

## Message from the President and Chief Executive Officer



Five years ago we refocused our strategy to position Barrick to benefit from an emerging bull market for gold. In 2007, our efforts paid off as prices for the yellow metal moved to 27-year highs, before setting new records in early 2008.

Since January 2007, our share price has outperformed exchange traded gold funds, the benchmark Philadelphia gold index and our peer group. Increasingly, investors are recognizing that Barrick has the strength, breadth and scale to maximize the value of a world-class suite of mines and projects.

We celebrate our 25th anniversary having become the leader in the gold mining industry, with roughly 125 million ounces of gold reserves and 51 million ounces of measured and indicated resources located on some of the most prolific gold belts in the world. The Company's 27 operating mines are concentrated in clusters across five continents. In spite of industry-wide cost pressures, Barrick remains a lower cost producer. As the gold price has exploded, so too have our margins, resulting in strong earnings and operating cash flows.

Barrick has distinguished itself as a company offering investors significant leverage to the gold price. We have consistently invested in our business, our people and the communities where we operate. Barrick's proven track record of execution sets us apart and our share price performance reflects that value. We have met our production and cost guidance for five years running, an increasingly rare achievement in our industry.

Barrick's value is tangible today, and sustainable tomorrow, just as gold's fundamentals are stronger than ever. Worldwide supply from mine production has become constrained at the same time gold is re-emerging as a legitimate and important investment class. Since their introduction, exchange traded gold funds have grown exponentially and are now valued at over \$25 billion worldwide. Demand for gold jewelry in emerging economies reached record levels, as economic growth generated higher levels of disposable income.

Gold's prestige and appeal is continuing to grow in countries such as India and China, where a rapidly expanding middle class is accumulating wealth on an unprecedented scale.

At the same time as physical demand and constrained supply from gold mines are driving the gold price higher, the sub-prime mortgage crisis in the United States and the ensuing credit crunch have led to a slowdown in the U.S. economy. As a result, interest rates are falling despite inflationary pressures driven by high energy costs, high food costs and strong commodity prices. This unusual convergence of economic circumstances will likely drive continued demand as investors seek to preserve capital.

These economic realities, and the subsequent re-rating of investment risk, have benefited Barrick, as the benchmark company in the gold industry. However, an increasingly complex operating environment has tempered some of that optimism. Major new discoveries are scarce and for many companies, replacing reserves is a challenge. Containing costs has proven difficult in an environment of rising costs for consumables and competition for industry professionals. Timelines for permitting new mines are extending and capital costs are rising across the industry. The nature and scale of new projects have changed. Increased complexity demands a greater degree of sophistication and experience in project development to ensure successful execution.

Barrick's competitive advantage is its strength, breadth and scale. The Company has the financial muscle and the human capital to execute on its development plans. With the acquisition of Placer Dome in 2006, we reached critical mass, positioning the Company to meet these industry challenges head on. Our project pipeline is unparalleled, comprised of some of the world's largest

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# STRATEGY INVESTMENT EXECUTION RESERVES

and most attractive gold projects. The depth of our pipeline gives us the flexibility to stage development and optimize project design. In 2007, we significantly advanced many of these projects and we expect new production to come on stream in 2009.

Last year we more than replaced reserves, which now stand at almost 125 million ounces of gold. More importantly, we significantly increased our measured and indicated resources by 45 per cent to nearly 51 million ounces. Barrick achieved this through significant investment in exploration on proven land positions within our portfolio. In addition, we made several bolt-on acquisitions that will further strengthen our project pipeline for the future.

Our cash costs did increase in 2007, primarily due to mine sequencing, which resulted in mining below reserve grade. While we were not immune to inflationary pressures, we were able to contain costs through a variety of innovative continuous improvement initiatives, proactive supply chain management, commodity and currency hedging and investments in cost-effective energy projects. We leverage our global network of mines and projects and implement best practices across the organization. Barrick also continues to benefit from synergies resulting from our acquisition of Placer Dome.

We are embracing our role as the gold industry leader with a strategy to make Barrick the employer of choice. In the same way we are competing for assets and capital, we are competing for the most qualified, experienced professionals in the business. We have to offer employees the benefits and the opportunities for personal and professional development that they expect from an industry leader. In 2007, we continued our focus on achieving a zero-incident safety culture with innovative enhancements to our safety and health systems. We offered leadership training to employees around the world and we made plans to enhance our development programs for recent graduates.

The Company is celebrating its 25th anniversary in 2008. On this occasion, the Barrick team is taking pride in our

achievements, our values and the principles that created this great company. Together, we can look forward to a bright future, with a vision of being the best and a clear plan to get there.

Like our strategy of investing in people, we believe the communities where we operate are our partners. They benefit from mining and we benefit through collaborative working relationships. As a mining company, we develop natural resources and it is imperative that we recognize the legitimate rights of communities where those resources are located. Likewise, we must continue to be responsible environmental stewards, as we have been from our very beginning as a gold miner. In 2007, we developed site-level community engagement and sustainable development plans that will help us build stronger relationships with our host countries. In doing so, we are paving the way for successful, mutually beneficial mine development in an environmentally responsible way.

In our view, the fundamentals for gold have never been stronger. At the same time, Barrick is stronger than ever, with the industry’s only A-rated balance sheet, the largest reserves, substantial mineral resources and the deepest project pipeline. Our margins are rapidly expanding on the industry’s largest production base, supported by a focused effort to contain costs. Our strategy of investing in people, projects and communities positions us to offer our shareholders strong leverage to the gold price as well as other metals in our project pipeline. It’s an exciting time to be in mining, and Barrick exemplifies the potential that investors see in our industry. Our robust share price performance reflects the fundamental value of our quality reserves, our projects and most importantly, our proven ability to deliver results.



**Gregory C. Wilkins**  
President and Chief Executive Officer