MEADOW VALLEY CORP
Form DEF 14A
May 09, 2007

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**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**
**INFORMATION REQUIRED IN PROXY STATEMENT**
**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to §240.14a-12

MEADOW VALLEY CORPORATION

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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**MEADOW VALLEY CORPORATION**
**4602 E. Thomas Road**
**Phoenix, Arizona 85018**
**Telephone: (602) 437-5400**
**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS**
**TO BE HELD ON JUNE 11, 2007**

To the Shareholders of Meadow Valley Corporation:

The 2007 Annual Meeting of Shareholders of Meadow Valley Corporation, a Nevada corporation (the Company ), will be held at 4602 East Thomas Road, Phoenix, Arizona, at 12:00 p.m., Arizona time, on June 11, 2007, for the following purposes:

1. To elect two Class C directors to serve for three-year terms;

2. To ratify the selection of Semple, Marchal & Cooper, LLP as the independent registered public accounting firm for the Company for 2007;

3. To consider a proposal introduced by a shareholder to act in the most expeditious manner, consistent with effective tax considerations, to liquidate the Company s investment in Ready Mix, Inc. and distribute the proceeds to the Company s shareholders; and

4. To transact such other business as may properly come before the meeting.

Details relating to the above matters are set forth in the attached Proxy Statement. All shareholders of record of the Company as of the close of business on April 4, 2007, will be entitled to notice of and to vote at such meeting or at any adjournment or postponement thereof.

Management of the Company cordially invites you to attend the annual meeting. Your attention is directed to the attached proxy statement for a discussion of the foregoing proposals and the reasons why the board of directors encourages you to vote for approval of proposals 1 and 2 and against proposal 3. A copy of the Company s 2006 Annual Report, which includes audited financial statements, was mailed with this notice and proxy statement to all shareholders of record on the record date.

BY ORDER OF THE BOARD OF DIRECTORS

/s/ Bradley E. Larson

Bradley E. Larson
Chief Executive Officer

May 9, 2007

**IMPORTANT: IF YOU DO NOT PLAN TO ATTEND THE MEETING, YOU ARE URGED TO SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY. A REPLY CARD IS ENCLOSED FOR YOUR CONVENIENCE. THE GIVING OF A PROXY WILL NOT AFFECT YOUR RIGHT TO VOTE IN PERSON IF YOU ATTEND THE MEETING.**

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**MEADOW VALLEY CORPORATION**
**4602 E. Thomas Road**
**Phoenix, Arizona 85018**
**Telephone: (602) 437-5400**

**PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS**
**TO BE HELD ON JUNE 11, 2007**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of Meadow Valley Corporation, a Nevada corporation (the Company ), to be used at the 2007 Annual Meeting of Shareholders of the Company ( Annual Meeting ) to be held at 4602 East Thomas Road, Phoenix, Arizona, at 12:00 p.m., Arizona time, on June 11, 2007, or at any adjournment or postponement thereof. The Company anticipates that this Proxy Statement and the accompanying form of proxy will be first mailed or given to shareholders of the Company on or about May 9, 2007.

**Meeting Agenda**

At the Annual Meeting, you will be asked to elect two Class C directors to serve for three-year terms, ratify the selection of Semple, Marchal & Cooper, LLP as the independent registered public accounting firm for the Company for 2007, consider the shareholder proposal to act in the most expeditious manner, consistent with effective tax considerations, to liquidate the Company s investment in Ready Mix, Inc. and distribute the proceeds to the Company s shareholders (the Shareholder Proposal ), and transact such other business as may properly come before the meeting or any postponement(s) or adjournment(s) thereof.

**Record Versus Beneficial Ownership of Shares**

If your shares are registered directly in your name with our transfer agent, Corporate Stock Transfer, you are considered, with respect to those shares, the shareholder of record. If you are a shareholder of record, we sent our Notice of Annual Meeting of Shareholders, Proxy Statement, Proxy Card and Annual Report to Shareholders directly to you.

If your shares are held in a stock brokerage account or by a bank or other holder of record, you are considered the beneficial owner of shares held in street name. In that case, our Notice of Annual Meeting of Shareholders, Proxy Statement, Proxy Card and Annual Report to Shareholders have been forwarded to you by your broker, bank or other holder of record who is considered, with respect to those shares, the shareholder of record. Your broker, bank or other holder of record will also send you instructions on how to vote. If you have not heard from your broker, bank or other holder of record who holds your stock, please contact them as soon as possible.

**Record Date and Number of Votes**

The record date for the 2007 Annual Meeting of Shareholders is April 4, 2007. If you were a shareholder of record at the close of business on April 4, 2007, you may vote at the Annual Meeting. At the close of business on the record date, there were 5,125,760 shares of our common stock, par value $.001 per share ( Common Stock ), outstanding and entitled to vote and approximately 1,000 beneficial and shareholders of record. Each shareholder is entitled to one vote per share.

**How You Can Vote**

The shares represented by all proxies that are properly executed and submitted will be voted at the meeting in accordance with the instructions indicated thereon. Unless otherwise directed, votes will be cast (i) for the election of the nominees for directors hereinafter named; (ii) for the ratification of Semple, Marchal & Cooper, LLP as the Company s independent registered public accounting firm; (iii) against the Shareholder Proposal; and (iv) to transact such other business as may properly come before the meeting. Shareholders who hold their shares in street name (i.e., in the name of a bank, broker or other record holder) must vote their shares in the manner prescribed by their brokers.

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**Changing Your Vote**

You can revoke your proxy at any time before it is exercised in one of three ways:

(1) by delivering to the Secretary of the Company a written instrument of revocation bearing a date later than the date of the proxy.

(2) by duly executing and delivering to the Secretary of the Company a subsequent proxy relating to the same shares.

(3) by attending the meeting and voting in person, provided that the shareholder notifies the Secretary at the meeting of his or her intention to vote in person at any time prior to the voting of the proxy.

**Required Votes**

A plurality of votes cast by shareholders who are either present in person or represented by proxy and entitled to vote at the meeting is required to elect the two Class C nominees for Director under Proposal 1. Approval of Proposals 2 and 3 requires the affirmative vote of a majority of the shares present and entitled to vote on these proposals at the Annual Meeting. The total number of votes that could be cast at the meeting is the number of votes actually cast plus the number of abstentions. Abstentions are counted as shares present at the meeting for purposes of determining whether a quorum exists and have the effect of a vote against any matter as to which a specific proportion of affirmative votes is required for approval. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because they do not have discretionary voting authority and have not received instructions as to how to vote on these proposals (so-called broker non-votes ) are counted for the purpose of determining the presence of or absence of a quorum but are not counted for determining the number of votes cast for or against a proposal.

**Dissenter s Rights or Appraisal**

Pursuant to applicable Nevada law, there are no dissenter s or appraisal rights relating to the matters to be acted upon at the Annual Meeting.

**Other Matters to Be Acted Upon at the Meeting**

We do not know of any matters other than the election of directors, the ratification of independent registered public accounting firm and the Shareholder Proposal that are expected to be presented for consideration at the Annual Meeting. If any other matters are properly presented at the meeting, the shares represented by proxies will be voted in accordance with the judgment of the persons voting those shares.

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## MATTERS TO BE VOTED ON AT THE ANNUAL MEETING
## PROPOSAL NO. 1 ELECTION OF DIRECTORS

The Company s By-Laws provide for directors with staggered terms of office, to be divided as equally as possible. Nominees of each class of directors serve for terms of three years (unless a nominee is changing to a different class) and until election and qualification of their successors or until their resignation, death, disqualification or removal from office.

The Board of Directors currently consists of five members, including two Class A Directors whose terms expire in 2009, one Class B Director whose term expires in 2008, and two Class C Directors whose terms expire in 2007. At the Annual Meeting, the two Class C Directors are to be elected to three-year terms expiring in 2010. The three nominees receiving a plurality of votes by shares represented at the Annual Meeting, if a quorum is present, will be elected as Directors of the Company.

**The nominees for the Class C Directors are Charles R. Norton and Bradley E. Larson, both of whom presently serve on the Board of Directors.**

**Recommendation of the Board**

**The Board of Directors recommends that you vote FOR the election of the nominees for Director.**

Cumulative voting is not permitted for the election of directors. In the absence of instructions to the contrary, the person named in the accompanying proxy will vote in favor of the election of each of the persons named below as the Company s nominees for directors of the Company. Each of the nominees has consented to be named herein and to serve if elected. It is not anticipated that any nominee will become unable or unwilling to accept nomination or election, but if such should occur, the person named in the proxy intends to vote for the election in his stead of such person as the Board of Directors of the Company may recommend. Biographical information concerning the director nominees is set forth beginning at page 20 of this Proxy Statement.

**PROPOSAL NO. 2 THE RATIFICATION OF THE SELECTION OF SEMPLE, MARCHAL & COOPER, LLP AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM OF THE COMPANY FOR 2007.**

Semple, Marchal & Cooper, LLP has been selected by the Audit Committee as the Company s independent registered public accounting firm for 2007. The Board of Directors recommends to the shareholders the ratification of the selection of Semple, Marchal & Cooper, LLP, independent registered public accounting firm, to audit the financial statements of the Company. Unless otherwise specified, the proxies solicited herein will be voted in favor of the ratification of Semple, Marchal & Cooper, LLP as the independent registered public accounting firm for the Company for 2007.

Ratification of the appointment of Semple, Marchal & Cooper, LLP as the Company s independent registered public accounting firm for fiscal year 2007 will require the affirmative vote of the holders of at least a majority of the outstanding Common Stock represented in person or by proxy at the Annual Meeting. All of the directors and executive officers of the Company have advised the Company that they will vote their shares of Common Stock FOR the ratification of the appointment of Semple, Marchal & Cooper, LLP as the Company s independent registered public accounting firm for fiscal year 2007. If the holders of at least a majority of the outstanding Common Stock fail to ratify the appointment of Semple, Marchal & Cooper, LLP as the Company s independent registered public accounting firm, the Audit Committee will consider such failure at a subsequent meeting of the Audit Committee and determine, in its discretion, what actions it should take, if any.

**Recommendation of the Board**

**The board recommends a vote FOR the ratification of Semple, Marchal & Cooper, LLP as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007.**

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## PROPOSAL NO. 3 SHAREHOLDER PROPOSAL RELATING TO THE LIQUIDATION OF THE COMPANY S INVESTMENT IN READY MIX, INC.

One of the Company s shareholders has given notice of his intention to introduce the following proposal for consideration and action by the shareholders at the Annual Meeting. The proposed resolution and accompanying supporting statement has been provided by the shareholder/proponent. The affirmative vote of a majority of the shares of Common Stock present or represented by proxy and entitled to vote at the Annual Meeting is required for approval of the proposal.

This shareholder proposal is submitted by Walter Schenker of TCMP3 Partners at 7 Century Drive, Suite 201, Parsippany, New Jersey 07054. Mr. Schenker has represented to the Company that TCMP3 Partners has held at least $2,000.00 in market value of the Company s securities for the past year and intends to hold at least $2,000.00 in the Company s securities through the 2007 annual meeting.

Resolved, the Board of Directors and management should act in the most expeditious manner, consistent with effective tax considerations, to liquidate the investment in Ready Mix, Inc. and distribute the proceeds (cash, stock or other financial instruments) to Meadow Valley shareholders.

<u>Shareholder Supporting Statement:</u>

There is no business synergy between Meadow Valley Corp. and Ready Mix Inc. Management has taken the first step in realizing value by creating Ready Mix as a public company. TCMP3 Partners believes the current environment of active acquisition activity in the concrete industry provides an outstanding window to complete the process of creating additional shareholder value. Furthermore, based on the 2006 equity raise (which diluted Meadow Valley shareholders proportional ownership of Ready Mix) Meadow Valley now has the financial strength to grow its business based solely on its own balance sheet.

<u>Your Directors Position</u>:

**The Board of Directors unanimously recommends a vote <u>AGAINST</u> adoption of this proposal for the following reasons:**

The Board of Directors believes it is currently in the best interests of the Company and its shareholders to retain its investment in Ready Mix, Inc. ( RMI ) and that the proposed liquidation of its investment in RMI would significantly and adversely affect shareholder value in the Company by materially reducing the Company s revenue, profitability and its ability to compete for contracts. Additionally, the Company s investment in RMI is subject to pledge agreements whereby the Company s RMI investment serves as collateral for obtaining substantial bonding, and borrowing capacity, the absence of which would be materially detrimental to the value of the Company.

Prior to RMI s initial public offering in 2005, it was a wholly-owned subsidiary of the Company. The Company has retained stock in RMI as a strategic business decision and management of the Company evaluates the use of that asset in its ongoing day to day management of the Company. The retention of RMI stock plays a significant role in the day to day operations of the Company because (1) the RMI stock owned by the Company is pledged as collateral and used to support and increase the Company s bonding capacity (surety credit provided by an insurance company guaranteeing the Company s completion of work and payment of bills) when making bids for contracts, (2) RMI provides a significant amount of revenue and profit to the Company and (3) the RMI stock is pledged to the Company s primary lender as collateral under the Company s credit lines.

**Negative Effect of an RMI Stock Sale on Company Bonding Capacity, Revenue and Profits**. A significant portion of the Company s current bonding capacity is provided because the RMI stock has been pledged as collateral. The Board of Directors believes that a sale of the RMI stock would significantly reduce the Company s bonding capacity and materially and adversely affect the size and number of projects on which the Company could bid.

The Company s bonding company has provided the Company with a letter that states, in part, that it considers the Ready Mix, Inc. asset of Meadow Valley Corporation to be a key material asset factored in establishing surety credit for Meadow Valley Contractors, Inc.

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If the shareholder proposal was executed, the Board of Directors believes that the Company s bonding capacity would be materially reduced and the Company s ability to compete for new contracts would be so severely compromised so as to likely render it incapable of sustaining itself at an operating level commensurate with being a public company with its remaining assets. The Board of Directors believes executing this shareholder proposal would, with a high degree of likelihood, lead to a significant reduction in the Company s revenue and net income. In 2006, RMI accounted for 43% of the Company s revenue and 48% of the Company s gross profit. The Board of Directors believes that the Company s current total bonding capacity of $200 million could likely decrease to a total capacity of between approximately $50-$75 million, thus, the Board of Directors believes it is reasonable to expect the revenue generating capacity of the remaining assets would be reduced by approximately 50-75%, which would have likely had the affect of shrinking 2006 total revenue to an unaudited pro forma total revenue of between approximately $55-$75 million from $195.5 million, or a revenue reduction of between approximately 62-72%.

