

Notes For Remarks to The Melbourne Mining Club

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Facing Reality

Good afternoon ladies and gentlemen. I want to thank you for the opportunity to speak here today.

Gold is a part of the fabric and history of this country. Based on my understanding, the first recorded gold find in Australia was almost two hundred years ago, near Bathurst, in 1814. The early 1850s saw the first gold rush at Clunes, Castlemaine and Ballarat here in Victoria, and became the driver for the late 19th century growth of Melbourne.

Australians have sought gold, found it, mined it and profited from it. Like Canada, Australia, has used its natural resources to develop its economy, provide jobs and achieve prosperity.

Gold, which has been a part of history since ancient times, somehow manages to evolve with time as well. And while it is still the foundation of the jewelry industry, today it also performs critical functions in computers, communications equipment, spacecraft, and jet engines but more importantly it is reasserting itself as an important financial asset. Gold is as prized and sought after as it ever was but it is increasingly more difficult to find and develop, which in turn will over time only enhance its allure. Australia is currently the world's second largest producer of gold. And Australia is a more recent but important part of Barrick's future success.

Barrick is just 23 years old and has grown in that time to become the world's leading gold producer, headquartered in Toronto, and Canada's 10th largest company on the Toronto Stock Exchange and one of its leading foreign investors.

Let me give you a brief background to Barrick and how we got here. Peter Munk founded the company in 1983, in a small office in Toronto. Many of you may not be aware, but Barrick owes its start indirectly to Australia. Peter Munk and his partners owned the South Pacific Hotel Corporation during the 1970's and grew the business into a branded hotel chain comprising some sixty-five Travelodge properties.

In 1980, he sold the business and came back to Toronto. From a small capital base Peter chose to invest in the gold mining industry. Recognizing some key trends, the consummate entrepreneur was unfazed by the challenges of entering into a mature industry with nothing but a dream, entrepreneurial optimism and a bit of capital.

We were what you might call a second-tier junior. As testimony: just imagine that I was the most technical and mining-oriented person on staff....I was an accountant who had once visited a mine!

Just twenty three years later, we're the world's preeminent gold company. How did it happen? After a few small transactions, we actually had a mine management team. In 1987 we acquired the Goldstrike mine in Nevada. What was then a modest heap leach operation - with some 600,000 ounces of gold reserves - turned into our flagship operation, yielding over 30 million ounces in production since

that time. And there are still about 20 million ounces to be mined at Goldstrike! Further acquisitions in the 1990s gave us a strong presence in South America, and later Africa.

However there's no doubt, our 2001 merger with Homestake Mining was a major milestone in Barrick's history. It was a company with a lot of history, listed since 1876 on the New York Stock Exchange, the only company listed from that time that was still in its original business. From Homestake, we picked up new mines in North and South America. But it also marked Barrick's arrival in Australia.

Since then, our \$10.0 billion acquisition of Placer Dome has propelled Barrick to the industry's preeminent spot, consolidating an impressive set of assets across five continents.

Today that means 27 operating mines, seven projects in the pipeline, a \$25 billion market cap and some 27,000 of the best minds in the industry.

Our Australia Pacific region now boasts 10 producing mines and production this year is expected to be about 2.2 million ounces.

But as I reflected on the long flight to Australia I thought I would share with you three stark realities that we see facing the gold mining industry today. The successful companies will be those that recognize these realities, and focus on how to best manage the issues they present.

What are they?

Number one is Growth: Global gold production is stagnant at a time when investors are demanding growth. So promises are made but will they be kept?

Number two, Complexity: Finding, acquiring and developing projects in today's world is an increasingly complex and time-consuming proposition. Stakeholder relations are far more complicated and opposition is often fierce, quite sophisticated and well-funded. The result is that even good projects may not be built, or at best on a much longer timeline.

And number three, Costs: Unfortunately higher capital and operating costs have offset much of the higher gold prices, such that the economics of the business haven't benefited all that much. Those costs are being driven in part by skilled labour shortages and increasingly scarce resources...challenges well known here in Australia.

I attended the Merrill Lynch Conference a couple weeks ago in Toronto, along with executives from many other gold mining companies - big and small, exploration and producing companies. It was exciting because there's a lot of buzz in the industry today, everyone's talking about what's next; they're looking to the future. But what does all that buzz mean? Is there substance behind all of the projections of growth?

When you listen to gold industry executives talk about their companies, they focus on growth, both in the immediate term and in the future. In almost every case, they point to expanding production and increasing reserves and resources. Unlimited growth is almost taken for granted.

But let's hold on a second, and examine the reality because gold production is not growing. In fact, we know that global gold supply is flat, and it may even be declining.

Production from mines in 2006 is forecast at 2,524 tonnes, which is essentially flat compared with 2005.

