 |
| **Gold sales proceeds per ounce** | $ 360 | **$ 340** | $ 320[(1)] |
| **Production costs per ounce** | | | |
| Direct mining costs | $ 273 | **$ 308** | $ 206 |
| Applied (deferred) stripping | - | **-** | 1 |
| By-product credits | (65) | **(70)** | (20) |
| **Cash operating costs per ounce** | 208 | **238** | 187 |
| Royalties | 4 | **3** | 4 |
| Production taxes | - | **-** | 2 |
| **Total cash costs per ounce** | 212 | **241** | 193 |
| Amortization | 91 | **30** | 44 |
| Reclamation | 2 | **10** | - |
| **Total production costs per ounce** | $ 305 | **$ 281** | $ 237 |
| Cash margin per ounce | $ 148 | **$ 99** | $ 127 |
| Capital expenditures (millions) | $ 3 | **$ 3** | $ 8 |
| Mineral reserves (millions of ounces) | 0.5 | **1.1** | - |

(1) $365 per ounce on 50% of production and assumed spot gold price of $275 per ounce on 50% of production.

## EXPENSES

### EXPLORATION AND BUSINESS DEVELOPMENT

Total exploration and business development expenditures were $40 million in 2001, compared to $41 million in 2000. The expensed exploration was spread equally in North and South America, Tanzania and on business development activities, which include evaluation and due diligence of corporate transactions. Our exploration strategy is to maintain a geographic mix of projects at different stages in the exploration sequence. The world's changing economic conditions demand that major mining companies undertake more early stage exploration than in the past because junior exploration companies are no longer active, and there are fewer new discoveries to buy or joint ventures to fund. Accordingly, we are engaged in significant early stage exploration in four major areas where we possess significant infrastructure: Peru, Tanzania, Australia and Chile/Argentina.

For 2002, exploration and business development expenditures are expected to total $52 million, of which 32 percent is expected to be spent in South America, 23 percent in North America, with 15 percent spent in Tanzania and Australia. The higher exploration reflects a full year of a Barrick and Homestake combined exploration program and the resulting larger exploration base.

### AMORTIZATION

Amortization totaled $331 million, or $87 per ounce in 2001, compared to $339 million, or $88 per ounce in 2000. Amortization was higher than the $81 per ounce expected for 2001 primarily as a result of the decline in reserves at Meikle. For 2002, amortization is expected to increase to $582 million due to a 50 percent increase in ounces sold with the inclusion of the newly acquired Homestake assets for the full year and higher amortization at certain properties. On a per ounce basis, amortization is expected to increase to $101 per ounce, due to higher amortization at Goldstrike with the completion of construction of Rodeo at Meikle in 2001, and the higher amortization associated with the Homestake assets. We have not completed the process of valuing all the Homestake assets acquired. Any significant adjustments to our provisional estimates of the fair values of property, plant and equipment will have a corresponding effect on amortization in 2002 and onwards. Our new development projects are expected to have per ounce amortization rates of between $50 and $75 per ounce, which could bring our overall per ounce amortization charge down over time.

### ADMINISTRATION

In 2001, administration costs increased $11 million to $46 million over the prior year primarily due to merger related costs, including consulting and professional fees and higher World Gold Council membership fees. For 2002, administration costs are expected to increase to $55 million, $31 million lower than the total administration costs incurred by Barrick and Homestake individually in 2001, reflecting the first year of integrating the two companies and the associated administrative synergies. The costs for 2002 include the cost of certain Homestake offices through the first quarter of the year, following which closures are scheduled.

### INTEREST EXPENSE

We incurred $56 million in interest costs in 2001, related primarily to the Company's $500 million of debentures and the $200 million Bulyanhulu project financing. Of the amount incurred, $14 million was expensed, with the balance of $42 million capitalized to development and construction activities at Bulyanhulu, Rodeo and Pascua-Lama.

For 2002, interest costs are expected to total $64 million, $8 million higher than 2001 as debt and other obligations assumed through the Homestake acquisition are expected to more than offset lower interest rates. With the completion of Bulyanhulu and Rodeo, the near term focus of development at Veladero and the suspension of significant activities at Pascua-Lama, the Company expects to expense virtually all of the interest incurred in 2002.