In addition to the material adverse result the loss of bonding capacity would have on the Company, the Board of Directors believes that such a sale simply cannot be made for some time. The Company s obligations under the terms of the pledge agreements entered into to obtain its surety credit require that the Company eliminate all of the liabilities secured by the bonds before it can sell the RMI stock that has been pledged to secure the bonds, unless the bonding company consents to the sale of the stock. The Board of Directors believes that it is highly unlikely that the bonding company will agree to any reduction of the collateral. Based on the currently existing bonds, the Board of Directors believes that it would take more than one year to eliminate such liabilities. During that time, the Company would be unable to compete for any new contracts secured by the RMI stock.

The Board of Directors believes that the probable reduction in the value of the Company after a sale of the RMI stock would negate any short term gain to shareholders that might be obtained by the sale of the stock. In addition, while the Board of Directors has not quantified the tax implications of a RMI sale, it believes that these tax implications, including corporate taxes to be paid upon the sale of the stock and income taxes to be paid by each shareholder for the dividend, would likely reduce any possible shareholder gain even further. For these reasons, the Board of Directors believes that the liquidation of the Company s RMI stock would result in an overall reduction in shareholder value as well as a reduction in the value of the Company as a whole.

**The Company s Two Complimentary Segments, Services and Materials, Protect the Company from Industry Sector or Operational Downturns**. Currently, the Board of Directors believes that the Company is better able to protect itself from swings in certain sectors of the construction industry or unexpected operational impacts through the diversification offered by its two lines of different, yet complimentary businesses. A sale of RMI would likely end this mutually beneficial protection and expose both companies and their shareholders to certain sector or operational downturns from time to time. For example, the Board of Directors believes that what the Company was able to accomplish in the second half of 2006 to have the services segment offset declines in the materials segment was directly connected to the services segment s ability to capture new work with its added bonding capacity. Much of the increase in bonding capacity during 2006 was directly related to the value of the stock pledged as collateral following RMI s IPO at the end of 2005.

The Board of Directors believes that the Company s historical performance has demonstrated the support that one segment or the other has provided during periods where the other segment s performance was negatively impacted for one reason or another. For example, the decline in the housing sector caused a noticeable shift in the Company s business from the first half to the second half of 2006. This shift illustrates the importance of the Company s diversification away from sole dependence upon either the services or the materials segment alone. As found in the Company s periodic reports, from the first half to the second half of 2006, revenue increased approximately 7.9% due to a 24.3% increase from the services segment, which helped offset the materials segment s decline of 11.4%. Consolidated gross profit during the same comparable period increased approximately 2.9%, but this increase resulted from a 51.9% increase in gross profit from the services segment that offset a 33.0% decline in the materials segment gross profit. On the other hand, in fiscal year 2004, the materials segment mitigated the impact of the services segment s operational downturn by generating $6.6 million in gross profit compared to $.3 million in gross profit from the services segment. The Board of Directors believes that the current benefits of this diversification are in the best interests of the Company s shareholders and that the effects of the shareholder proposal would materially diminish the

Company s ability to withstand the effects of downturns of a particular segment of the Company or construction industry sector.

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**Ready Mix Stock is Pledged as Collateral for the Company s Borrowings**. Similar to the pledge to the Company s surety provider, RMI stock is also pledged as collateral to obtain borrowing capacity from the Company s primary lender. The Board of Directors believes the loss of this collateral would materially and unfavorably alter not only the terms available to the Company for borrowing, but also the level of borrowing capacity. The Board of Directors believes that the loss of pledged RMI stock would result in an increase in the Company s cost of capital, a material decrease in the Company s borrowing ability, and a material negative impact on the value of the Company to its shareholders.

**The Board of Directors Should Have Flexibility to Control a Sale, if any**. If, in the future, the Board of Directors determines that it is in the best interests of the Company and its shareholders to liquidate its investment in RMI, it should have the flexibility to control both the timing of such a sale and the use of any proceeds. For example, the Board of Directors may decide in the future to affect such a sale but may decide to reinvest the proceeds of a sale into acquiring another company, building Meadow Valley s existing operations, or entering into a new product area.

**The of Board of Directors Believes it is Currently in the Best Interests of the Company and its Shareholders to Retain the Investment in Ready Mix, Inc.**

**Accordingly, the Board of Directors recommends that you vote AGAINST this Shareholder Proposal.**

**PROXIES SOLICITED BY THE BOARD OF DIRECTORS WILL BE SO VOTED UNLESS SHAREHOLDERS SPECIFY OTHERWISE IN THEIR PROXIES.**

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## CORPORATE GOVERNANCE

### Director Independence

We are authorized by our Bylaws to maintain a Board of Directors comprised of a minimum of three directors and no more than nine directors. Our Board currently consists of five directors, three of whom, Messrs. Norton, Patterson and Cowan, are independent as defined under rules promulgated by the Securities and Exchange Commission ( SEC ) and the Nasdaq Capital Market. In accordance with the independence standards of the Nasdaq Capital Market, a director must be determined to have no personal, professional, familial or other relationship with our company other than as a director. Our directors are elected for three year terms, or until an earlier resignation, death or removal. There are no family relationships among any of our directors or officers.

### Board of Directors and Board Committees

The Board of Directors held four regularly scheduled meetings during the last full fiscal year and three special meetings. No director attended less than 75% of the aggregate of such meetings and meetings held by committees of the Board on which he served. We do not have a formal policy regarding attendance by members of the Board of Directors at our annual meeting of shareholders, but strongly encourage directors to attend. All members of our Board of Directors attended the 2006 Annual Meeting of Shareholders.

The standing committees of the Board are as follows: Audit, Nominating and Governance, and Compensation Committee. The Board has adopted a charter for its Audit Committee and its Nominating and Governance Committee, which are available on our website at www.meadowvalley.com by following the link Investor Information. The Compensation Committee is not operating under a written charter. Shareholders may also receive a free copy of the committee charters by sending a written request to 4602 E. Thomas Road, Phoenix, Arizona 85018, Attention: Secretary, or calling (602) 437-5400.

Members of the Company s Audit Committee, Compensation Committee and Nominating and Governance Committee are footnoted below.

| Name | Positions and Offices with the Company |
|---|---|
| Charles E. Cowan (1) (2) (3) | Director |
| Charles R. Norton (1) (2) (3) | Director |
| Don A. Patterson (1) (2) (3) | Director |
| Bradley E. Larson | President, Chief Executive Officer and Director |
| Kenneth D. Nelson | Vice President, Chief Administrative Officer and Director |

(1) Member of the Compensation Committee

(2) Member of the Audit Committee

(3) Member of the Nominating and Governance Committee

#### *The Audit Committee*

Our Audit Committee consists of Messrs. Patterson, Cowan and Norton. Mr. Patterson is our Audit Committee Chairman and has been determined by the Board to be a financial expert as defined by the Securities and Exchange Commission. In the opinion of the Board and as independent is defined under current standards of the Nasdaq Capital Market, these directors are independent of management and free of any relationship that would interfere with their exercise of independent judgment as a member of this committee. The Audit Committee reviews in detail and recommends approval by the Board of our annual and quarterly financial statements, recommends approval of the remuneration of our auditors to the Board, reviews the scope of the audit procedures and the final audit report prepared by our auditors and reviews our overall accounting practices, procedures and internal controls with our auditors.

***The Nominating and Governance Committee***

The Nominating and Governance Committee is currently comprised of Messrs. Cowan, Norton and Patterson, our independent directors. Mr. Cowan is our Nominating and Governance Committee Chairman. The committee met four times during fiscal 2006. The purpose of the Nominating and Governance Committee is as follows:

- identify, consider and nominate candidates for membership on the Board, including any nominees properly received by the Secretary of the Corporation from any shareholder;
- develop, recommend and evaluate corporate governance guidelines and a code of business conduct and ethics applicable to the Company;
- make recommendations regarding the structure and composition of the Board and Board committees; and
- advise the Board on corporate governance matters.

All members of our Nominating and Governance Committee are independent, as defined under applicable law and the listing standards for companies traded on the Nasdaq Capital Market. Nominations of candidates for election as Directors may be made by the Board of Directors upon recommendation by the Nominating and Governance Committee, or by shareholders. Shareholders may nominate candidates for election as directors if they follow the procedures and conform to the deadlines specified in our By-laws. For more information, see the disclosure in our Proxy Statement for our 2007 Annual Meeting of Shareholders under the caption Shareholder Proposals for the 2008 Annual Meeting of Shareholders, which will be filed with the SEC and mailed to our shareholders on approximately May 9, 2007.

In evaluating the suitability of potential nominees for membership on the Board, the Nominating and Governance Committee will consider the Board s current composition, including expertise, diversity, and balance of inside, outside and independent directors, and consider the general qualifications of the potential nominees, such as:

- Unquestionable integrity and honesty;
- The ability to exercise sound, mature and independent business judgment in the best interests of the shareholders as a whole;
- Recognized leadership in business or professional activity;
- A background and experience that will complement the talents of the other Board members;
- Willingness and capability to take the time to actively participate in Board and Committee meetings and related activities;
- Ability to work professionally and effectively with other Board members and the Company s management;
- An age to enable the Director to remain on the Board long enough to make an effective contribution; and
- Lack of realistic possibilities of conflict of interest or legal prohibition.

The Committee will also see that all necessary and appropriate inquiries are made into the backgrounds of such candidates. Other than the foregoing, there are no stated minimum criteria for director nominees, although the Nominating and Governance Committee may also consider such other factors as it may deem to be in the best interests of the Company and its shareholders.

***The Compensation Committee on Executive Compensation***

Our Compensation Committee consists of Messrs. Patterson, Cowan and Norton. Mr. Norton is our Compensation Committee Chairman. The purpose of the Compensation Committee is to determine the compensation to be paid to the Company s executive officers, and to approve any incentive compensation plans. The Compensation Committee will recommend approval to the Board of the compensation of our executive officers, the annual compensation budget for all other employees, bonuses, grants of stock options and any changes to our benefit plans. The committee met four times during fiscal 2006.

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**Shareholder Communications with Directors**

Shareholders may communicate with any and all members of the Company s Board of Directors by transmitting correspondence by mail or facsimile addressed to one or more directors by name or, for a communication to the entire board, to the President at the following address and fax number: Meadow Valley Corporation, 4602 E. Thomas Road, Phoenix, Arizona 85018; main, (602) 437-5400; facsimile, (602) 437-1681.

Communications from our shareholders to one or more directors will be collected and organized by our Corporate Secretary under procedures adopted by our independent directors. The Corporate Secretary will forward all communications to the President or to the identified director(s) as soon as practicable, although communications that are abusive, in bad taste or that present safety or security concerns may be handled differently. If multiple communications are received on a similar topic, the Corporate Secretary may, in his direction, forward only representative correspondence.

The President will determine whether any communication addressed to the entire Board of Directors should be properly addressed by the entire Board of Directors or a committee thereof. If a communication is sent to the Board of Directors or a committee, the Chairman of the Board or the chairman of that committee, as the case may be, will determine whether a response to the communication is warranted. If a response to the communication is warranted, the content and method of the response may be coordinated with our counsel.

**Other Corporate Governance Policies**

We have adopted a Code of Ethics that applies to all of our directors and senior management. Amendments to and waivers, if any, from our Code of Ethics will be disclosed on our website. Our Code of Ethics is available on our website at www.meadowvalley.com by following the links Investor Information Code of Ethics. Shareholders may also receive a free copy of this document by sending a written request to 4602 E. Thomas Road, Phoenix, Arizona 85018, Attention: Secretary, or calling (602) 437-5400.

## DIRECTOR COMPENSATION

We use a combination of cash and long-term equity incentive awards to compensate members of our board of directors. The following table provides information regarding compensation earned in 2006 by each individual who served as a nonemployee member of our board of directors in 2006.

| Name (1) | Fees Earned or Paid in Cash (2) | Stock Awards | Option Awards (3) | Non-Equity Incentive Plan Compensation | Change in Pension Value and Nonqualified Deferred Compensation Earnings | All Other Compensation | Total |
|---|---|---|---|---|---|---|---|
| Charles E. Cowan | $13,000 | | $ 48,100 | | | | $ 61,100 |
| Charles R. Norton | 13,000 | | 48,100 | | | | 61,100 |
| Don A. Patterson | 13,000 | | 48,100 | | | | 61,100 |
| | $39,000 | | $144,300 | | | | $183,300 |

(1) Bradley E. Larson, President and Chief Executive

Officer, and Kenneth D. Nelson, Vice President and Chief Administrative Officer, are not included in this table as they are employees of our Company and receive no additional compensation for their service as directors. Their compensation is shown in the Summary Compensation Table.

(2) Directors receive $7,000 per year for being a member of the Board of Directors and $2,000 for each committee upon which they serve and are reimbursed for out-of-pocket expenses. The above amounts do not include out-of-pocket expenses. Directors who are employed by the Company are not compensated for their service on the Board.

(3) Directors are entitled to participate in

our equity incentive plan, and each director was issued 10,000 stock options on November 30, 2006, for their service on the Board during 2006. This column represents the aggregate dollar amount of the awards granted in 2006. Therefore, the values shown here are not representative of the amounts that may eventually be realized by a director. Pursuant to the rules of the Securities and Exchange Commission, we have provided a grant date fair value for Stock Awards in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), Share-based Payments. At December 31, 2006, there were no restricted stock units, deferred stock units or dividend equivalent units accumulated in any director accounts.

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# EXECUTIVE COMPENSATION

## Compensation Discussion and Analysis

### Overview of Executive Compensation Program

The Compensation Committee of Meadow Valley Corporation s Board is responsible for assisting the Board in defining and overseeing Meadow Valley s general compensation practices. During fiscal 2006, the Compensation Committee engaged FMI Management Consulting to assist it in evaluating executive compensation matters and to revise the executive compensation package for the fiscal year ending 2007.

The persons who served as our Chief Executive Officer and Chief Financial Officer during 2006, as well as other individuals named in our Summary Compensation Table for 2006, are referred to as the named executive officers through this Proxy Statement.

### Executive Summary

As discussed in more detail below, the following actions concerning the compensation of Meadow Valley Corporation s named executive officers were taken for fiscal 2006:

- Clint Tryon resigned as Principal Accounting Officer, Secretary and Treasurer and was appointed Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer of the Company s majority owned subsidiary Ready Mix, Inc.
- David D. Doty was appointed Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer.
- Bradley E. Larson, Kenneth D. Nelson, Alan A. Terril and David D. Doty received incentives pursuant to the Company s Annual Non-Equity Incentive Plan (the Incentive Plan ).
- Clint Tryon received incentives pursuant to Meadow Valley Corporation s Incentive Plan as it related to the portion of 2006 spent as Principal Accounting Officer of the Company and the subsequent subsidiary transition.
- Bradley E. Larson, Kenneth D. Nelson, Alan A. Terril, David D. Doty and Clint Tryon, each received 10,000 stock options issued from the Company s equity incentive plan (the Equity Incentive Plan ).