In the first half of 2006 world mine production fell by 1.5 per cent. These declines were led by some of the world's largest gold-producing nations, including South Africa, Australia and United States. And looking into the future I think the rate of decline may increase given the age of the producing mines, costs and challenges to new development.

So when you hear every gold company out there promising growth, you've got to ask, where is it coming from and how does that jive with the overall decline for the industry? I think companies in mature industries fail or flourish based on their strategies and the quality of their execution. The reality is people avoid accounting for the impact of depletion.

At Barrick, we recognized this trend quite some time ago, and we recognized that our shareholders expect a growth profile regardless of world supply.

This issue really permeates everything we do and if you look at Barrick's history, you'll see a consistent track record of acquiring and developing projects and investing in exploration with a steady focus on replacing and growing reserves and resources.

Let me outline a few areas where Barrick is delivering results on growth. I think you'll see we are one company that is walking the talk when it comes to challenges on this front.

Our acquisition of Placer Dome vaulted Barrick to a premier spot in the gold industry and positioned us with the size, breadth and scale we need to be a successful global player. In 2006 we expect to produce about 8.6 million ounces plus of gold and as a result of the Placer deal, and our reserves increased significantly to 139 million ounces.

We acted decisively with our offer for Placer, we saw an opportunity to realize synergies and create shareholder value, and we seized it. In today's gold business, fortune favors the bold!

At the same time, it made sense to sell Placer's Canadian assets to Goldcorp, and so we did. We recognized that Goldcorp could create more value with these assets than Barrick, given the proximity of their other principal assets and the potential synergies.

Really, the same rationale is behind the recent decision to sell our 50 per cent stake in South Deep to Gold Fields. Gold Fields has extensive expertise in deep level underground mining and its flagship operation is adjacent to South Deep.

Barrick is focusing on growth opportunities that fit our strategic profile. We're in the midst of an offer for NovaGold Resources. The offer for NovaGold is a follow-on step to the Placer acquisition as it allows us to consolidate the ownership of Donlin Creek and gives us another major copper/gold project in Canada.

Aside from acquisition opportunities, Barrick has always focused on growth through robust exploration and development programs. Since April 2005 we have brought four new mines into production and we continue to pursue our unrivalled pipeline of projects.

Actually, one of the reasons for my visit to Australia was to participate in the official opening of the Cowal gold mine in New South Wales along with New South Wales Premier Morris Iemma. The opening of Cowal as well as our other new mines, are really unprecedented achievements in our industry, and I am extremely proud of our team.

Simple economics says decreasing or flat gold supply means good news for the gold price. We continue to be bullish on gold price for this reason. Gold Fields Mineral Services, the gold industry statistics bible, still predicts gold could clear \$700 an ounce again before the end of the year. Notwithstanding yesterday's gold price set back, volatility is certainly a feature of gold prices today.

Sure that's good news for Barrick, and it's good news for those well positioned in the industry. But if you're running out of reserves, it doesn't matter what the gold price does. That's what's driving the wave of industry consolidation we've seen over the last year and I think you'll see that trend continue. It's a race to secure existing reserves and resources, as well as the growth that the market craves. It's a race to remain competitive. For many companies, the choice is to consolidate, or be consolidated. And at Barrick we decided to take control of our own destiny.

The second reality is complexity. We are only too well aware of this issue having opened four new mines with a couple of others in the permitting process today. Discoveries have always been hard to come by, and as we all know too well the easy ones have been found. So for today we'll take it as "table stakes" that exploration is tough and is moving us into increasingly difficult environments. If only it was as simple as finding gold in the ground, and digging it up, that would be easy. The rules of the game have become far more complicated than they ever were.

An economic discovery is no longer a guarantee of a new mine - we have already seen the institutional, well-funded NGO opposition kill plans for development. The standard of care for responsible mining is rising and leaders in the industry will have to respond to the challenge.

To secure future growth, you need to be adept at moving projects from discovery to production...from 'core to pour'.

The process involves permitting and government relations, community dialogue and engagement and often very significant financial capital and infrastructure expenditures, not to mention the human capital to get it all done. It takes the size, breadth and scale of Barrick to be successful and even with that advantage the timeline for projects has increased dramatically.

This trend can well be illustrated by the Cowal mine in New South Wales.

Cowal was an economic discovery with about two and a half million ounces of proven and probable reserves which took 23 years to bring to fruition. In fact it was discovered the same year Barrick was founded. It faced an unprecedented level of resistance from a small but determined opposition.

It really underscored the increasing importance of high standards of responsible mining. At Barrick, we are committed to applying best practices at all of our mines, in many cases above and beyond what local law requires.

