

Letter to Shareholders



Peter Munk, Chairman (left)
Gregory C. Wilkins,
President and Chief Executive Officer

Dear Shareholders,

2006 was a dynamic year for the gold mining industry, and a banner year for Barrick. We saw a wave of industry consolidation and historically high gold prices, coupled with robust demand and flat supply. This comes at a time when global interest in gold as an alternate investment is on the rise.

The yellow metal has been trading higher in United States dollar terms, but also against other major global currencies, an encouraging indicator for gold. However, while higher gold prices have attracted capital to the sector, few new discoveries have been found. Over the next three years, new

gold projects around the world are unlikely to replace production declines across the industry. This growing discrepancy between gold supply and demand should have a profound impact on our industry and we believe Barrick is strategically positioned to leverage the opportunities that lie ahead.

For the industry as a whole, new projects are characterized by higher capital and operating costs, significantly longer timelines for development, more rigorous regulatory and public scrutiny, and in most cases, by lower grades.

We have worked steadily to prepare Barrick for this new environment. We have the strength, breadth and scale, coupled with the financial resources, to maintain a comprehensive exploration program, optimize our portfolio of operating mines and advance our pipeline of quality projects. It is this project pipeline, unrivalled in the gold mining industry, which also sets Barrick apart from its competitors.

In 2006 we laid much of the ground work for our future. The acquisition of Placer Dome and a strong performance from Barrick's four newest gold mines led to record levels of gold production, which combined with strong gold and copper prices to produce the best financial results in Barrick's history. The Company also effectively completed the integration of Placer Dome to establish itself as the pre-eminent gold producer.

Record results for Barrick in 2006:

- Gold production for the year was 8.6 million ounces, at total cash costs per ounce of \$282, meeting our original guidance;
- Copper production was 367 million pounds, exceeding our original production guidance, at total cash costs of \$0.79 per pound;
- Earnings per share increased 136 per cent to \$1.77; and
- Cash flow per share from operations rose 84 per cent to \$2.48.

The average spot gold price in 2006 increased 36 per cent, but Barrick earnings and operating cash flow per share increased by multiples of that percentage. This demonstrates the excellent leverage our earnings and cash flow have to movements in gold price. Our results also benefited from newly acquired copper production, and higher copper prices, which rose 83 per cent over 2005.

These strong financial results were achieved in spite of the fact that we incurred significant costs in voluntarily reducing our forward sales contracts. During the year the legacy Placer Dome hedge book was eliminated, and by February 2007, we had also completely eliminated Barrick's fixed price corporate gold sales contracts. As a result of these deliveries, the Company expects to incur an after-tax cost of \$564 million in the first quarter of 2007, and \$65 million in the second quarter. From second quarter 2007 onwards, all gold production from our operating mines will be sold into the spot market. The remaining project gold sales contracts serve as price support to optimize financing for our major projects, including Pascua-Lama and Pueblo Viejo.

We repositioned our portfolio of operating mines by selling certain Placer Dome assets for \$3.1 billion. We were able to obtain significant value for the assets by selling them to companies better positioned to maximize synergies with their own operations. The capital will be redeployed into building our new projects, which offer greater upside potential and lower cash costs for our shareholders.

2006 was the first full year of operations for three of the Company's newest mines: Lagunas Norte, Veladero, and Tulawaka. All three turned in solid performances, meeting their targets for the year. The Cowal mine, the fourth in this suite of new mines, was commissioned in April 2006.

“The challenges are complex, but the opportunities are very great. We have the people, assets and discipline to achieve our targets and generate strong financial results.”

We advanced each of the Company’s four significant projects: Cortez Hills in Nevada, Pascua-Lama on the border of Chile and Argentina, Pueblo Viejo in the Dominican Republic, and Donlin Creek in Alaska. At Cortez Hills, our most advanced project, we are currently working to secure permits for the development of the proposed mine. Pascua-Lama received the necessary approvals of the Environmental Impact Assessment from both the Chilean and Argentinean governments. The Pueblo Viejo project benefited from exploration drilling that increased reserves by 35 per cent to 18.1 million ounces of gold (100 per cent basis). At Donlin Creek, we are on track to complete a feasibility study and satisfy the terms of the joint-venture agreement to increase our interest to 70 per cent.

Barrick acquired a 37.5 per cent interest in the Reko Diq property in Pakistan, through the joint acquisition of Tethyan Copper Company in partnership with Antofagasta plc. This provides the Company with an interest in a very large copper-gold district which has the potential to become a major source of production in the future.

During the year we took advantage of favorable financing conditions in the debt market to issue innovative copper-linked notes. These notes raised \$1 billion while locking in an attractive average price (over \$3 per pound) for roughly one-third of

our copper production for the next three years. Proceeds from the notes will be used to build our pipeline of gold projects – Barrick’s core business.

There are also a number of intangibles that contributed to our successes in 2006. We know successful companies thrive over time largely because they have attracted, retained and motivated the best talent in their industry. We believe that Barrick has a management team and a workforce second to none in the industry. Our employees are motivated and dedicated to making our strategic vision a reality. It is their drive and perseverance that have made the Company what it is today.

We also recognize that good corporate citizenship is also good business. In fact, it is essential to achieve long-term business sustainability. Barrick has always been a pioneer and a leader in corporate social responsibility. The Company’s philosophy of responsible mining represents a commitment to share the benefits of mining with the communities where we live and work.

Barrick in 2007:

Strength now, and into the future

In 2007 we anticipate gold production will be slightly lower and operating costs higher than last year. Production is expected to be 8.1 to 8.4 million ounces at total cash costs of \$335 to \$350 per ounce.

A substantial portion of the cash cost increase is attributable to mining at below reserve grade in 2007 as planned.

Inflationary pressures felt across the mining industry have also had an impact on industry-wide cash costs; however, the Company's cost containment programs have helped to mitigate the impact on Barrick. As cost pressures begin to stabilize in 2007, we do not expect to see similar increases in 2008.

The Company has already poured gold at the new Ruby Hill mine in Nevada and throughout 2007 we will continue advancing our projects, which represent the strongest pipeline in the industry. As envisioned, many of Barrick's projects have the potential to become large, long-life producers. However, as we noted earlier, these projects entail lengthy permitting timeframes, and as significant projects, take time to build to our standards.

The challenges going forward are many and complex – but the opportunities are also very great. The Company remains positive on the outlook for gold price, and we have the people, the assets, and the discipline to continue to achieve our targets, replace our reserves, build new mines, and generate strong financial results.

Further, we recognize that our share price performance needs to improve relative to the gold price and we believe that the market will recognize the latent value in our assets and the pipeline of projects for the benefit of our shareholders.

Lastly, before closing, we wish to pay tribute to a Company director who has helped to shape and guide Barrick's success over the years. Joseph Rotman, one of our founding shareholders and directors, retires from our Board in 2007. He has been a valued director, friend, and colleague since 1983. We will miss his wise counsel.



Peter Munk
Chairman



Gregory C. Wilkins
President and Chief
Executive Officer