### Oversight of Executive Compensation Program and Role of Executive Officers in Compensation Decisions

While the Compensation Committee approves all aspects of our executive compensation program, it reports to the full Board of Directors on a regular basis and seeks approval for certain actions. The Committee coordinates with its consultants and management to obtain marketplace and internal data analyses, project reports and program recommendations to assist the Committee in making executive compensation decisions. Our Chief Executive Officer and, in some cases, other executive officers make recommendations to the Committee with respect to various elements of executive compensation.

### Compensation Objectives and Philosophy

The Company s primary objectives when determining compensation for its named executive officers are to:

- set levels of annual salary, non-equity incentives and equity compensation that are competitive and that will attract and retain superior executives, taking into account the difficult industry conditions and competitive environment that the Company faces,
- incorporate a performance-based component to executive compensation by linking the incentive compensation to the Company s financial and operational performance, and
- provide long-term equity-based compensation, thereby further aligning the interests of the Company s executives with those of its other stockholders.

These objectives are designed to reward each executive s (1) past individual performance and contribution to the Company s corporate performance, (2) level and scope of responsibility and experience, and (3) ability to influence the Company s future growth and profitability.

**Components of 2006 Executive Compensation**

Our executive compensation has three main parts: a salary paid in cash, an annual non-equity cash incentive plan, in which payment is contingent on the financial performance of the Company, and a long-term equity incentive that the Company provides through the award of options to purchase the Company s common stock. The salary component is intended to reward executives for their current, day-to-day work. The cash incentive bonus is intended to be a reward for the executive s contribution to the financial success of the Company in a given year. Awards of equity are intended to create longer-term incentive for the executive to remain with the Company since the benefit is realized, if the Company is successful, over a multi-year period similar to our shareholders.

***Annual Salary***

Because an executive s annual salary is meant to reflect his value to the Company on a day-to-day basis, it is a fixed, predetermined element of his compensation. When the Compensation Committee reviews the level of an executive s salary for a possible increase at the end of the term of his employment agreement or annual basis if no employment agreement is in place, that review is based on two main factors: his prior salary and the salary range of executives in comparable companies at a comparable level of responsibility. The Compensation Committee members take an executive s prior salary into account because they believe that it reflects the assessment of prior boards and/or compensation committees of the executive s value to the Company. Compensation levels of comparable companies are obtained from industry trade publications, management consulting firms such as FMI Management Consulting and other public companies similar to our size and industry. In addition, the Compensation Committee provides their knowledge of construction industry compensation levels gained in the course of the work each independent director performs in their daily business activity.

***Non-Equity Cash Incentive Plan***

The level of compensation that an executive can earn under the Company s cash incentive plan is based on the Company s attainment of financial success when compared to a predetermined amount, which the Board of Directors has approved in advance. Financial performance that exceeds expectations can enable the Company s management team including its CEO, CFO, Vice-Presidents and other management personnel to earn a cash incentive. The amount of the cash incentive earned in a given year, if any, is derived from a formula based principally on the Company s income before tax, by the manager s primary geographic area of responsibility. The amount of income before tax for each year must be approved by the Board of Directors, which has a majority of directors who are not employees of the Company and are independent. The cash incentive bonus plan has a discretionary element. In exercising this discretion, members of the Compensation Committee use their personal judgment of appropriate amounts after taking into account information about the executive s work during the year, his past compensation, his current cash incentive amount, his perceived contribution to the Company generally, his level of responsibility, and any notable individual achievements or failings in the year in question.

The Compensation Committee authorizes the payment of incentive amounts and, if applicable, makes any decisions on discretionary amounts, when the results for the year in question are known, typically in late February of the following year. Bonuses for 2006 were approved in March, 2007. The *Summary Compensation Table for 2006*, below, shows the total 2006 cash incentive amounts of each named executive officer.

***Equity Incentive Plan***

The award of an option to buy the Company s common stock is a long-term element of compensation since on the date of the award, the exercise price, or purchase price, of the shares subject to the option is the same as the price of those shares on the open market. The recipient of a stock option will only realize its value if the market price of the shares increases over the life of the option, the award gives the executive an incentive to remain with the Company and aligns his interests with those of our shareholders.

The Company calculates the value of a stock option award on the date of its grant under accounting requirements that involve the use of a complex formula consisting of estimates about the Company, its stock price and the likelihood of the option holder forfeiting the stock option. Beginning in fiscal year 2006, recording stock option awards as an expense was required of all companies under Financial Accounting Standard No. 123 (revised 2004), or FAS 123R. The dollar amount shown in the *Summary Compensation Table for 2006*, below, for stock option awards is the value of the options computed under FAS 123R.

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In determining the size of a stock option award, the Compensation Committee takes into account both the value of the award to the recipient and the corresponding accounting cost to the Company.

***Other Compensation***

The only other forms of compensation for our executive officers are the personal use of company vehicles, disability and term life insurance and other benefits made available to all salaried employees and the perquisites shown in the *Summary Compensation Table for 2006*, below, in the column labeled *All Other Compensation*. A detailed description of the perquisites is shown in footnote 3 to the table. The payment of Messrs. Larson, Terril and Nelson s term life insurance premiums is a benefit that has been provided to them by the Company for many years and was established when the Company determined to carry a key officer life policy on each of the executives in the same amounts as the policy provided each officer. This benefit is also applicable to Mr. Doty; however, no amounts were paid in 2006 for term life insurance on his behalf.

***Overall Compensation Levels***

As with salary, the Company attempts to provide its executives with a total compensation package that is comparable to their peers in the industry and that the members of the Compensation Committee believe in their personal judgment based on their business experience is fair and appropriate for the executive s level of responsibility and contribution to the Company. The Compensation Committee, which consists of only our independent members of the Board of Directors, makes the final determination of the compensation of the named executive officers. However, the Committee discusses their compensation recommendations for each executive officer with the Chief Executive Officer in advance of making a decision.

***Employment Agreements***

Messrs. Larson, Doty, Terril and Nelson currently are employed by the Company through employment agreements. In November 2006, the Company entered into three-year employment agreements with Messrs. Larson, Doty and Nelson providing for an annual base salary. These individuals are also eligible to receive incentive amounts based upon performance as determined by our Compensation Committee and approved by our Board of Directors. In the event the Company terminates any of these individuals without cause (as defined in the agreements) or the Company is the subject of a change of control, all options held by the individual will vest and the Company will be required to pay compensation to these individuals for the remaining terms of the agreements.

***Compensation of the Chief Executive Officer***

**Employment Agreement and Compensation Elements**

Mr. Larson s 2006 compensation was determined according to the above compensation components per his applicable employment agreement. Amounts paid to or due to Mr. Larson for 2006 compensation are shown below in the *Summary Compensation Table for 2006.*

## Compensation Committee Report

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis with management. Based on our review and discussions with management, we have recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement.

Submitted by the Compensation Committee of the Board of Directors:

Charles R. Norton    Don A. Patterson    Charles E. Cowan

Notwithstanding anything to the contrary set forth in any of our previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporates future filings, including this Proxy Statement, in whole or in part, the foregoing Compensation Committee Report shall not be incorporated by reference into any such filings.

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The Securities and Exchange Commission recently adopted enhanced executive compensation disclosure requirements for public companies. As a result, the following disclosure regarding the compensation of our executive officers and directors will be somewhat different in content and format from previous years.

**Summary Compensation Table for 2006**

The following table provides information regarding the total compensation earned in 2006 by the named executive officers, which include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Administrative Officer, who are the only other executive officers whose compensation for 2006 exceeded $100,000. The named executive officers who also serve on the board of directors are not compensated for their services rendered to the Board of Directors. The Company pays compensation to these executive officers according to the terms of their employment agreements or as determined by the Compensation Committee when no employment agreement is in place. The amounts include any compensation that was deferred by the executive through contributions to his defined contribution plan account under Section 401(k) of the Internal Revenue Code. All amounts are rounded to the nearest dollar.

| Name and Principal Position | Year | Salary ($) | Bonus ($) | Stock Awards ($) | Option Awards(1) ($) | Non-Equity Incentive Plan Compensation(2) ($) | Change in Pension Value and Nonqualified Deferred Compensation Earnings ($) | All Other Compensation(3) ($) | Total ($) |
|---|---|---|---|---|---|---|---|---|---|
| Bradley E. Larson, President and Chief Executive Officer (Principal Executive Officer) | 2006 | 250,000 | | | 48,100 | 363,785 | | 15,889 | 677,774 |
| David D. Doty, Chief Financial Officer (Principal Financial Officer) Secretary and Treasurer | 2006 | 140,000 | | | 48,100 | 216,664 | | 7,500 | 412,264 |
| Clint Tryon, Former Principal Accounting Officer, Secretary and Treasurer | 2006 | | | | 48,100 | 88,200 | | | 136,300 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Alan A. Terril, Vice-President and Chief Operating Officer | 2006 | 150,000 | 48,100 | 230,400 | 10,935 | 439,435 |
| Kenneth D. Nelson, Vice-President and Chief Administrative Officer | 2006 | 140,000 | 48,100 | 216,664 | 14,875 | 419,639 |

(1) This column represents the aggregate dollar amount of the awards granted in 2006. Therefore, the values shown here are not representative of the amounts that may eventually be realized by an executive. Pursuant to the rules of the Securities and Exchange Commission, we have provided a grant date fair value for option awards in accordance with the provisions of Statement of Financial Accounting Standards No. 123(R), Share-based Payments. For option awards, the fair value is estimated as of the date of grant using the

Black-Scholes option pricing model, which requires the use of certain assumptions, including the risk-free interest rate, dividend yield, volatility and expected term. The risk-free interest rate is based on the yield at the date of grant of a U.S. Treasury security with a maturity period equal to or approximating the option s expected term. The dividend yield assumption is based on our historical dividend payouts, which is zero. The volatility assumption is based on the historical volatility of our common stock over a period equal to the option s expected term or trading stock s trading history which ever is shorter. The expected term of options granted is based on expectations about future exercises and represents the period of time that options granted are expected to be outstanding.

(2) The non-equity incentive plan payments were made on March 9, 2007. See discussion of non-equity incentive plans under the heading Compensation Discussion and Analysis above. None of the named executive officers elected to defer their 2006 non-equity incentive plan payment.

(3) Includes company-paid disability and life insurance premiums, and defined contribution plan payments for the fiscal year ended 2006, as set forth in the following table:

| Name | Company Paid Disability Insurance | Company Paid Life Insurance | Defined Contribution Plan | Total |
|---|---|---|---|---|
| Bradley E. Larson | $ 7,744 | $ 645 | $7,500 | $15,889 |
| David D. Doty | $ | $ | $7,500 | $ 7,500 |
| Alan A. Terril | $ 1,905 | $ 1,530 | $7,500 | $10,935 |

| | | | | |
|---|---|---|---|---|
| Kenneth D. Nelson | $ 6,620 | $ 755 | $ 7,500 | $ 14,875 |

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**Grants of Plan-Based Awards in 2006**

The following table provides information regarding cash incentive awards and options granted under our equity incentive plan to the named executive officers in 2006.

| | | Estimated Future Payouts Under Non-Equity Incentive Plan Awards | | | Estimated Future Payouts Under Equity Incentive Plan Awards | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name | Grant Date | Threshold ($) | Target ($)(1) | Maximum ($)(2) | Threshold ($) | Target ($) | Maximum ($) | All Other Stock Awards: Number of Shares of Stock or Units (#) | All Other Option Awards: Number of Securities Underlying Options (#) | Exercise or Base Price of Option Awards ($/Sh) |
| Bradley E. Larson | 11/30/2006 | $37,500 | $363,785 | N/A | | | | | 10,000 | $ 10.11 |
| David D. Doty | 11/30/2006 | $21,000 | $216,664 | N/A | | | | | 10,000 | $ 10.11 |
| Clint Tryon | 11/30/2006 | $ | $ 88,200 | N/A | | | | | 10,000 | $ 10.11 |
| Alan A. Terril | 11/30/2006 | $22,500 | $230,400 | N/A | | | | | 10,000 | $ 10.11 |
| Kenneth D. Nelson | 11/30/2006 | $21,000 | $216,664 | N/A | | | | | 10,000 | $ 10.11 |

(1) The non-equity incentive plan payments were made on March 9, 2007 and related to the achievement of specified financial performance objectives, as discussed under the heading Compensation Discussion and Analysis above.

(2) No individual maximum is

applicable since the payments were made under the Non-Equity Incentive Plan, which has no individual cap.

**Outstanding Equity Awards at Fiscal Year-End**

The following table provides information regarding all outstanding equity awards held by the named executive officers as of December 31, 2006. The Company did not issue any stock awards during fiscal 2006.

| | Option Awards (1) | | | | |
|---|---|---|---|---|---|
| Name | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) | Option Exercise Price ($)(2) | Option Expiration Date |
| Bradley E. Larson, | 7,000 | | | 5.8750 | 04/16/2008 |
| President and Chief Executive | 7,000 | | | 3.8750 | 10/21/2009 |
| Officer (Principal Executive | 33,334 | | | 1.4600 | 11/19/2013 |
| Officer) | | | 10,000 | 10.1100 | 11/30/2011 |
| David D. Doty, | 2,500 | | 5,000 | 9.3800 | 11/01/2010 |
| Chief Financial Officer | | | 10,000 | 10.1100 | 11/30/2011 |
| (Principal Financial Officer) | | | | | |
| Secretary and Treasurer | | | | | |
| Clint Tryon, | | | 10,000 | 10.1100 | 11/30/2011 |
| Former Principal Accounting | | | | | |
| Officer | | | | | |
| Secretary and Treasurer | | | | | |
| Alan A. Terril, | | | 10,000 | 10.1100 | 11/30/2011 |
| Vice-President and Chief | | | | | |
| Operating Officer | | | | | |
| Kenneth D. Nelson, | 5,800 | | | 5.8750 | 04/16/2008 |
| Vice-President and Chief | 5,800 | | | 3.8750 | 10/21/2009 |
| Administrative Officer | 20,000 | | | 2.4375 | 03/08/2011 |
| | 32,500 | | | 1.4600 | 11/19/2013 |
| | | | 10,000 | 10.1100 | 11/30/2011 |

(1)

Outstanding options vest in one-third increments on each anniversary date of grant.

(2) Pursuant to the 2004 Equity Incentive Plan, the exercise price for all outstanding options is based on the grant date fair market value, which is the market closing price of our Common Stock on the Nasdaq Capital Market on the date of grant.

