

Focus on Cost Containment

Our ability to mitigate cost pressures is primarily based on our execution of three highly complementary strategies: Supply Chain Management; Continuous Improvement; and Currency and Commodity Risk Management. We take a proactive approach, looking well down the horizon and enhancing these strategies to address emerging trends.

While the gold industry enjoyed rising gold prices in 2007, it continued to face rising costs as well, driven largely by higher expenditures on energy and consumables, competition for equipment and personnel, and increased activity in more remote regions of the world.

For any mining company, the ability to contain costs is now a determining factor in long-term success. We execute three Company-wide strategies to monitor evolving cost challenges and to position us to meet them effectively. Each strategy reinforces the others, creating an effective response whose total impact is greater than the sum of its parts.

Supply Chain Management

Barrick has the breadth and scale to seek out the mutually beneficial long-term relationships for the equipment, supplies and services that we need, and to obtain them dependably through long-term supply arrangements.

Our Supply Chain Management (SCM) is built on a close relationship with our key suppliers through our innovative Supplier Advisory Council. We work with the Supplier Advisory Council to build strong partnerships and improve long-term supply strategies. In 2007, the Council helped us refine 19 SCM processes, including inventory optimization, standardization and low-cost country sourcing.

We also coordinate purchases at the appropriate level for the greatest total savings. Some purchases (e.g. tires, chemical reagents) are managed through our global purchasing team, while others are handled within each region.

Continuous Improvement

Like SCM, Continuous Improvement (CI) is a Company-wide, cross-functional program. It focuses on ways to make equipment and supplies last longer, and to raise operating efficiencies. It's an ongoing process, involving

multi-disciplinary teams at every site who cross-reference throughout the Company.

Local teams identify improvement opportunities and then realize them by developing and implementing specific CI initiatives. Over time, initiatives reinforce each other for greater total impact. They are also codified and shared with others as best practices. In 2007, for example, Veladero's maintenance team adopted a Pierina best practice and reduced changeover time for crusher liners from 14 to just 6 hours.

Other CI successes during the year included developing a process to reduce ore loss and dilution after blasting; making underground ventilation more energy-efficient at Osborne by adjusting the pitch of underground fans; reducing light fuel consumption 12% at Bulyanhulu by installing a simple additional part in the vehicles' air filter systems; and improving driver-training effectiveness at Plutonic by installing a camera and video screen in the operator's cabin.

Commodity and Currency Risk Management

We have continued our proactive approach to managing our currency and commodity risk. Our currency program has mainly focused on Australian and Canadian dollars, as these currencies make up the greater part of our non-USD spend. We work closely with Supply Chain Management to monitor new commodity exposures and use financial contracts to manage price risks for such exposures. For example, we have hedges in place for diesel fuel. These financial hedges have terms similar to our supply contracts, and have allowed us to reduce our input costs considerably. More recently, we have entered into electricity and natural gas hedges for our Western 102 plant, which have significantly reduced the power costs of our Goldstrike mine.

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Cost Containment in Action: Strategies for Tire Supply and Savings



Goldstrike's tire saving program increased tire life 80% in its first three years of operation. COO Peter Kinver (left) and Goldstrike's Manager of Safety and Health, Tom Bassier (center) confer with General Supervisor of Mine Operations, Bimbo Jones, who oversees tire repair and reconstruction processes at all Barrick sites.

Tires are a critical component for mining and one of the largest single procurement expenses. An expansion in the mining and construction industries has caused demand to outstrip supply. Prices on the open market or in Internet auctions have been up to eight times as much as those agreed to in one of Barrick's long-term contracts.

Through their interrelated strategies, Continuous Improvement and Supply Chain Management have substantially mitigated the impact of the global tire shortage on our costs. The CI program helps reduce Company costs by reducing the rate at which tires are consumed,

while SCM uses our purchasing power to ensure a more dependable supply of new tires, at predictable prices.

We have developed a mix of innovative strategies to achieve these results. For example:

- We have negotiated long-term contracts with major manufacturers to provide increased supply allocations and predictable pricing. One of the most innovative of the tire SCM programs is the vertical integration arrangement finalized in early 2008 with Yokohama Rubber Co. Ltd. of Japan. Barrick will provide them with partial financing for plant expansion,

and in return has secured a supply of high quality tires (potentially more than \$200-million worth) for our operations and projects.

- We make tires last longer through maintenance and management strategies, including redesigned haul routes and dumping procedures; tire care training for drivers; optimal truck speed; scrupulous roadway maintenance; and high quality on-site tire repairs.
- Our sites share tire inventory as required, sending radials from South America to Tanzania, for example, and haul truck tires from Porgera to Cowal.