### INTEREST AND OTHER INCOME

Interest and other income was $11 million compared to $10 million in 2000. With $733 million in cash and short-term investments combined with the free cash flows expected in 2002, assuming additional cash is not utilized for an acquisition or the development of a project earlier than expected, interest income should increase.

### NON-HEDGE DERIVATIVE GAINS (LOSS)

For 2001, written call options entered into after October 24,2000 are required to be recognized on the balance sheet as a liability with changes in fair value adjusted to earnings in the period of change. The total mark-to-market gain on these and other derivative positions was $27 million in 2001 and related primarily to option premium income earned on options that expired unexercised.

**INCOME TAXES**

The Company's effective tax rate for 2001 was 4 percent, compared to 13 percent in 2000, before mining asset provisions. The 9 percent decline in the effective tax rate is primarily attributable to a higher portion of earnings being realized in lower tax rate jurisdictions. We expect the tax rate to remain below 10 percent in 2002, with the benefit of $20 million of tax synergies associated with the Homestake merger, primarily related to integrating our North American operations. If gold prices were to rise to $400 per ounce, we would expect the tax rate to rise to the 25 to 30 percent range with a higher portion of earnings being earned in the United States, Canada, Australia and Peru where tax rates are higher.

**LITIGATION**

On January 15, 2002 the Supreme Court of British Columbia ruled in favor of Inmet Mining Corporation and against Homestake Canada ("HCI") in connection with litigation relating to the proposed sale of the Troilus gold mine to HCI in 1997. The judgement, which we have appealed, was for C$88 million. An amount of $56 million has been included in current liabilities assumed at the date of acquisition of Homestake (see note 17C of the notes to consolidated financial statements).

**LIQUIDITY AND CAPITAL RESOURCES**

We believe our ability to generate cash flow from operations to reinvest in our business is one of our fundamental financial strengths. Combined with our large cash and short-term investment balance of $733 million at the end of 2001, and our $1 billion undrawn bank facility, which we are in the process of renewing, we have sufficient access to capital resources if required. We anticipate that our operating activities in 2002 will continue to provide us with cash flows necessary for us to continue developing our internal projects and to provide financing for potential acquisitions. However, reduced gold prices could reduce our cash flow from operations.

We generated operating cash flow of $679 million in 2001, compared to $872 million in 2000. The lower cash flow in 2001 is due in large part to the change in working capital of approximately $126 million with the completion of construction at Bulyanhulu and Rodeo. Higher cash costs and lower average realized prices for our gold sales compared to the prior year also contributed to the decline in operating cash flows. With 50 percent of our gold expected to be sold in the spot market in 2002, the volatility of gold prices could affect the amount of our operating cash flow.

**OFF-BALANCE SHEET ITEMS**

The Company does not engage in off-balance sheet financing activities. We do not have any off-balance sheet debt obligations, special purpose entities or unconsolidated affiliates. The most significant off balance sheet items are our spot deferred sales contracts, unaccrued future reclamation obligations and our mineral gold reserves, each of which is discussed below.

***Spot deferred contracts***

We make use of a number of strategies to reduce risk and improve returns in our Premium Gold Sales Program. As discussed in note 16 to our consolidated financial statements, we use Over-the-Counter (OTC) contracts. Our spot deferred sales contracts are designated as cash flow hedges of financial risk exposures and do not appear on our balance sheet as they simply represent agreements to sell gold that we produce at pre-defined quantities and prices.

Our Premium Gold Sales Program represents a "AA-" rated off-balance sheet asset worth a notional amount of $5.5 billion, on which we earn interest at fixed rates with a diversified group of counterparties with strong credit ratings. To improve returns, we have diversified this asset by investing approximately $1 billion or 17 percent of the overall Program into an off-balance sheet fixed-income portfolio of corporate securities with a number of top fund managers. We have locked in gold borrowing costs on approximately two-thirds of the overall Program while maintaining floating lease rates on the balance to maximize the forward premium earned. Third, we sell gold call options to generate additional revenue. The calls are written at prices at which we would be comfortable adding to our forward sales program if we are exercised. We have the ability to convert the call options exercised, at our discretion, including related premium income, into spot deferred contracts, which accrue contango (US$ Interest Rate – Gold Lease Rate) to the new delivery date. Outside of the gold program, we make use of other hedges to manage our cash flows, specifically: foreign currency hedges on Canadian dollars and Australian dollars to cover approximately one or two years of operating costs; by-product revenues, primarily silver, to reduce volatility on our operating costs and other interest rate hedging through which we have locked in the rates on our $200 million Bulyanhulu project financing, for the full nine-year term at an all in rate of approximately 8 percent. We also lock in interest rates on our cash deposits. All other derivative instruments are described in note 16 to the consolidated financial statements. Our Premium Gold Sales Program has no leveraged options – and no margin calls at any gold price.