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## Option Exercises and Stock Vested in 2006

The following table provides information regarding each exercise of stock options, if any, by the named executive officers in 2006.

| | Option Awards | | Stock Awards | |
|---|---|---|---|---|
| Name | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise ($) |
| Bradley E. Larson | 25,000 | $ 143,375 | | $ |
| David D. Doty | | | | |
| Clint Tryon | 13,334 | 117,873 | | |
| Alan A. Terril | 11,775 | 103,942 | | |
| Kenneth D. Nelson | 15,000 | 87,825 | | |

## Retirement Plans

### Pension Benefits

During the fiscal year 2006 we did not have a pension benefit plan. We do not intend on implementing a pension plan in the near future.

### Nonqualified Deferred Compensation

During the fiscal year 2006 we did not have a nonqualified deferred compensation plan. We do not intend on implementing a nonqualified deferred compensation plan in the near future.

### Equity Incentive Plans

***Meadow Valley Corporation Equity Incentive Plan:***

In 2005, the 2004 Plan was ratified by the shareholders. The 2004 Plan permits the granting of any or all of the following types of awards: (1) incentive and nonqualified stock options, (2) stock appreciation rights, (3) stock awards, restricted stock and stock units, and (4) other stock or cash-based awards. In connection with any award or any deferred award, payments may also be made representing dividends or their equivalent.

The 2004 Plan authorizes the issuance of up to 1,200,000 shares of Common Stock, all of which were previously reserved for issuance under the Company s prior plan. Shares of Common Stock covered by an award granted under the 2004 Plan will not be counted as used unless and until they are actually issued and delivered to a participant. Shares relating to awards granted under the 2004 Plan that are forfeited, settled for cash or otherwise terminated and shares withheld by or tendered to the Company in connection with the exercise of an option or other award granted under the 2004 Plan or in connection with the satisfaction of tax withholding obligations relating to awards or exercises of options or other awards are available for grant under the 2004 Plan. Awards made or adjusted to assume or convert awards in connection with acquisition transactions will not reduce the number of shares authorized for issuance under the 2004 Plan. The shares of stock deliverable under the 2004 Plan will consist of authorized and unissued shares. The plan administrator may adjust the aggregate number of shares or the awards under the plan in the event of a change affecting shares of Common Stock, such as stock dividends, recapitalization, reorganization or mergers.

The 2004 Plan is administered by the Compensation Committee of the Board of Directors which was comprised of non-employee directors. The 2004 Plan has no fixed termination date. The Company s Board of Directors or the committee may generally amend, alter, suspend, discontinue or terminate all or a portion of the 2004 Plan at any time, as long as the rights of a participant are not materially impaired without the participant s consent, subject to shareholder approval to the extent necessary to comply with applicable law, stock exchange rule or regulatory requirements or, as determined by the committee, to qualify with tax requirements.

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In 2006, we granted, under the 2004 Plan, an aggregate of 85,000 stock options to officers and directors at an exercise price of $10.11.

We have reserved 1,200,000 shares of our common stock for issuance under the 2004 Plan. As of December 31, 2006, 90,149 shares were available for future grant under the 2004 Plan. The term of the stock options is five or ten years and may be exercised after issuance as follows: 33.3% after one year of continuous service, 66.6% after two years of continuous service and 100% after three years of continuous service. The exercise price of each option is equal to the market closing price of the Company s common stock on the date of grant.

***Ready Mix, Inc. Equity Incentive Plan:***

In January 2005, RMI adopted an equity incentive plan, which we refer to as RMI s Plan, which provides for the grant of options intended to qualify as incentive stock options and non-statutory stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, together with the grant of bonus stock and stock appreciation rights at the discretion of RMI s Board of Directors. Incentive stock options are issuable only to RMI s eligible officers, directors and key employees. Non-statutory stock options are issuable only to RMI s non-employee directors and consultants.

RMI s Plan is administered by RMI s Compensation Committee. Currently, RMI has 675,000 shares of common stock reserved for issuance under RMI s Plan. Under RMI s Plan, the Board of Directors determines which individuals shall receive options, grants or stock appreciation rights, the time period during which the rights may be exercised, the number of shares of common stock that may be purchased under the rights and the option price.

With respect to stock options, the per share exercise price of the common stock may not be less than the fair market value of the common stock on the date the option is granted. No person who owns, directly or indirectly, at the time of the granting of an incentive stock option, more than 10% of the total combined voting power of all classes of our stock is eligible to receive incentive stock options under RMI s Plan unless the option price is at least 110% of the fair market value of the common stock subject to the option on the date of grant. The option price for non-statutory options is established by RMI s Board and may not be less than 100% of the fair market value of RMI s common stock subject to the option on the date of grant.

No options may be transferred by an optionee other than by will or the laws of descent and distribution, and during the lifetime of an optionee, the option may only be exercisable by the optionee. Options may be exercised only if the option holder remains continuously associated with us from the date of grant to the date of exercise, unless extended under RMI s Plan grant. Options under RMI s Plan have no expiration date and the exercise date of an option cannot be longer than 10 years from the date of grant, but can be shorter when established by RMI s plan administrator. Any options that expire unexercised or that terminate upon an optionee s ceasing to be employed by RMI become available once again for issuance. Shares issued upon exercise of an option rank equally with other shares then outstanding.

RMI has reserved 675,000 shares of common stock for issuance to officers, directors and employees under RMI s equity incentive plan described above. Options will be issued to employees and executive officers based on the recommendation of RMI s Compensation Committee of the Board of Directors according to the following:

- employees holding positions of responsibility with RMI whose performance can have a significant effect on RMI s success; and

- non-employee directors.

Currently, RMI has granted under RMI s Plan an aggregate of 348,125 stock options to officers, directors and employees at an exercise price from $10.35 to $12.50. From the grant date 33% of the options are exercisable after one year of continuous service to RMI, 66% after two years of continuous service and 100% after three years of continuous service.

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## EQUITY COMPENSATION PLAN INFORMATION

The following table provides information as of December 31, 2006 regarding compensation plans (including individual compensation arrangements) under which equity securities of the Company are authorized for issuance.

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 434,542 | 4.86 | 90,149 |
| Equity compensation plans not approved by security holders | | | |
| Total | 434,542 | | 90,149 |

RMI also maintains an equity compensation plan as follows:

Equity Compensation Plan Information

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders (1)(2) | 466,875 | 11.47 | 324,375 |

| | | |
|---|---|---|
| Equity compensation plans not approved by security holders | | |
| Total | 466,875 | 324,375 |

(1) Includes an individual compensation agreement for 116,250 warrants issued to RMI s underwriters as a portion of their compensation in connection with RMI s initial public offering.

(2) Includes 350,625 stock options issued to employees, directors and consultants from RMI s 2005 equity incentive plan.

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## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

During the year ended December 31, 2006, the Company sold its minority interest in a related party, LAM Contracting, LLC ( LAM ) to LAM s majority owner. During the year ended December 31, 2005, the Company provided construction materials to LAM in the amount of $152,630. Included in accounts receivable at December 31, 2005 was $15,146 that was due from the related party.

LAM provided materials, services and equipment used in the Company s construction service business during the year ended December 31, 2005 in the amount of $7,740. At December 31, 2005 there were no liabilities due to related parties from subcontracts and supplies.

In January 2005, we entered into a three-year Administrative Services Agreement with Ready Mix, Inc. ( RMI ), our 53% owned subsidiary. Under the terms of the agreement, RMI pays us $22,000 per month for all such administrative services including the time of our Chief Executive Officer and Chief Administrative Officer who perform similar services for RMI. Notwithstanding the agreement, each company has its own separate field facilities, operating management and employees.

## COMPENSATION COMMITTEE INTERLOCK AND INSIDER PARTICIPATION

The Compensation Committee currently consists of the following three members of the Board of Directors: Messrs. Cowan, Norton and Patterson. No member of this Committee was at any time during the Company s 2006 fiscal year, or at any other time, an officer or employee of the Company.

No executive officer of the Company has served on the compensation committee of any other entity that has, or has had, one or more executive officers serving as a member of the Company s Board of Directors.

Three of our independent Directors, Messrs. Cowan, Norton and Patterson, are also members of the Board of Directors of Ready Mix, Inc.

## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information concerning the holdings of Common Stock by each person who, as of April 4, 2007, holds of record or is known by the Company to hold beneficially or of record, more than 5% of the Company s Common Stock, by each director, named executive officer, and by all directors and executive officers as a group.

| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership (1) | Percent of Class (1) |
|---|---|---|
| Bradley E. Larson (2) | 144,796 | 2.8% |
| Kenneth D. Nelson (3) | 140,018 | 2.7% |
| Alan A. Terril | 0 | * |
| David D. Doty (4) | 2,500 | * |
| Don A. Patterson (5) | 2,500 | * |
| Charles E. Cowan | 0 | * |
| Charles R. Norton (6) | 18,000 | * |
| Cyrus W. Spurlino (7) | 498,870 | 9.5% |
| North Atlantic Value LLP (8) | 400,124 | 7.6% |

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| Name and Address of Beneficial Owner | Amount and Nature of Beneficial Ownership (1) | Percent of Class (1) |
|---|---|---|
| Kim A. Lewis, Trustee of Richard C. Lewis GST Marital Sub Trust and Kim A. Lewis Survivor s Trust (9) | 392,000 | 7.5% |
| Praesidium Investment Management Company, LLC (10) | 327,701 | 6.2% |
| Tontine Capital Partners, LP (11) | 344,452 | 6.6% |
| Hoak Public Equities, LP (12) | 273,924 | 5.2% |
| CD Capital Management LLC (13) | 257,531 | 4.9% |
| All executive officers and directors as a group (7 persons) | 307,814 | 5.9% |

* Less than 1%.

(1) Beneficial ownership includes direct and indirect ownership of shares of our Common Stock, including rights to acquire beneficial ownership of shares upon the exercise of stock options exercisable as of April 4, 2007 and that would become exercisable within 60 days of such date. To our knowledge and unless otherwise indicated, each shareholder listed below has sole voting and investment power over the shares listed as beneficially owned by such shareholder,

subject to community property laws where applicable. Percentage of ownership is based on 5,125,760 shares of Common Stock outstanding as of April 4, 2007 and options exercisable within 60 days. Unless otherwise indicated, all shareholders listed below have an address in care of our principal executive offices which are located at 4602 E. Thomas Road, Phoenix, Arizona 85018.

(2) Includes vested portion of stock options to purchase 47,334 shares of Common Stock.

(3) Includes vested portion of stock options to purchase 64,100 shares of Common Stock.

(4) Includes vested portion of stock options to purchase 2,500 shares of Common Stock.

(5) Includes vested portion of stock options to purchase 2,500 shares of Common Stock.

(6) Includes vested portion of stock options to purchase 18,000 shares of Common Stock.

(7) Based solely on a Form 3 filed with the SEC on January 7, 2004. According to this filing, the address of this holder is 4005 Industrial Road, Las Vegas, Nevada 89103.

(8) Based solely on a Schedule 13D/A filed with the SEC on September 15, 2006. According to this filing, the address of this holder is Ryder Court, 14 Ryder Street, London SW1Y 6QB, England.

(9) Based solely on a Schedule 13G/A filed with the SEC on March 30, 2004. According to this filing, the address of this holder is 630

Butte Falls Highway, Prospect, Oregon 97536.

(10) Based solely on a Form 13F-HR filed with the SEC on February 14, 2007. According to this filing, the address of this holder is 747 Third Avenue, New York, New York 10017.

(11) Based solely on a Schedule 13G/A filed with the SEC on February 14, 2006. According to this filing, the address of this holder is 55 Railroad Avenue, 3rd Floor, Greenwich, Connecticut 06830.

(12) Based solely on a Schedule 13D filed with the SEC on March 6, 2007. According to this filing, the address of this holder is 500 Crescent Court, Suite 230, Dallas, Texas 75201.

(13) Based solely on a Schedule 13D filed with the

SEC on March 15, 2007. According to this filing, the address of this holder is 2 North Riverside Plaza, Suite 720, Chicago, Illinois 60606.

## SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers and persons who beneficially own more than 10% of our Common Stock to file with the Securities and Exchange Commission initial reports of ownership and reports of change in their ownership of our Common Stock. Securities and Exchange Commission regulations require our directors, executive officers and greater than 10% shareholders to furnish us with copies of these reports. Based solely upon a review of such reports and related information furnished to us, we believe that, during the 2006 fiscal year, each person who served as a director or executive officer of our company or held more than 10% of our Common Stock complied with the Section 16(a) filing requirements.

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**Executive Officers and Directors**

Information concerning our directors and executive officers is set forth below:

| Name | Age | Position | Officer or Director Since |
|---|---|---|---|
| Bradley E. Larson | 52 | President, Chief Executive Officer and Director | 1994 |
| Alan A. Terril | 66 | Vice President and Chief Operating Officer | 1993 |
| Kenneth D. Nelson | 49 | Vice President, Chief Administrative Officer and Director | 1993 |
| David D. Doty | 42 | Chief Financial Officer, Principal Accounting Officer, Secretary and Treasurer | 2006 |
| Don A. Patterson | 53 | Director | 2005 |
| Charles R. Norton | 65 | Director | 1999 |
| Charles E. Cowan | 60 | Director | 1995 |

**Business Experience of Each Executive Officer and Director**

Information concerning the directors and executive officers of the Company who serve until our 2007 Annual Meeting of Shareholders is set forth below:

Charles E. Cowan has been a director of the Company since November 1995. Since 1993, he has been President of Charles Cowan & Associates, Ltd. and has an extensive background in government and heavy construction industry consulting. From 1991 to 1993, he held CEO positions in Arizona s Department of Transportation and Department of Economic Security. He graduated with a Bachelor of Economics Degree from St. Martin s College in Olympia, Washington, and a Master s Degree in Public Administration from the University of Missouri at Kansas City, Missouri.

Charles R. Norton has been a director of the Company since March 1999. Since 1963, Mr. Norton has been involved in the highway construction industry as a construction foreman, subcontractor, general manager and vice president. He graduated with a Bachelor of Science degree from Brigham Young University in 1968. From 1968 to 1972, he was General Manager of Quaker Empire Construction in Wilkes-Barre, Pennsylvania. From 1972 to 1992, Mr. Norton was Sales Manager, General Manager and Vice President of Syro Steel Company, headquartered in Girard, Ohio. Since 1992, Mr. Norton has been Vice President of Trinity Industries, which purchased Syro in 1972.