For example, Cowal became the first operation in the world to be certified under the new International Cyanide Management Code, a voluntary program developed under the auspices of the United Nations with strict guidelines designed to ensure that cyanide is handled in a safe and responsible manner.

We also started a dialogue with the local community and environmental stakeholders years before construction began in January 2004.

In 2003, Barrick signed a Native Title Agreement with the Wiradjuri community that provides for the promotion and protection of Wiradjuri cultural heritage in the Cowal area while ensuring a wide range of benefits for the community.

These include scholarships and apprenticeships to study business and mining and an annual grant provided by Barrick for the creation of a Center for Wiradjuri Studies to promote and enhance local culture.

In addition to this agreement, the Lake Cowal Foundation was established in 2000 to protect and enhance the environment in the Lake Cowal area. Supported largely by Barrick, the first major project involved the planting of some 50,000 native trees in the areas around the lakeshore, for which the Foundation has already been recognized with a Landcare Award last year.

In the community, the Cowal Project Team has worked with local businesses to ensure that mine development will benefit the local economy. Salaries are projected to total AUS\$18 million a year. In addition, direct mine expenditure will be approximately AUS\$110 million per year.

Already, Barrick has received some recognition for its efforts. At the New South Wales Minerals Council Environment and Community Excellence Awards held on Sept. 10, Barrick was honored to receive the Community Award and the People's Choice Award for outstanding performance in the area of community engagement.

Plus, a recent public opinion poll conducted in the local community also showed that 81 per cent of respondents support the mine, and only three per cent are opposed to it.

However, these initiatives develop over years, through ongoing consultations with our stakeholders. They require a huge commitment on the part of the company. Barrick has always prided itself on a culture of social responsibility that recognizes mining should be mutually beneficial to the communities where we live and work and to shareholders at large. To be successful in today's mining climate, you have to recognize this. But we're talking about major commitments of time and resources, millions of dollars and the hard work of employees around the world.

In every case, we tailor our initiatives to the needs of the local community. That might also include schools and hospitals, infrastructure to supply safe drinking water, agricultural and economic skills training programs or providing anti-retroviral treatment to employees who are affected by HIV/AIDS.

We are diligent in balancing our interests with the interests of the world around us. All of these complex socio-economic issues are an important part of building a mine, just as important as drilling exploration holes and putting together mining plans.

The final reality I want to discuss today is a challenge for every company in our industry and that is increasing costs. No need to dwell on this as we in the mining industry live with it every day.

In fact, I came across a Dow Jones story this morning commenting that cost pressures are taking their toll causing delays and throwing other projects in doubt. This is a worldwide issue.

Raw materials, commodities and labour costs are all increasing. Barrick has always put a real emphasis on mitigating costs because we recognize the impact they have on the business. Today we've been talking about growth through reserves and resources, but if cash costs are increasing and your margins are shrinking, you won't be realizing the full value of that growth.

Across Barrick, this cost pressure is very noticeable in Australia. As you all know, competition for labour in this country's mining industry is fierce. Companies are competing for skilled workers, and there is a serious shortage here.

We need to work on smarter and more flexible employment packages, and enhanced training and development programs. But the underlying success in attracting and retaining employees will be based on our company culture. We need to maintain a high performance culture that truly engages people, and rewards them for the work they do. In a highly competitive labour market, this is a cost of doing business.

Barrick continues to be focused on mitigating costs; we want to remain the lowest cost producer among the senior gold producers. To achieve this, we need to maintain our focus on our culture of continuous improvement. We need to be vigilant in our efforts to control our expenditures.

Increasingly we are embedding this in the culture of the organization. To Continually Improve is one of our Core Values, and we've developed a number of programs to make sure we do just that. Our annual operations review process involves visiting every mine site to identify possible synergies and to look for more efficient ways of doing things. In some cases we can't always prevent rising costs, but we can mitigate them. And I think we've been successful at doing just that.

By mitigating the effects of cost increases in this high gold price environment, we continue to expand our margins and generate higher earnings and cash flow for our shareholders, which of course in the end is what it's all about.

So there you have it. Growth at a time when world gold production is flat to declining, the complexity of building new mines and increasing costs...there are the three realities that no gold company can avoid.

From my perspective, Barrick is tackling each one of these challenges head on. I think to be successful, we have to. And if we can sustain these efforts, the future looks bright for Barrick. It's hard to say what any company will look like in 10 years, but I'm confident that we're going to achieve our vision of becoming the world's best gold company. Not only that, I hope we will be recognized as one of the world's best companies, period.

Our people understand that. Our strength, scale and track record show that we can meet our challenges successfully. We are confident that Australia will contribute to Barrick in that effort and we are committed to what Barrick will contribute to Australia in return.

Thank you very much.