***Future Reclamation Liability***
The unaccrued portion of our future reclamation liability is an off-balance sheet obligation (see note 8 to the consolidated financial statements). Having gained experience closing a number of mines over the past five years, we have been able to improve operating procedures at our mines to reduce this ultimate liability. We believe that our annual review of our future obligations is conservative.

***Mineral Gold Reserves***
Our largest off-balance sheet item is actually our mineral reserves. At more than four times the size of the Company's forward sales program, our mineral reserves provide a sufficient means to meet commitments under our forward sales program.

**INVESTING ACTIVITIES**
Our principal investing activities are for sustaining capital at our existing operating properties, new mine development and property and company acquisitions.

***Capital Expenditures***
Capital expenditures for 2001 totaled $549 million, compared to $698 million in 2000. Principal expenditures included $257 million at the Goldstrike Property, comprised primarily of: Betze-Post deferred stripping costs ($129 million), underground development of Meikle and Rodeo ($90 million). In Tanzania, capital expenditures included construction and development work at the Bulyanhulu Mine ($153 million). In South America capital expenditures were $110 million, primarily for Pierina ($27 million) and engineering and development work and capitalized interest at Pascua-Lama and Veladero ($83 million).

For 2002, capital expenditures are expected to decline to $354 million, including $126 million of deferred stripping costs, which would be the lowest level in 14 years, including the newly acquired Homestake assets. The principal expenditures include $195 million in North America, primarily due to deferred stripping costs at Betze-Post ($110 million) and underground development at Meikle and the Canadian Mines; in Tanzania, underground development and processing upgrades at the Bulyanhulu Mine ($56 million); in Australia ($40 million), primarily to expand underground operations at Plutonic and sustaining capital; and $63 million in South America, primarily for metallurgical test work and feasibility and environmental work at Veladero and Pascua-Lama. For existing operating mines, longer-term sustaining capital for the existing production base is estimated at $150 million annually.

***Short-term Investments***
Short-term investments consist of cash invested in highly-rated, liquid, government and corporate securities with maturities of greater than 90 days and less than one year. We extended the term of the investments to improve the interest earned, thereby moving these investments from cash to short-term investments in 2001.

**FINANCING ACTIVITIES**
Our financing activities include borrowings for new project development such as the Bulyanhulu project financing, dividend payments and share issuances. During 2001 we made the final drawdown of the Bulyanhulu project financing of $49 million. Total borrowings under this facility are $200 million, which averaged an interest rate of 7.3 percent in 2001. Debt repayments due over the next five years total $150 million. Of the total debt, 87 percent is fixed at interest rates between 7.5 and 8 percent for the term of the debt with the balance of debt, primarily variable-rate bonds, subject to rate fluctuations, in which the average rate was 1.9 percent in 2001, down from 4.9 percent in 2000.

We have an undrawn, unsecured credit agreement for a maximum of $1 billion which has a drawn interest rate of Libor plus 22.5 basis points. We are currently negotiating with a group of lenders to extend the term of the undrawn facility, which expires in December 2002. Based on our strong balance sheet, large, low-cost asset base and strong free cash flows, we anticipate the renewal of the agreement during the first half of 2002 for a further five-year term. If the credit facility were not renewed, it would not impact our ability to manage our operations in 2002 or beyond. However, it may impact the amount of cash available for use in either property or company acquisitions and cause us to seek to finance future transactions utilizing equity rather than debt.