Don A. Patterson has been a director of the Company since November 2005. He began his career in public accounting, working for eight years at Arthur Andersen where he developed an extensive background in accounting for the construction and construction material industry. He left to become the managing partner of Mansperger, Patterson & McMullin CPA s where he worked for 19 years, continuing to provide accounting service and consultation to clients in both the construction materials and contracting industries. During that period he founded Legacy Window Coverings, LLC, an importing and distribution business where he currently serves as CEO. He has devoted his full time attention to Legacy s operations since 2004. Mr. Patterson graduated with a degree in accounting from Arizona State University in 1978 and received his Certified Public Accountant s certificate in 1983.

Bradley E. Larson has been a director of the Company since 1994 and was appointed President in July 1995 and Chief Executive Officer in November 1995. Mr. Larson was employed by Tanner Companies, a contracting and material company located in Phoenix, Arizona, from 1976 until December 1994. He was Division President of the Western Arizona region for Tanner from 1984 to 1988, Vice President of Operations from 1988 to 1989 and President of Tanner s Construction Division from 1989 until he joined the Company in December 1994. Mr. Larson earned a BSE degree in Industrial Engineering from Arizona State University in 1979. He has been active in several construction industry associations and is past Chairman and Director of The Arizona Rock Products Association and past Director of the Arizona Heavy Highway Chapter of the Associated General Contractors.

Kenneth D. Nelson has been a director of the Company since 1993 and has been involved in the financial reporting and operations management areas of the construction industry since 1982. He joined the Company in

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April 1989, became Vice President of Finance in February 1992 and Vice President and Chief Administrative Officer in April 1996. From August 1986 until April 1989, he was operations manager for Builders Unlimited, a construction firm based in Phoenix, Arizona. Mr. Nelson earned a Bachelors of Science Degree in Business Administration from Arizona State University in 1984.

Alan A. Terril joined the Company in May 1992, became its Vice President Nevada Operations in October 1993 and its Chief Operating Officer in March 2001. From February 1979 until April 1992, he was general superintendent, responsible for on site construction management, for Ron Lewis Construction Company, a heavy construction firm.

David D. Doty joined the Company in August 2005 and was named Secretary, Treasurer, Chief Financial Officer and Principal Accounting Officer in April 2006. He received his Bachelor of Science degree with a major in Accounting from the California State Polytechnic University, Pomona in 1992. He received his Certified Public Accountant s certificate from the State of California in 2003. From 1991 to 1994, he was a supervisor at Brabo, Carlsen & Cahill, CPA s in Palm Springs California. From 1994 to 2000, he was Vice President of Operations and Controller for a hospitality and tourism firm in Rancho Mirage California and from 2000 to 2005 he was first Corporate Controller and then Vice President of Administration, Treasurer and Chief Financial Officer of Star Markets, Ltd. in Honolulu, Hawaii.

## AUDIT COMMITTEE REPORT

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the financial statements and the reporting process including the systems of internal controls. In fulfilling its oversight responsibilities, the Committee reviewed the audited financial statements in the Annual Report with management including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

The Committee reviewed with the independent auditors, who are responsible for expressing an opinion on the conformity of those audited financial statements with generally accepted accounting principles, their judgments as to the quality, not just the acceptability, of the Company s accounting principles and such other matters as are required to be discussed with the Committee under generally accepted auditing standards. In addition, the Committee has discussed with the independent auditors the auditors independence from management and the Company including the matters in the written disclosures required by the Independence Standards Board and considered the compatibility of nonaudit services with the auditors independence.

The Committee discussed with the Company s independent auditors the overall scope and plans for their audit. The Committee meets with the independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company s internal controls, and the overall quality of the Company s financial reporting. The Committee held four meetings during fiscal 2006.

In reliance on the reviews and discussions referred to above, the Committee recommended to the Board of Directors (and the Board has approved) that the audited financial statements be included in the Annual report on Form 10-K for the year ended December 31, 2006 for filing with the Securities and Exchange Commission. The Committee and the Board have also recommended and approved the selection of the Company s independent auditors.

Don A. Patterson, Audit Committee Chair
Charles R. Norton, Audit Committee Member
Charles E. Cowan, Audit Committee Member
Dated: March 6, 2007

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## INDEPENDENT REGISTERED ACCOUNTANTS

The Audit Committee of the Board of Directors has selected Semple, Marchal & Cooper, LLP to continue as the Company s independent registered public accounting firm for the fiscal year ending December 31, 2007. A representative of Semple, Marchal & Cooper, LLP is expected to be present at the Annual Meeting. He will not make a statement but will respond to appropriate questions.

**Disclosure of Audit and Non-Audit Fees**

The following table shows consolidated fees paid or accrued by the Company and its majority owned subsidiary for the audits and other services provided by the Company s accountants for the years ended December 31, 2006 and 2005:

| | For the Years Ended December 31, | |
|---|---|---|
| | 2006 | 2005 |
| Audit fees for the years ended December 31 and fees for the review of financial statements included in quarterly reports on Form 10-Q | $ 169,000 | $ 129,000 |
| Audit related fees (1) | 4,322 | 182,670 |
| Tax fees | 30,008 | 27,603 |
| Other service fees | 36,284 | 1,160 |

(1) Fees paid in 2006 were associated with the registration of our majority owned subsidiary s common stock shares underlying the equity incentive plan. Fees paid in 2005 included fees that were associated with our majority owned subsidiary s initial public offering.

The Audit Committee has concluded that the provision of services by Semple, Marchal & Cooper, LLP are compatible with maintaining their independence and has approved the above mentioned services performed.

**Audit Committee Approval of Audit and Non-Audit Service**

The Audit Committee has a Pre-approval Policy ( Policy ) governing the approval of all audit and non-audit services performed by the independent registered public accountants in order to ensure that the performance of such services does not impair the independent registered public accountants.

According to the Policy, the Audit Committee will annually review and pre-approve the services and fees that may be provided by the independent registered public accountants during the following year. The Policy specifically describes the services and fees related to the annual audit, other services that are audit-related, preparation of tax returns and tax related compliance services and all other services that have the pre-approval of the Audit Committee. The term of any general pre-approval is 12 months from the date of pre-approval, unless the Audit Committee specifically provides for a different period.

Any service to be provided by the independent registered public accountants that has not received general pre-approval under the Policy is required to be submitted to the Audit Committee for approval prior to the commencement of a substantial portion of the engagement. Any proposed service exceeding pre-approved cost levels is also required to be submitted to the Audit Committee for specific approval.

The Audit Committee will revise the list of general pre-approved services from time to time based on subsequent determinations. The Committee does not delegate its responsibilities to pre-approve services performed by the independent registered public accountant to management.

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**Code of Ethics**

Our Board of Directors has adopted a Code of Ethics that applies to our executive officers, senior financial officers and directors of our company. We have posted the Code of Ethics on our website.

In accordance with the *Sarbanes-Oxley Act of 2002* and the listing standards of the Nasdaq Capital Market, we have adopted procedures to facilitate the submission, on a confidential and anonymous basis, of complaints, reports and concerns by any person regarding (1) accounting, internal accounting controls or auditing matters, (2) actual or potential violations of laws, rules or regulations, and (3) other suspected wrongdoing, including in connection with our Code of Ethics.

## OTHER INFORMATION

**Solicitation**

All of the expenses involved in preparing, assembling and mailing this Proxy Statement and the materials enclosed herewith and all costs of soliciting proxies will be paid by the Company. In addition to the solicitation by mail, proxies may be solicited by officers and regular employees of the Company by telephone, facsimile, or personal interview. Such persons will receive no compensation for their services other than their regular salaries. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the shares held of record by such persons, and the Company may reimburse such persons for reasonable out-of-pocket expenses incurred by them in so doing.

**Shareholder Proposals for the 2008 Annual Meeting of Shareholders**

If you wish to submit a proposal for possible inclusion in our 2008 proxy materials, we must receive your notice, in accordance with the rules of the Securities and Exchange Commission, on or before December 30, 2007. The proposal should be sent in writing to the Company s principal executive offices, Attention: Secretary.

**Director Nominations**

A Director nomination must be accompanied by a Notice of Nomination and proposals of shareholder business must be accompanied by a Notice of Business. Each such Notice must include (i) the name and record address of the shareholder and/or beneficial owner proposing such shareholder business or nomination, as they appear on the Company s books, (ii) the class and number of shares of stock held of record and beneficially by such shareholder and/or such beneficial owner, (iii) a representation that the shareholder is a holder of record of stock of the Company entitled to vote at the meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination, and (iv) all other information that would be required to be filed with the SEC if the person proposing such shareholder business or nomination were a participant in a solicitation subject to Section 14 of the Exchange Act.

Notices of Nominations must also include all information regarding each shareholder nominee that would be required to be set forth in a definitive proxy statement filed with the SEC pursuant to Section 14 of the Exchange Act, and the written consent of each such shareholder nominee to being named in a proxy statement as a nominee and to serve if elected. Notices of Business must include a brief description of the shareholder business desired to be brought before the annual meeting, the text of the proposal including the text of any resolutions proposed for consideration and, in the event that such business includes a proposal to amend the By-laws, the language of the proposed amendment, and the reasons for conducting such business at the annual meeting and any material interest of the shareholder and/or beneficial owner in such shareholder business. The proponent must be a record or beneficial shareholder entitled to vote at the Annual Meeting of shareholders on the proposal and must continue to own the securities through the date on which the meeting is held and attend the annual meeting to present the shareholder business or Director nomination.

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## OTHER BUSINESS

Management of the Company is not aware of any other matters which are to be presented at the Annual Meeting, nor has it been advised that other persons will present any other proposals. However, if other matters properly come before the Annual Meeting, the individual named in the accompanying proxy shall vote on such matters in accordance with his best judgment.

The above notice and Proxy Statement are sent by order of the Board of Directors.

/s/ Bradley E. Larson

Bradley E. Larson
Chief Executive Officer

Phoenix, Arizona
May 9, 2007

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**PROXY**
**FOR THE ANNUAL MEETING OF SHAREHOLDERS OF**
**MEADOW VALLEY CORPORATION**
**TO BE HELD JUNE 11, 2007**

The undersigned hereby appoints Bradley E. Larson as the lawful agent and Proxy of the undersigned (with all the powers the undersigned would possess if personally present, including full power of substitution), and hereby authorizes him to represent and to vote, as designated below, all the shares of Meadow Valley Corporation held of record by the undersigned on April 4, 2007, at the Annual Meeting of Shareholders to be held June 11, 2007, or any adjournment or postponement thereof.

1. **Election of Class C directors:**

    ___ **FOR**

    ___ **AGAINST**

    ___ **WITHHOLD AUTHORITY**

    **NOMINEES: Bradley E. Larson and Charles R. Norton**

**INSTRUCTIONS:** To withhold authority to vote for individual nominees, write their names in the space provided:

2. **Proposal to ratify the selection of Semple, Marchal & Cooper, LLP as independent auditors for the fiscal year ending December 31, 2007:**

    ___ **FOR**

    ___ **AGAINST**

    ___ **WITHHOLD AUTHORITY**

3. **Proposal introduced by a shareholder to act in the most expeditious manner, consistent with effective tax considerations, to liquidate the Company s investment in Ready Mix, Inc. and distribute the proceeds to the Company s shareholders:**

    ___ **FOR**

    ___ **AGAINST**

    ___ **WITHHOLD AUTHORITY**

4. In his discretion, the Proxy is authorized to vote upon any matters which may properly come before the Annual Meeting, or any adjournment or postponement thereof.

It is understood that when properly executed, this proxy will be voted in the manner directed herein by the undersigned shareholder. **WHERE NO CHOICE IS SPECIFIED BY THE SHAREHOLDER, THE PROXY WILL BE VOTED FOR THE ELECTION OF DIRECTORS NAMED IN ITEM 1 AND THE RATIFICATION OF SEMPLE, MARCHAL & COOPER, LLP AS INDEPENDENT AUDITORS FOR THE FISCAL YEAR ENDING DECEMBER 31, 2007 AND AGAINST THE SHAREHOLDER PROPOSAL RELATING TO THE LIQUIDATION OF THE COMPANY S INVESTMENT IN READY MIX, INC.**

The undersigned hereby revokes all previous proxies relating to the shares covered hereby and confirms all that said Proxy may do by virtue hereof.

Please sign exactly as name appears below. When shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give full title as such. If a corporation, please sign in full corporate name by President or other authorized officer. If a partnership, please sign in partnership name by authorized person.

Date Signature

Signature, If Held Jointly

**PLEASE MARK, SIGN, DATE AND RETURN THE PROXY CARD PROMPTLY BY FOLDING THIS CARD IN HALF, SEAL WITH THE MAILING ADDRESS SHOWING, ATTACH CORRECT POSTAGE AND MAIL.**

**PLEASE CHECK IF YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING: __________**

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**MEADOW VALLEY CORPORATION**
**Attention: David D. Doty**
**4602 E. Thomas Road**
**Phoenix, Arizona 85018**

00000">

Ounces/pounds sold equity basis

8,055 8,390 5,320 401 376

Total cash costs per ounce/pound equity basis

$350 $283 $227 $0.83 $0.79

Amortization per ounce/pound equity basis

104 81 76 0.30 0.17

Inventory purchase accounting adjustments per ounce/pound

1 0.02 0.26

Cost of sales and amortization per ounce/pound attributable to non-controlling interests[3]

1 9 8

Total costs per ounce/pound[5] consolidated basis

$455 $374 $311 $1.15 $1.22

1. The 2005 comparative periods for copper have been omitted as Barrick did not produce any significant amounts of copper prior to the production from the copper mines acquired with Placer Dome Inc.
2. The aggregate amount of cost of sales for gold and copper is as per Barrick s Consolidated Financial Statements.
3. Relates to a 70% interest in Tulawaka and a 50% interest in South Deep prior to 2007.
4. Based on Barrick s equity interest.
5. Includes amotization, amounts attributable to non-controlling interests and inventory purchase accounting adjustments.

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## LEGAL MATTERS

### General

Certain legal matters will be passed upon by:

- Shearman & Sterling LLP, our United States counsel, on matters of United States law; and
- Davies Ward Phillips & Vineberg LLP, our Canadian counsel, on matters of Ontario law and the federal laws of Canada applicable in Ontario.

Davies Ward Phillips & Vineberg LLP may rely on Shearman & Sterling LLP in issuing opinions about the validity of the Securities being sold. If different lawyers are relied on at the time of an offering of Securities, this will be included in the prospectus supplement.

On the date of this prospectus, the partners and associates of Davies Ward Phillips & Vineberg LLP and Shearman & Sterling LLP, respectively, own beneficially, directly or indirectly, less than 1% of the securities of Barrick.

## DOCUMENTS FILED AS PART OF THE REGISTRATION STATEMENT

The following documents have been filed with the SEC as part of the registration statement of which this prospectus is a part:

- the documents listed as being incorporated by reference in this prospectus under the heading Where You Can Find More Information in this prospectus;
- consents of accountants and counsel;
- powers of attorney;
- form of the trust indenture relating to the Debt Securities and the Guarantees; and
- statement of eligibility of the Trustee on Form T-1.

## EXPERTS

The comparative audited consolidated financial statements incorporated by reference in this prospectus have been so incorporated in reliance on the report of PricewaterhouseCoopers LLP, Chartered Accountants, given on the authority of that firm as experts in auditing and accounting. The address of PricewaterhouseCoopers LLP is Suite 3000, P.O. Box 82, Royal Trust Tower, Toronto-Dominion Centre, Toronto, Ontario, M5K 1G8.

June 12, 2008

**Auditors Consent**

We have read the short form base shelf prospectus of Barrick Gold Corporation (Barrick), Barrick North America Finance LLC (BNAF) and Barrick Gold Financeco LLC (BGF) dated June 12, 2008 relating to the issue and sale of debt securities of Barrick, BNAF and BGF. We have complied with Canadian generally accepted standards for an auditor s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned prospectus of our report to the shareholders of Barrick on the consolidated balance sheets of Barrick as at December 31, 2007 and December 31, 2006 and the consolidated statements of income, cash flows, shareholders equity and comprehensive income for each of the years in the three-year period ended December 31, 2007. Our report is dated February 20, 2008.

We also consent to the use in the above-mentioned prospectus of our report to the directors of Barrick on the consolidated balance sheets of Barrick as at December 31, 2007 and December 31, 2006 and the consolidated statements of income, cash flows, shareholders equity and comprehensive income for each of the years in the three-year period ended December 31, 2007. Our report is dated February 20, 2008 (except as to note 29 which is as of May 30, 2008).

/s/ PricewaterhouseCoopers LLC

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario

**SCHEDULE A**

**ANNUAL FINANCIAL STATEMENTS OF BARRICK GOLD CORPORATION**

**FOR THE YEAR ENDED DECEMBER 31, 2007**

**PricewaterhouseCoopers LLP**

**Chartered Accountants**

PO Box 82

Royal Trust Tower, Suite 3000

Toronto Dominion Centre

Toronto, Ontario

Canada M5K 1G8

Telephone +1 416 863 1133

Facsimile +1 416 365 8215

**Independent Auditors Report**

**To the Directors of**

**Barrick Gold Corporation**

We have audited the accompanying consolidated balance sheets of Barrick Gold Corporation as at December 31, 2007 and December 31, 2006, and the related consolidated statements of income, cash flow, shareholders equity and comprehensive income for each of the years in the three year period ended December 31, 2007. 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 of the Company s financial statements as at December 31, 2007 and December 31, 2006 and for each of the years then ended in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). We conducted our audit of the Company s financial statements for the year ended December 31, 2005 in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. A financial statement audit also includes assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and December 31, 2006 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2007 in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

**Chartered Accountants, Licensed Public Accountants**

Toronto, Canada

February 20, 2008

except for note 29 which is as of May 30, 2008.

PricewaterhouseCoopers refers to the Canadian firm of PricewaterhouseCoopers LLP and the other member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

**Comments by Auditors for U.S. Readers on Canada-U.S. Reporting Differences**

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the Company s financial statements, such as the changes described in Note 2e to these consolidated financial statements. Our report to the directors dated February 20, 2008 (except note 29 which is as of May 30, 2008) is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the Auditors report when the change is properly accounted for and adequately disclosed in the financial statements.

/s/ PricewaterhouseCoopers LLP

**Chartered Accountants, Licensed Public Accountants**

Toronto, Canada

February 20, 2008

except for note 29 which is as of May 30, 2008

**Consolidated Statements of Income**

Barrick Gold Corporation

For the years ended December 31 (in millions of United States Dollars, Except Per Share Data)

| | **2007** | **2006** | **2005** |
|---|---|---|---|
| **Sales** (notes 4 and 5) | **$ 6,332** | $ 5,630 | $ 2,348 |
| **Costs and expenses** | | | |
| Cost of sales[1] (note 6) | **3,184** | 2,741 | 1,198 |
| Amortization (note 4) | **1,004** | 735 | 427 |
| Corporate administration | **155** | 142 | 71 |
| Exploration (notes 4 and 7) | **179** | 171 | 109 |
| Project development expense (note 7) | **188** | 119 | 32 |
| Other expense (note 8A) | **208** | 216 | 114 |
| Impairment charges (note 8B) | **65** | 23 | 16 |
| | **4,983** | 4,147 | 1,967 |
| Interest income | **141** | 110 | 38 |
| Interest expense (note 20B) | **(113)** | 126) | (3) |
| Other income (note 8C) | **103** | 93 | 46 |
| | **131** | 77 | 81 |
| **Income from continuing operations before income taxes and other items** | **1,480** | 1,560 | 462 |
| Income tax expense (note 9) | **(341)** | (348) | (60) |
| Non-controlling interests (note 2C) | **14** | 1 | (1) |
| Equity in investees (note 12) | **(43)** | (4) | (6) |
| **Income from continuing operations** | **1,110** | 1,209 | 395 |
| Income from discontinued operations (note 3H) | **9** | 297 | |
| **Income before cumulative effect of changes in accounting principles** | **1,119** | 1,506 | 395 |
| Cumulative effect of changes in accounting principles | | | 6 |
| **Net income for the year** | **$ 1,119** | $ 1,506 | $ 401 |
| **Earnings per share data** (note 10) | | | |
| Income from continuing operations | | | |
| Basic | **$ 1.28** | $ 1.44 | $ 0.74 |
| Diluted | **$ 1.27** | $ 1.42 | $ 0.73 |
| Net income | | | |
| Basic | **$ 1.29** | $ 1.79 | $ 0.75 |
| Diluted | **$ 1.28** | $ 1.77 | $ 0.75 |

1 Exclusive of amortization (note 6).

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Statements of Cash Flow**

Barrick Gold Corporation

For the years ended December 31 (in millions of United States dollars)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Net income | **$ 1,119** | $ 1,506 | $ 401 |
| Amortization (note 4) | **1,004** | 735 | 427 |
| Income tax expense (notes 9 and 23) | **341** | 348 | 60 |
| Gains on sale of investments (note 8C) | **(71)** | (6) | (17) |
| Revisions to AROs at closed mines (notes 8A and 21) | **6** | 53 | 15 |
| Income taxes paid | **(585)** | (280) | (80) |
| Income from discontinued operations (note 3H) | **(9)** | (297) | |
| Other items (note 11A) | **(73)** | 63 | (80) |
| **Net cash provided by operating activities** | **1,732** | 2,122 | 726 |
| **INVESTING ACTIVITIES** | | | |
| Property, plant and equipment | | | |
| Capital expenditures (note 4) | **(1,046)** | (1,087) | (1,104) |
| Sales proceeds | **100** | 8 | 8 |
| Acquisitions, net of cash acquired of $13 million (2006: $1,108 million) (note 3) | **(1,122)** | (208) | |
| Investments (note 12) | | | |
| Purchases | **(11)** | (369) | (89) |
| Sales | **625** | 46 | 10 |
| Reclassifications (note 12) | **(66)** | | |
| Other investing activities (note 11B) | **(42)** | 17 | (5) |
| **Net cash used in investing activities** | **(1,562)** | (1,593) | (1,180) |
| **FINANCING ACTIVITIES** | | | |
| Capital stock | | | |
| Proceeds on exercise of stock options | **142** | 74 | 92 |
| Dividends (note 24A) | **(261)** | (191) | (118) |
| Long-term debt (note 20B) | | | |
| Proceeds | **408** | 2,189 | 179 |
| Repayments | **(1,128)** | (1,581) | (59) |
| Settlement of derivative instruments acquired with Placer Dome | **(197)** | (1,840) | |
| Other financing activities | | 2 | (1) |
| **Net cash (used in) provided by financing activities** | **(1,036)** | (1,347) | 93 |
| **CASH FLOWS OF DISCONTINUED OPERATIONS** | | | |
| Operating activities | **21** | 29 | |
| Investing activities | | 2,788 | |
| Financing activities | | 11 | |
| | **21** | 2,828 | |
| **Effect of exchange rate changes on cash and equivalents** | **9** | (4) | |
| Net increase (decrease) in cash and equivalents | **(836)** | 2,006 | (361) |
| **Cash and equivalents at beginning of year** (note 20A) | **3,043** | 1,037 | 1,398 |

| | | | |
|---|---|---|---|
| **Cash and equivalents at end of year** (note 20A) | **$ 2,207** | $ 3,043 | $ 1,037 |

The accompanying notes are an integral part of these consolidated financial statements.

**Consolidated Balance Sheets**

Barrick Gold Corporation

At December 31 (in millions of United States dollars)

| | 2007 | 2006 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and equivalents (note 20A) | **$ 2,207** | $ 3,043 |
| Accounts receivable (note 14) | **256** | 234 |
| Inventories (note 13) | **1,118** | 931 |
| Other current assets (note 14) | **707** | 588 |
| | **4,288** | 4,796 |
| Non-current assets | | |
| Investments (note 12) | **142** | 646 |
| Equity method investments (note 12) | **1,074** | 327 |
| Property, plant and equipment (note 15) | **8,596** | 8,390 |
| Intangible assets (note 16) | **68** | 75 |
| Goodwill (note 17) | **5,847** | 5,855 |
| Other assets (note 18) | **1,936** | 1,421 |
| **Total assets** | **$ 21,951** | $ 21,510 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities | | |
| Accounts payable | **808** | $ 686 |
| Short-term debt (note 20B) | **233** | 863 |
| Other current liabilities (note 19) | **255** | 303 |
| | **1,296** | 1,852 |
| Non-current liabilities | | |
| Long-term debt (note 20B) | **3,153** | 3,244 |
| Asset retirement obligations (note 21) | **892** | 843 |
| Deferred income tax liabilities (note 23) | **841** | 798 |
| Other liabilities (note 22) | **431** | 518 |
| **Total liabilities** | **6,613** | 7,255 |
| **Non-controlling interests** | **82** | 56 |
| **Shareholders equity** | | |
| Capital stock (note 24) | **13,273** | 13,106 |
| Retained earnings | **1,832** | 974 |
| Accumulated other comprehensive income (note 25) | **151** | 119 |
| **Total shareholders equity** | **15,256** | 14,199 |
| Contingencies and commitments (notes 15 and 28) | | |
| **Total liabilities and shareholders equity** | **$ 21,951** | $ 21,510 |

The accompanying notes are an integral part of these consolidated financial statements.

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**Consolidated Statements of Shareholders Equity**

Barrick Gold Corporation

For the years ended December 31 (in millions of United States dollars)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Common shares** (number in millions) | | | |
| At January 1 | **864** | 538 | 534 |
| Issued on exercise of stock options (note 26A) | **6** | 3 | 4 |
| Issued on acquisition of Placer Dome | | 323 | |
| At December 31 | **870** | 864 | 538 |
| **Common shares** | | | |
| At January 1 | **$ 13,106** | $ 4,222 | $ 4,129 |
| Issued on exercise of stock options (note 26A) | **142** | 74 | 93 |
| Issued on acquisition of Placer Dome (note 3G) | | 8,761 | |
| Options issued on acquisition of Placer Dome (note 3G) | | 22 | |
| Recognition of stock option expense (note 26A) | **25** | 27 | |
| At December 31 | **13,273** | 13,106 | 4,222 |
| **Retained earnings (deficit)** | | | |
| At January 1 | **974** | (341) | (624) |
| Net income | **1,119** | 1,506 | 401 |
| Dividends (note 24A) | **(261)** | (191) | (118) |
| At December 31 | **1,832** | 974 | (341) |
| Accumulated other comprehensive income (loss) (note 25) | **151** | 119 | (31) |
| **Total shareholders equity at December 31** | **$ 15,256** | $ 14,199 | $ 3,850 |

**Consolidated Statements of Comprehensive Income**

Barrick Gold Corporation

For the years ended December 31 (in millions of United States dollars)

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Net income | **$ 1,119** | $ 1,506 | $ 401 |
| Other comprehensive income (loss), net of tax (note 25) | **32** | 150 | (100) |
| Comprehensive income | **$ 1,151** | $ 1,656 | $ 301 |

The accompanying notes are an integral part of these consolidated financial statements.

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Barrick Gold Corporation**. *Tabular dollar amounts in millions of United States dollars, unless otherwise shown. References to C$, A$, ZAR, EUR, CLP, ARS, PGK and TZS are to Canadian dollars, Australian dollars, South African Rands, Euros, Chilean Pesos, Argentinean Pesos, Papua New Guinea Kina and Tanzanian Schillings respectively.*

## 1 > NATURE OF OPERATIONS

Barrick Gold Corporation ( Barrick or the Company ) principally engages in the production and sale of gold, as well as related activities such as exploration and mine development. We also produce some copper and hold interests in a platinum group metals development project and a nickel development project, both located in Africa, and a platinum group metals project located in Russia. Our mining operations are concentrated in our four regional business units: North America, South America, Africa and Australia Pacific. We sell our gold production into the world market and we sell our copper production into the world market and to private customers.

## 2 > SIGNIFICANT ACCOUNTING POLICIES

### A Basis of Preparation

These consolidated financial statements have been prepared under United States generally accepted accounting principles ( US GAAP ). In 2007, we amended the income statement classification of certain income and expense items, including non-hedge derivative gains and losses (see note 2E), to provide enhanced disclosure of significant business activities and reflect the increasing significance of amounts spent on those activities. To ensure comparability of financial information, prior year amounts have been reclassified to reflect changes in the financial statement presentation.

### B Principles of Consolidation

These consolidated financial statements include the accounts of Barrick Gold Corporation and those entities we have the ability to control either through voting rights or means other than voting rights. FIN 46R provides guidance on the identification and reporting of entities controlled through means other than voting rights and defines such entities as variable interest entities ( VIEs ). We apply this guidance to all entities, including those in the development stage, except for unincorporated joint ventures, which are outside the scope of FIN 46R. For VIEs where we are the primary beneficiary, we consolidate the entity and record a non-controlling interest, measured initially at its estimated fair value, for the interest held by other entity owners. For VIEs where we are not the primary beneficiary we use the equity method of accounting.

For incorporated joint ventures ( JVs ) where we have the ability to exercise control, subject in some cases to protective rights held by our JV partners, we consolidate the JV and record a non-controlling interest for the interest held by our JV partner. For incorporated JVs where we do not have the ability to exercise control, we account for our investment using the equity method of accounting. For unincorporated JVs under which we hold an undivided interest in the assets and liabilities of the joint venture, we include our pro rata share of the assets and liabilities in our financial statements.