Other long-term obligations, which consist primarily of reclamation and closure costs and pension and other post-retirement benefits, increased to $379 million in 2001, compared to $147 million in 2000. The increase is due to the $234 million in liabilities assumed through the Homestake acquisition. We have accrued $353 million of an estimated $570 million of total reclamation liability to the end of 2001. The balance of the reclamation liability is expected to be accrued at an average of $4 per ounce over each of the mines' remaining production lives. Of this amount we anticipate spending $190 million on these activities through 2005.

For 2002, cash provided by operating activities should be higher than 2001, with the cash flow from higher production being partially offset by an expected lower realized gold price and higher cash costs, administration and exploration expenditures. Capital spending is expected to decline to $354 million, including deferred stripping costs

of $126 million, resulting in substantial free cash flows in 2002. As a result, we anticipate cash and short-term investments balances rising in 2002, unless we acquire mining properties or companies using cash. If the development projects currently underwa y prove able to generate a return sufficiently in excess of our cost of capital at current gold prices, we may begin constructing several of these projects over the 2003 to 2006 period, using a portion of the cash balance in combination with project financing.

**Repayment Schedule**

| (in millions of US dollars) | 2002 | 2003 | 2004 | 2005 | 2006+ | Total |
|---|---|---|---|---|---|---|
| Long-term debt | $ 9 | $ 23 | $ 45 | $ 35 | $ 690 | $ 802 |
| Reclamation and closure obligations | 80 | 45 | 40 | 25 | 380 | 570 |
| Total | $ 89 | $ 68 | $ 85 | $ 60 | $ 1,070 | $ 1,372 |

**LIQUIDITY RISKS**

We have a large, diversified asset base on four continents with a portfolio of mines that have an established track record of meeting production and cost targets. As a result we do not view operating risk as a significant exposure to our liquidity. We have several potential new projects at various stages of development, with those closest to possible construction in Chile, Argentina, and Australia. We anticipate that we would seek third-party financing for a portion of the development cost for each of these projects, similar to the financing of Bulyanhulu, where we obtained $200 million in project financing out of a total development cost of $280 million. We expect that in the current environment, project financing is available for Chile and Australia. We are currently working to determine the availability of project financing on economic terms for Veladero in Argentina. If project financing were not available for this project, we would have to decide either to use our own cash resources, corporate debt or defer the project until suitable financing was available.

**FINANCIAL RISK MANAGEMENT**

In the normal course of business, we are exposed to commodity price risk, interest rate risk, foreign currency exchange risk and credit risk. The requisite accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. For an explanation of our accounting treatment for derivative instruments, and a summary of derivative instruments outstanding at December 31, 2001 you should refer to notes 2I and 16 in our consolidated financial statements.

While we make extensive use of OTC contracts (rather than exchange-traded contracts), these contracts are highly liquid instruments where pricing inputs are readily available from independent sources. Changes in the value of derivative instruments are affected by changes in interest rates, gold lease rates, currency exchange rates and commodity prices.

Our hedging activities employ well established practices, which are subject to the oversight of the Finance Committee of the Board of Directors as discussed in more detail in note 16B to our consolidated financial statements. In addition, we maintain a separate compliance function to independently monitor and verify hedging activities and segregate duties of personnel responsible for entering into transactions from those responsible for recording transactions.

**COMMODITY PRICE RISK**

Our earnings and cash flows from operations depend on the margin above fixed and variable expenses at which we are able to sell gold. We expect that in the future, approximately half of our annual gold production will be sold under fixed-price spot deferred contracts, with the remainder sold on the spot market.

The spot price of gold has fluctuated substantially in recent years and depends on many factors, including worldwide demand for gold bullion, changes in economic conditions, political conditions, level of gold production and levels of central bank sales of gold. We enter into spot deferred contracts to establish prices for future gold production and to hedge against future volatility in gold prices. The key terms of these contracts and the contracts outstanding at December 31, 2001 are disclosed in note 16 to the consolidated financial statements. These contracts are accounted for as cash flow hedges and are not recorded on the balance sheet. The contracts are subject to the provisions of our master trading agreements with counterparties, which define the key terms and conditions. In particular, we are able to select a delivery date acceptable to us at any time over a period of up to 15 years, enabling us to sell our production at the higher of the sale price under the contract and the spot price of gold at the time the gold is produced. We are not subject to margin requirements should increases in the spot gold price result in a large unfavorable mark-to-market position. The master trading agreements impose various restrictions and covenants on us including: the maintenance of a consolidated net worth of at least $1.75 billion; outstanding commitments under gold contracts cannot exceed two-thirds of our proven and probable reserves; we must produce at least 1.5 million ounces of gold annually; and we are subject to restrictions related to the sale of certain assets.