The following table illustrates our policy used to account for significant entities where we hold less than a 100% economic interest. We consolidate all other wholly owned entities.

**Consolidation Method at December 31, 2007**

| | Entity type at Dec 31, 2007 | Economic Interest | Method |
|---|---|---|---|
| **North America** | | | |
| Round Mountain Mine | Unincorporated JV | 50% | Pro Rata |
| Hemlo Property Mine | Unincorporated JV | 50% | Pro Rata |
| Marigold Mine | Unincorporated JV | 33% | Pro Rata |
| Cortez Mine[1] | Unincorporated JV | 60% | Pro Rata |
| Turquoise Ridge Mine | Unincorporated JV | 75% | Pro Rata |
| Pueblo Viejo Project | VIE | 60% | Consolidation |
| Donlin Creek Project[2] | VIE | 50% | Equity Method |
| **South America** | | | |
| Cerro Casale Project | VIE | 51% | Equity Method |
| **Australia** | | | |
| Kalgoorlie Mine | Unincorporated JV | 50% | Pro Rata |
| Porgera Mine[3] | Unincorporated JV | 95% | Pro Rata |
| Reko Diq Project[4] | VIE | 37.5% | Equity Method |
| **Africa** | | | |
| Tulawaka Mine | Corporate Joint Venture | 70% | Consolidation |
| Kabanga Project[5] | VIE | 50% | Equity Method |
| Sedibelo Project[6] | Not Applicable | 50% | Consolidation |
| **Russia** | | | |
| Fedorova Project[7] | VIE | 50% | Consolidation |

1 Including Cortez Hills Project.

2 For the period from January 2006 until November 2007, we recorded our proportionate 70% share of project expenditures in project development expense based on the previous joint venture agreement. Effective in November 2007, a new agreement was reached with our partner which caused us to classify our interest as an equity method investment on a prospective basis (note 12).

3 We hold an undivided interest in our share of assets and liabilities at the Porgera mine. In August 2007, we increased our ownership interest from 75% to 95% (note 3E).

4 We hold a 50% interest in Atacama Copper, which has a 75% interest in the Reko Diq project. We use the equity method to account for our interest in Atacama Copper (note 12).

5 In accordance with an agreement with our partner, in 2007 and 2006 our partner was responsible for funding 100% of exploration and project expenditures and we did not record any amounts for our economic interest in this period. After our partner has funded $145 million of exploration and project expenditures we will be responsible for funding our share of future expenditures. At December 31, 2007 our partner had spent $103 million of this funding commitment.

6 Until completion of a bankable feasibility study ( BFS ), we are responsible for funding 100% of project expenditures at the Sedibelo project. In the year ended December 31, 2007, we recorded project development expenses totaling $22 million (2006: $10 million). On completion of a BFS, as part of our earn-in agreement, we are entitled to earn a 50% economic interest in the entity that owns the Sedibelo project and to recoup from our partner their 50% share of the costs to complete the BFS.

7 In accordance with our agreement with minority shareholders, we have an earn-in option for an additional 29% interest in the entity that owns the rights to the Fedorova project (for a total 79% interest), provided that we deliver a BFS by January 1, 2009. We are responsible for funding 100% of project expenditures until the BFS is finalized, and therefore a non-controlling interest has not been recorded through December 31, 2007.

**Entities Consolidated using the Pro Rata Method Income Statement and Cash Flow Information (100%)**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Revenues | $ 2,076 | $ 1,776 | $ 1,009 |
| Costs and expenses | (1,665) | (1,457) | (796) |
| Net income | $ 411 | $ 319 | $ 213 |
| Operating activities[1] | $ 147 | $ 473 | $ 318 |
| Investing activities[1] | $ (139) | $ (284) | $ (75) |
| Financing activities[1,2] | $ 81 | $ (185) | $ (237) |

1 Net cash inflow (outflow).
2 Includes cash flows between the joint ventures and joint venture partners.

**Balance Sheet Information (100%)**

| At December 31 | 2007 | 2006 |
|---|---|---|
| Assets | | |
| Inventories | $ 430 | $ 365 |
| Property, plant and equipment | 2,620 | 2,468 |
| Other assets | 462 | 126 |
| | $ 3,512 | $ 2,959 |
| Liabilities | | |
| Current liabilities | $ 216 | $ 205 |
| Long-term obligations | 267 | 202 |
| Deferred tax | 47 | 42 |
| | $ 530 | $ 449 |

Non-controlling Interests Income Statement

| For the years ended December 31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Pueblo Viejo project | $ 30 | $ 9 | $ |
| Tulawaka mine | (16) | (8) | (2) |
| Other | | | 1 |
| | $ 14 | $ 1 | $ (1) |

**C Foreign Currency Translation**

The functional currency of all our operations is the US dollar. We translate non-US dollar balances into US dollars as follows:

Property, plant and equipment, intangible assets and equity method investments using historical rates;

Available for sale securities using closing rates with translation gains and losses recorded in other comprehensive income;

Asset retirement obligations using historical rates;

Long-term debt using closing rates;

Deferred tax assets and liabilities using closing rates with translation gains and losses recorded in income tax expense;

Other assets and liabilities using closing rates with translation gains and losses recorded in other income/expense; and

Income and expenses using average exchange rates, except for expenses that relate to non-monetary assets and liabilities measured at historical rates, which are translated using the same historical rate as the associated non-monetary assets and liabilities.

**D Use of Estimates**

The preparation of these financial statements requires us to make estimates and assumptions. The most significant ones are: quantities of proven and probable mineral reserves; fair values of acquired assets and liabilities under business combinations, including the value of mineralized material beyond proven and probable mineral reserves; future costs and expenses to produce proven and probable mineral reserves; future commodity prices for gold, copper, silver and other products; the future cost of asset retirement obligations; amounts and likelihood of contingencies; the fair values of reporting units that include goodwill; and uncertain tax positions. Using these and other estimates and assumptions, we make various decisions in preparing the financial statements including:

The treatment of expenditures at mineral properties prior to when production begins as either an asset or an expense (note 15);

Whether tangible and intangible long-lived assets are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge (note 15);

Our ability to realize deferred income tax assets and amounts recorded for any corresponding valuation allowances (note 23);

The useful lives of tangible and intangible long-lived assets and the measurement of amortization (note 15);

The fair value of asset retirement obligations (note 21);

Whether to record a liability for loss contingencies and the amount of any liability (notes 15 and 28);

Whether investments are other than temporarily impaired (note 12);

The amount of income tax expense (note 9);

Allocations of the purchase price in business combinations to assets and liabilities acquired, including goodwill (notes 3 and 17);

Whether any impairments of goodwill have occurred and if so the amounts of impairment charges (note 17);

Transfers of value beyond proven and probable reserves to amortized assets (note 15);

Amounts recorded for uncertain tax positions (note 23), and

The timing and amounts recorded of proceeds for insurable losses under insurance claims (note 15).

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on our financial statements.

**E Accounting Changes**

**Accounting Changes Implemented in 2007**

**FSP AUG AIR 1 Accounting for Planned Major Maintenance Activities (FSP AIR-1)**

On January 1, 2007, we adopted FSP AIR-1 which amends guidance from the AICPA Industry Audit Guide, Audits of Airlines ( Airline Guide ) with respect to planned major maintenance activities and makes this guidance applicable to entities in all industries. Of the three methods of accounting for planned major maintenance allowed by FSP AIR-1, we adopted the built-in overhaul method. The built-in overhaul method is based on segregation of plant and equipment costs into those that should be depreciated over the useful life of the asset and those that require overhaul at periodic intervals. The estimated cost of the overhaul component included in the purchase price of an asset is set up separately from the cost of the asset and is amortized to the expected date of the initial overhaul. The cost of the initial overhaul is then capitalized and amortized to the next overhaul, at which time the process is repeated. We adopted FSP AIR-1 on January 1, 2007. The implementation of this standard did not have a material impact on our Financial Statements.

**FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes, an interpretation of FASB Statement No. 109 (Accounting for Income Taxes) (FIN 48)**

In June 2006, the Financial Accounting Standards Board (FASB) issued FIN 48 to create a single model to address accounting for uncertainty in tax positions. FIN 48 clarifies the accounting for income taxes, by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on de-recognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006.

We adopted the provisions of FIN 48, Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of FIN 48, no adjustment was required to the liability for unrecognized tax benefits.

**Change in Financial Statement Presentation Derivative Gains and Losses**

In 2007, we made a change in the financial statement classification of changes in the fair value of derivative instruments that do not qualify for hedge accounting under FAS 133 (non-hedge derivatives), which was retroactively applied. Prior to this change, we recorded the change in fair value of all non-hedge derivative gains and losses as a component of other income, with the exception of changes in the fair value of embedded derivatives implicit in concentrate sales contracts, which were recorded as a component of revenue.

Beginning in 2007, we record changes in the fair value of non-hedge derivatives in a manner consistent with the intended purpose of the instrument as follows: gold and copper derivative instruments are recorded in revenue; silver and fuel derivative contracts are recorded in cost of sales; interest rate swaps are recorded in interest income or interest expense, depending on the intended purpose of the swap; and share purchase warrants are recorded in other income.

The impact of this change in accounting policy for prior periods was as follows:

| | Increase (decrease) | |
|---|---|---|
| **For the years ended December 31** | **2006** | **2005** |
| Gold revenue | **$ 8** | $ (2) |
| Copper revenue | **(14)** | |
| Cost of sales | **5** | (16) |
| Other expense | | 20 |
| Interest income | **9** | |
| Interest expense | | (4) |
| Other income | **2** | 2 |

**Accounting Changes Implemented in 2006**

**FAS 123R, Accounting for Stock Based Compensation**

On January 1, 2006, we adopted FAS 123R. Prior to this date we applied FAS 123 and accounted for stock options under the intrinsic value method, recording compensation cost for stock options as the excess of the market price of the stock at the grant date of an award over the exercise price. Historically, the exercise price of stock options equaled the market price of the stock at the grant date resulting in no recorded compensation cost. We provided pro forma disclosure of the effect of expensing the fair value of stock options.

We adopted FAS 123R using the modified prospective method, which meant that financial statements for periods prior to adoption were not restated. From January 1, 2006 we recorded compensation expense for all new stock option grants based on the grant date fair value, amortized on a straight-line basis over the vesting period. We also recorded compensation expense for the unvested portion of stock option grants occurring prior to January 1, 2006, based on the grant date fair value that was previously estimated and used to provide for pro forma disclosures for financial statement periods prior to 2006, amortized on a straight-line basis over the remaining vesting period for those unvested stock options. Details of stock-based compensation expense are included in note 26.

The application of FAS 123R to Restricted Share Units (RSUs) and Deferred Share Units (DSUs) did not result in any significant change in the method of accounting for RSUs or DSUs.

**FAS 151, Inventory Costs**

FAS 151 specifies the general principles applicable to the pricing and allocation of certain costs to inventory. Under FAS 151, abnormal amounts of idle facility expense, freight, handling costs and wasted materials are recognized as current period charges rather than capitalized to inventory. FAS 151 also requires that the allocation of fixed production overhead to the cost of inventory be based on the normal capacity of production facilities.

FAS 151 was applicable prospectively from January 1, 2006 and we modified our inventory accounting policy consistent with its requirements. Under our modified accounting policy for inventory, production-type costs that are considered abnormal are excluded from inventory and charged directly to the cost of sales. Interruptions to normal activity levels at a mine could occur for a variety of reasons including equipment failures and major maintenance activities, strikes, power supply interruptions and adverse weather conditions. When such interruptions occur we evaluate the impact on the cost of inventory produced in the period, and to the extent the actual cost exceeds the cost based on normal capacity we expense any excess directly to cost of sales. The adoption of FAS 151 did not have any significant effect on our financial statements.

**FAS 158, Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans**

In September 2006, the FASB issued FAS 158 that requires employers to fully recognize the obligations associated with single-employer defined benefit pension, retiree health care and other post-retirement plans in their financial statements. FAS 158 was developed to respond to concerns that past accounting standards needed to be revisited to improve the transparency and usefulness of the information reported. Under past accounting standards, the funded status of an employer s post-retirement benefit plan (i.e., the difference between the plan assets and obligations) was not completely reported in the balance sheet. Employers reported an asset or liability that differed from the plan s funded status because previous accounting standards allowed employers to delay recognition of certain changes in plan assets and obligations that affected the costs of providing such benefits. Past standards only required an employer to disclose the funded status of its plans in the notes to the financial statements.

FAS 158 requires recognition of the funded status of a benefit plan on the balance sheet measured as the difference between plan assets at fair value (with limited exceptions) and the benefit obligation, as at the fiscal year-end. For a pension plan, the benefit obligation is the projected benefit obligation; for any other post- retirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated post-retirement benefit obligation. FAS 158 also requires recognition, as a component of other comprehensive income, net of tax, of the gains or losses and prior service costs or credits that arise during the period but are not recorded as components of net periodic benefit cost. Amounts recorded in accumulated other comprehensive income are adjusted as they are subsequently recorded as components of net periodic cost. FAS 158 requires disclosure of information about certain effects of net periodic benefit cost for the next fiscal year that arise from delayed recognition of the gains or losses, prior service costs or credits, and transition asset or obligation.

We adopted the provisions of FAS 158 in 2006, as required, except for the requirement to measure the plan assets and benefit obligations at the fiscal year-end, which is effective in fiscal years ending after December 15, 2008. The adoption of FAS 158 did not significantly impact our financial statements.

**SEC Staff Accounting Bulletin No. 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108)**

In September 2006, the SEC issued SAB 108, which was effective in fourth quarter 2006 for Barrick. SAB 108 addresses the multiple methods used to quantify financial statement misstatements and evaluate the accumulation of misstatements on the balance sheet. SAB 108 requires registrants to evaluate prior period misstatements using both a balance sheet approach ( the iron curtain method ) and an income statement approach ( the rollover method ). Barrick historically used the rollover method in quantifying potential financial statement misstatements. As required by SAB 108, we re-evaluated prior period immaterial errors using the iron curtain method. Based upon the result of our evaluation, we did not identify any material errors or misstatements that were previously deemed not material under the rollover approach.

**Accounting Changes Implemented in 2005**

**EITF 04-6 Accounting for Stripping Costs Incurred During Production in the Mining Industry**

In 2005, we adopted EITF 04-6 and changed our accounting policy for stripping costs incurred in the production phase. Prior to adopting EITF 04-6, we capitalized stripping costs incurred in the production phase, and we recorded amortization of the capitalized costs as a component of the cost of inventory produced each period. Under EITF 04-6, stripping costs are recorded directly as a component of the cost of inventory produced each period. Using an effective date of adoption of January 1, 2005, we recorded a decrease in capitalized mining costs of $226 million; an increase in the cost of inventory of $232 million; and a $6 million credit to earnings for the cumulative effect of this change. For 2005, the effect of adopting EITF 04-6 compared to the prior policy was an increase in net income of $44 million ($0.08 per share), excluding the cumulative effect on prior periods.