While the mark-to-market positions under our commodity hedging contracts will fluctuate with commodity prices, as a producer, our liquidity exposure due to outstanding derivative instruments tends to increase when commodity prices increase. Consequently, we are most likely to have our largest unfavorable mark-to-market position in a high commodity price environment when it is least likely for a credit support requirement to occur.

We have run sensitivity tests on the impact on our liquidity if spot gold prices fell to $200 per ounce. Based on that analysis, if nothing else changed other than gold price, we would expect to have sufficient cash flow from operations to cover our cash operating costs, sustaining capital spending programs, existing debt repayments and dividends.

**INTEREST RATE RISK**

Our interest rate risk exposure primarily relates to changes in fair value of fixed rate debt obligations and borrowing costs on variable-rate obligations. Additionally, we have entered into interest rate swaps and total return swaps to manage the contango yield implicit in our spot deferred contracts, which result in increased sensitivity to changes in interest rates. Contrary to most businesses, we are adversely affected by lower interest rates rather than higher rates. In higher interest rate environments, we earn higher premiums for our spot deferred sales program because the forward price is primarily a function of US interest rates, as well as higher interest income on our cash balance. Of our current debt outstanding, 87 percent of the interest is fixed for the term of the debt, while that balance is primarily variable-rate bonds which bear lower interest rates.

**FOREIGN CURRENCY EXCHANGE RISK**

While we operate on four continents, we do not view currency fluctuations as a significant risk because our revenues and most of our cost base is denominated in United States dollars. Over half of the Company's production is based in North America, while most of our Peruvian and Tanzanian costs other than labor, such as diesel fuel, reagents and equipment are denominated in United States dollars. Australian production costs are primarily denominated in Australian dollars and therefore we have hedged approximately two years of local cash costs.

**CREDIT RISK**

In the normal course of business, we have performance obligations, which are supported by surety bonds or letters of credit. These obligations are primarily site restoration and dismantlement, royalty payments and exploration programs where governmental organizations require such support.

We believe that the factors given most weight in our "A" credit rating are: our market capitalization; the strength of our balance sheet, including the amount of net debt; our historical and future ability to generate free cash flow; the protection afforded to us by our hedging program; the quality and quantity of our gold reserves; and the geographic location of our assets. Changes in our credit rating would not affect our existing debt obligations or hedging contracts, but could impact the cost of borrowing under new financing agreements, as well as the length of our trading lines for new contracts.

We manage and control counterparty credit risk through established internal control procedures which are reviewed on an ongoing basis. We attempt to mitigate credit risk exposure to counterparties through formal credit policies and monitoring procedures. We diversify across approximately 20 counterparties having an average credit rating of "AA", which are well established bullion banks or large commercial banks. In the normal course of business, collateral is not required for financial instruments with credit risk. Historically, we have suffered minimal credit risk related losses.

**CRITICAL ACCOUNTING POLICIES**

Our accounting policies are described in note 2 to our consolidated financial statements. The enclosed consolidated financial statements are prepared in conformity with Canadian GAAP, which requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. We consider the following policies to be most critical in understanding the judgements that are involved in preparing our financial statements and the uncertainties that could impact our results of operations, financial condition and cash flows.

***Accounting for Derivative Instruments***

We have elected to treat our spot deferred commodity contracts and min-max options, as described in Note 2I to the notes to the consolidated financial statements, as cash flow hedges of financial risk exposures of anticipated future gold sales. Alternatively, we could have elected not to designate these contracts as cash flow hedges with the effect that they would be recorded on our balance sheet at their fair value with changes in fair value recorded in current period earnings.

***Property, plant and equipment***
In accordance with our accounting policy for property, plant and equipment, we capitalize costs incurred on properties where proven and probable reserves exist, or when sufficient objective evidence exists to support a conclusion that it is probable non-reserve material will be produced. Upon commencement of gold production, we amortize capitalized property acquisition and mine development costs under the units of production method.

The process of estimating quantities of gold reserves is complex, requiring significant decisions in the evaluation of all available geological, geophysical, engineering and economic data. The data for a given ore body may also change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions. As a result, material revisions to existing reserve estimates may occur from time to time. Although every reasonable effort is made to ensure that reserve estimates reported represent the most accurate assessments possible, the subjective decisions and variances in available data for each ore body make these estimates generally less precise than other estimates used in the preparation of the financial statements. Changes in reserve quantities would cause corresponding changes in amortization expense in periods subsequent to the quantity revision, and could result in impairment of the carrying amount of property, plant and equipment.

Changes in gold and silver prices from those assumed in preparing projections and forward-looking statements could cause our actual financial results to differ materially from projected financial results and can also impact our determination of reserves. In addition, periods of sharply lower commodity prices could affect our production levels and/or result in the impairment of property, plant and equipment. Additionally, low commodity prices could cause us to curtail capital spending projects and delay or defer exploration or development projects.

***Contingencies***
We account for contingencies in accordance with CICA Handbook Section 3290, *Contingencies.* Section 3290 requires that we record an estimated loss from a loss contingency when information available prior to issuance of our financial statements indicates that it is likely that a future event will confirm that an asset has been impaired or a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. Accounting for contingencies such as environmental, legal and income tax matters requires us to use our judgement to determine the amount to be recorded on our financial statements in connection with those contingencies.

**RISK FACTORS**
This management's discussion and analysis includes forward looking statements, relating to among other things, production, cash flows, costs, capital expenditures or other financial items. These statements also relate to our business strategy, goals and expectations concerning our market position, future operations, margins, profitability, liquidity and capital resources. We have used the words "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "will" and similar terms and phrases to identify forward looking statements. Although we believe the assumptions upon which these forward looking statements are based are reasonable, any of these assumptions could prove to be inaccurate and the forward-looking statements based on these assumptions could be incorrect. Our operations involve risks and uncertainties, many of which are outside our control, and any one of which, or a combination of which, could materially affect the results of our operations and whether the forward looking statements ultimately prove to be correct. Actual results and trends in the future may differ materially depending on a variety of factors including, but not limited to:

- changes in the prices of commodities which we produce or which we consume in connection with our operations;
- our ability to (1) successfully integrate acquisitions, including the Homestake merger, and (2) identify and complete future strategic acquisitions;
- adverse changes in our credit rating;
- changes in interest rates, gold lease rates and the condition of the capital markets;
- political developments in foreign countries;
- risks associated with foreign investments and operations;
- risks associated with mining, including unusual or unexpected formations, pressures, cave-ins or environmental hazards;
- federal, state and provincial environmental, economic, safety and other policies and regulations, any changes therein, and any legal or regulatory delays or other factors beyond our control;
- adverse rulings, judgements, or settlements in litigation or other legal or tax matters, including unexpected environmental remediation costs in excess of any reserves;
- continued exploration or development of projects may not be justified because of the commodity price environment at the time or because of the results of work completed and the amount of future development costs for such projects.

Many of these factors are described in greater detail in our Annual Information Form which is filed with the US Securities and Exchange Commission and Canadian provincial securities regulatory authorities.

**OUTLOOK**

While we cannot predict future performance, we believe considerable opportunities exist within our existing asset base for profitable growth, not only from our new projects but from our operating mines as well. We believe consolidation and rationalization of the gold industry will continue and with our strong balance sheet and substantial cash flows, we believe we are well positioned to participate if it adds value to our company.

For 2002, half of our production of 5.7 million ounces of gold is expected to be sold at $365 per ounce, with the balance at spot gold prices. With total cash costs of $167 per ounce, total production costs are expected to be $270 per ounce. In addition, the Company expects administration and exploration expenses to increase to $55 million and $52 million respectively, as result of the Homestake merger. Interest expense is expected to be $64 million, as the Company will no longer be capitalizing interest, with the completion of Bulyanhulu and Rodeo and the deferral of Pascua-Lama. Capital spending is expected to decrease to $228 million (excluding deferred stripping costs of $126 million). This would be the lowest level in 14 years, which, based on current gold prices, would result in the highest free cash flows in our history.

We enter 2002 with the strongest balance sheet in the gold mining industry, high-quality assets, a cash and short-term investment position of $733 million and virtually no net debt.

**NON-GAAP MEASURES**

We have included a measure of earnings before provision for mining properties because we believe that this information will assist investors' understanding of the level of our core earnings and to assess our performance in 2001 compared to the prior year. We believe that conventional measures of performance prepared in accordance with generally accepted accounting principles ("GAAP") do not fully illustrate our core earnings. These non-GAAP performance measures do not have any standardized meaning prescribed by GAAP and therefore are unlikely to be comparable to similar measures presented by other companies. They are furnished to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Below is a reconciliation of net income to these non-GAAP performance measures.

***Reconciliation of Net Income Before Provision to GAAP Net Income (Loss)***

Twelve months ended December 31, 2001, 2000, 1999

| *(in millions of US dollars)* | **2001** | 2000 | 1999 |
|---|---|---|---|
| Net income before provision | **$ 258** | $ 334 | $ 331 |
| Provision for mining assets (net of tax effects) | **-** | (1,100) | - |
| Net income (loss) for the year | **$ 258** | $ (766) | $ 331 |

We have included cash costs per ounce data because we understand that certain investors use this information to determine the Company's ability to generate cash flow for use in investing and other activities. We believe that conventional measures of performance prepared in accordance with GAAP do not fully illustrate the ability of the operating mines to generate cash flow. The data is furnished to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The measures are not necessarily indicative of operating profit or cash flow from operations as determined under GAAP.

We also make reference to the term "free cash flow", which we define as cash flow from operations less cash used in investing activities. This cash is available to reinvest in our business or to return to shareholders, either through dividends or share repurchases.

***Reconciliation of Total Cash Costs Per Ounce to Financial Statements***

Twelve months ended December 31, 2001, 2000, 1999

| *(in millions of United States dollars except per ounce amounts)* | **2001** | 2000 | 1999 |
|---|---|---|---|
| Operating costs per financial statements | **$ 621** | $ 550 | $ 516 |
| Reclamation and closure costs | **(17)** | (13) | (21) |
| Operating costs for per ounce calculation | **$ 604** | $ 537 | $ 495 |
| Ounces sold (thousands) | **3,772** | 3,693 | 3,693 |
| Total cash costs per ounce | **$ 160** | $ 145 | $ 134 |

Total cash costs per ounce data is calculated in accordance with The Gold Institute Production Cost Standard (the "Standard"). The Gold Institute is a worldwide association of suppliers of gold and gold products and includes leading North American gold producers. Adoption of the Standard is voluntary, and the data presented may not be comparable to data presented by other gold producers. Cash costs per ounce are derived from amounts included in the Statements of Income and include mine site operating costs such as mining, processing, administration, royalties and production taxes, but exclude amortization, reclamation costs, financing costs, and capital, development and exploration costs.

**QUARTERLY INFORMATION**

In millions (except per share data)

| | | March | | June | | Sept. | | Dec. |
|---|---|---|---|---|---|---|---|---|
| (Canadian GAAP basis) | **2001** | 2000 | **2001** | 2000 | **2001** | 2000 | **2001** | 2000 |
| Gold sales | **$ 304** | $ 318 | **$ 333** | $ 323 | **$ 317** | $ 312 | **$ 328** | $377 |
| Net income (loss) before provision | **72** | 72 | **66** | 72 | **66** | 86 | **54** | 104 |
| Net income (loss) | **72** | 72 | **66** | 72 | **66** | 86 | **54** | (996) |
| Net income (loss) per share before provision | | | | | | | | |
| Basic and diluted | **0.18** | 0.18 | **0.17** | 0.18 | **0.17** | 0.22 | **0.13** | 0.26 |
| Net income (loss) per share | | | | | | | | |
| Basic and diluted | **0.18** | 0.18 | **0.17** | 0.18 | **0.17** | 0.22 | **0.13** | (2.51) |