**F Accounting Developments**

**FAS 157, Fair Value Measurements (FAS 157)**

In September 2006, the FASB issued FAS 157 that provides enhanced guidance for using fair value to measure assets and liabilities. FAS 157 is meant to ensure that the measurement of fair value is more comparable and consistent, and improve disclosure about fair value measures. As a result of FAS 157, there is now a common definition of fair value to be used throughout US GAAP. FAS 157 applies whenever US GAAP requires (or permits) measurement of assets or liabilities at fair value. FAS 157 does not address when the use of fair value measurements is required.

In December 2007 the FASB issued FSP FAS 157-b, which provided a one year deferral until January 1, 2009 for the implementation of FAS 157 for non-financial assets and liabilities. The deferral is intended to provide the FASB additional time to consider the effects of various implementation issues that have arisen, or that may arise, from the application of FAS 157. Barrick is required to implement FAS 157 for financial assets and liabilities that are carried at fair value effective January 1, 2008. We do not expect the adoption of FAS 157 to have any significant impact on valuations of investments or derivative instruments.

**FAS 159 The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159)**

In February 2007 the FASB issued FAS 159, which allows an irrevocable option, Fair Value Option (FVO), to carry eligible financial assets and liabilities at fair value, with the election made on an instrument-by-instrument basis. Changes in fair value for these instruments would be recorded in earnings. The objective of FAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

Under FAS 159 an entity must elect whether to use the FVO on the date an item is initially recognized, with limited exceptions. Since the FVO is an instrument-by-instrument election, companies may record identical financial assets and liabilities either at fair value or on another measurement basis permitted by US GAAP, such as amortized cost. One exception to the instrument-by-instrument guidance is that for investments that would otherwise fall under equity method accounting, the election must be made for all of the investor s financial interests (equity and debt, including guarantees) in the same entity.

FAS 159 will be effective for Barrick beginning in first quarter 2008 and must be applied prospectively. Barrick will not adopt the FVO on its eligible financial instruments, which include available-for-sale securities, equity method investments and long-term debt, existing as at January 1, 2008.

**FAS 141(R), Business Combinations (FAS 141(R))**

In December 2007 the FASB issued FAS 141(R), which will replace FAS 141 prospectively for business combinations consummated after the effective date of December 15, 2008. Early adoption is not permitted. Under FAS 141(R), business acquisitions will be accounted for under the acquisition method , compared to the purchase method mandated by FAS 141.

The more significant changes that will result from applying the acquisition method include: (i) the definition of a business is broadened to include development stage entities, and therefore more acquisitions will be accounted for as business combinations rather than asset acquisitions; (ii) the measurement date for equity interests issued by the acquirer is the acquisition date instead of a few days before and after terms are agreed to and announced, which may significantly change the amount recorded for the acquired business if share prices differ from the agreement and announcement date to the acquisition date; (iii) all future adjustments to income tax estimates will be recorded to income tax expense, whereas under FAS 141 certain changes in income tax estimates were recorded to goodwill; (iv) acquisition-related costs of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees will be expensed as incurred, whereas under FAS 141 these costs are capitalized as part of the cost of the business combination; (v) the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained, whereas under FAS 141 only the controlling interest s portion is recorded at fair value; and (vi) the non-controlling interest will be recorded at its share of fair value of net assets acquired, including its share of goodwill, whereas under FAS 141 the non-controlling interest is recorded at its share of carrying value of net assets acquired with no goodwill being allocated.

**FAS 160, Non-controlling Interests in Consolidated Financial Statements (FAS 160)**

In December 2007 the FASB issued FAS 160, which is effective for fiscal years beginning after December 15, 2008. Under FAS 160, non-controlling interests will be measured at 100% of the fair value of assets acquired and liabilities assumed. Under current standards, the non-controlling interest is measured at book value. For presentation and disclosure purposes, non-controlling interests will be classified as a separate component of shareholders equity. In addition, FAS 160 will change the manner in which increases/decreases in ownership percentages are accounted for. Changes in ownership percentages will be recorded as equity transactions and no gain or loss will be recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Under FAS 160, accumulated losses attributable to the non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interests could have a negative carrying balance. The provisions of FAS 160 are to be applied prospectively with the exception of the presentation and disclosure provisions, which are to be applied for all prior periods presented in the financial statements. Early adoption is not permitted.

**G Other Notes to the Financial Statements**

**3 > SIGNIFICANT ACQUISITIONS AND DIVESTITURES**

| For the years ended December 31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cash paid on acquisition[1] | | | |
| Arizona Star | **$ 722** | $ | $ |
| Porgera (additional 20% interest) | **259** | | |
| Kainantu | **135** | | |
| Pioneer Metals | **6** | 48 | |
| Placer Dome | | 160 | |
| | **$ 1,122** | $ 208 | $ |
| Cash proceeds on sale[1] | | | |
| Celtic[2] | **21** | | |
| Paddington Mill[3] | **30** | | |
| Grace Claim[3] | **54** | | |
| | **$ 105** | $ | $ |
| Cash proceeds on sale of discontinued operations | | | |
| South Deep mine | **$** | $ 1,209 | $ |
| Operations sold to Goldcorp | | 1,619 | |
| | **$** | $ 2,828 | $ |

1 All amounts are presented net of cash acquired/divested. Potential deferred tax adjustments may arise from these acquisitions.
2 Included within investment sales in the Consolidated Statement of Cash Flow
3 Included within Property, Plant and Equipment sales in the Consolidated Statement of Cash flow

**A Acquisition of 40% Interest in Cortez**

In February 2008, our subsidiary, Barrick Gold Finance Inc., entered into a definitive purchase agreement with Kennecott Explorations (Australia) Ltd., a subsidiary of Rio Tinto plc ( Rio Tinto ) to acquire its 40% interest in the Cortez property for $1.695 billion in cash consideration, due on closing, with a further $50 million payable if and when we add an additional 12 million ounces of contained gold resources to our December 31, 2007 reserve statement for Cortez. A sliding scale royalty is payable to Rio Tinto on 40% of all production in excess of 15 million ounces on and after January 1, 2008. The acquisition will consolidate 100% ownership for Barrick of the existing Cortez mine and the Cortez Hills development project plus any future potential from the property. We expect to fund the purchase price through a combination of our existing cash balances and by drawing down our line of credit. The agreement is subject to the normal and customary closing conditions and is expected to close in the first quarter of 2008.

**B Acquisition of Arizona Star Resources Corporation ( Arizona Star )**

On December 19, 2007, we paid $722 million which reflects the purchase price net of cash acquired of $8 million, for 40.7 million common shares of Arizona Star. These shares represent 94% of the outstanding common shares of Arizona Star on a fully-diluted basis. It is our intention to acquire the remaining outstanding Arizona Star common shares by way of a compulsory acquisition. The Offer price for Arizona Star s common shares was CDN$18.00. Arizona Star owns a 51% interest in the Cerro Casale deposit in the Maricunga district of Region III in Chile. The acquisition of Arizona Star has been accounted for as an asset purchase. The purchase price allocation will be finalized in 2008 with the determination of the deferred tax portion, if any.

**Purchase Cost**

| | |
|---|---|
| Purchase cost per agreement | $ 728 |
| Purchase price adjustments and transaction costs | 2 |
| Less: cash acquired | (8) |
| | $ 722 |

**Preliminary Purchase Price Allocation**

| | |
|---|---|
| Equity investment in Cerro Casale project | $ 732 |
| Total assets | 732 |
| Accounts payable | 8 |
| Non-controlling interest | 2 |
| Total liabilities | 10 |
| Net assets acquired | $ 722 |

**C Kainantu Acquisition**

On December 12, 2007 we completed the acquisition of the Kainantu mineral property and various exploration licenses in Papua New Guinea from Highlands Pacific Limited for $135 million in cash, which reflects the purchase price, net of $7 million withheld pending certain permit renewals. The acquisition has been accounted for as a purchase of assets. The purchase price allocation will be finalized in 2008.

**D Sale of Paddington Mill**

In 2007, we completed the sale of the Paddington mill and associated land tenements in Australia to Norton Goldfields Limited and the sale of certain land tenements to Apex Minerals for total proceeds of $32 million, $30 million in cash and $2 million in Apex Minerals NL shares, respectively. We recorded a gain of $8 million in other income on closing.

**E Porgera Mine Acquisition**

In 2007, we completed the acquisition of an additional 20% interest in the Porgera mine in Papua New Guinea from Emperor Mines Limited, for cash consideration of $259 million. The acquisition has been accounted for as a business combination. Following this transaction our interest in the Porgera mine increased from 75% to 95%. The Government of Papua New Guinea holds the remaining 5% undivided interest in Porgera. We have entered into a call option deed regarding the possible sale of up to a 5% interest to the Government of Papua New Guinea, for the proportionate acquisition cost paid by Barrick.

**Purchase Cost**

| | |
|---|---|
| Purchase cost per agreement with Emperor Mines Limited | $ 250 |
| Purchase price adjustments and transaction costs | 14 |
| Less: cash acquired | (5) |
| | $ 259 |

**Summary Purchase Price Allocation**

| | |
|---|---|
| Inventories | $ 17 |
| Other current assets | 2 |
| Property, plant and equipment | 145 |
| Non-current ore in stockpiles | 60 |
| Deferred tax assets | 20 |
| Goodwill | 34 |
| Total assets | 278 |
| Current liabilities | 11 |
| Asset retirement obligations | 8 |
| Total liabilities | 19 |
| Net assets acquired | $ 259 |

**F Acquisition of Pioneer Metals Inc. ( Pioneer )**

In 2006, we acquired control of Pioneer through the acquisition of 59.2 million shares, representing approximately 91% of the outstanding shares of Pioneer, for cash consideration of $54 million. Pioneer had a portfolio of exploration properties and interests, including the Grace property which is adjacent to NovaGold Resources Inc. s ( NovaGold ) Galore Creek project. In 2007, we acquired all of the remaining outstanding shares of Pioneer for cash consideration of $6 million and recorded purchase price adjustments totaling $3 million.

**Purchase Cost**

| | |
|---|---|
| Purchase cost | $ 63 |
| Less: cash acquired | (9) |
| | $ 54 |

The acquisition has been accounted for as a purchase of assets. The purchase price allocation was as follows:

**Summary Purchase Price Allocation**

| | |
|---|---|
| Property, plant and equipment | 69 |
| Total assets | 69 |
| Current liabilities | |
| Deferred tax liabilities | 15 |
| Total liabilities | 15 |
| Net assets acquired | $ 54 |

In third quarter 2007 we sold the Grace property to NovaGold for cash proceeds of $54 million. There was no after-tax gain or loss arising on closing.

**G Acquisition of Placer Dome Inc. ( Placer Dome )**

In first quarter 2006 we acquired 100% of the outstanding common shares of Placer Dome. Placer Dome was one of the world s largest gold mining companies. It had 12 mining operations based in North America, South America, Africa and Australia/Papua New Guinea, as well as four projects that are in various stages of exploration/development. Its most significant mines were Cortez in the United States, Zaldívar in Chile, Porgera in Papua New Guinea, North Mara in Tanzania and South Deep in South Africa. The most significant projects are Cortez Hills and Donlin Creek LLC ( Donlin Creek ) in the United States, and Pueblo Viejo in the Dominican Republic. The business combination between ourselves and Placer Dome was an opportunity to create a Canadian-based leader in the global gold mining industry, which strengthens our competitive position, including in respect of gold reserves, gold production, growth opportunities, and balance sheet strength.

**Accounting for the Placer Dome Acquisition**

The Placer Dome acquisition has been accounted for as a purchase business combination, with Barrick as the accounting acquirer. We acquired Placer Dome on January 20, 2006, with the results of operations of Placer Dome consolidated from January 20, 2006 onwards. The purchase cost was $10 billion and was funded through a combination of common shares issued, the drawdown of a $1 billion credit facility, and cash resources.

| | |
|---|---|
| Value of 322.8 million Barrick common shares issued at $27.14 per share[1] | $ 8,761 |
| Value of 2.7 million fully vested stock options | 22 |
| Cash | 1,239 |
| Transaction costs | 32 |
| | $ 10,054 |

1 The measurement of the common share component of the purchase consideration represents the average closing price on the New York Stock Exchange for the two days prior to and two days after the public announcement on December 22, 2005 of our final offer for Placer Dome.

In accordance with the purchase method of accounting, the purchase cost was allocated to the underlying assets acquired and liabilities assumed based primarily upon their estimated fair values at the date of acquisition. The estimated fair values were based on a combination of independent appraisals and internal estimates. The excess of purchase cost over the net identifiable tangible and intangible assets acquired represents goodwill. Goodwill arising on the acquisition of Placer Dome principally represents the ability for the company to continue as a going concern by finding new mineral reserves as well as the value of synergies that we expect to realize as a direct consequence of the acquisition of Placer Dome. Details of the allocation of goodwill arising on acquisition are included in note 17.

On the acquisition of Placer Dome in first quarter 2006, we completed a preliminary purchase price allocation for assets and liabilities acquired. Amortization expense for the first three quarters of 2006 was based on this preliminary purchase price allocation. In fourth quarter 2006, we completed final purchase price allocations and updated our calculations of amortization expense prospectively. The effect of the final purchase price allocation on the amount of amortization expense recorded in 2007 compared to amounts recorded in 2006 based on the preliminary allocation, was an increase of $189 million.

The principal valuation methods for major classes of assets and liabilities were:

| | |
|---|---|
| Inventory | Finished goods and work in process valued at estimated selling prices less disposal costs, costs to complete and a reasonable profit allowance for the completing and selling effort. |
| Building and equipment | Reproduction and/or replacement cost or market value for current function and service potential, adjusted for physical, functional and economic obsolescence. |
| Proven and probable reserves and value beyond proven and probable reserves at producing mines | Multi-period excess earnings approach considering the prospective level of cash flows and fair value of other assets at each mine. |
| Development projects | Discounted future cash flows considering the prospective level of cash flows from future operations and necessary capital cost expenditures. |
| Exploration properties | Appraised values considering costs incurred, earn-in agreements and comparable market transactions, where applicable. |
| Long-term debt and derivative instruments | Estimated fair values consistent with the methods disclosed in note 20C. |
| Asset retirement obligations | Estimated fair values consistent with the methods disclosed in note 21. |

**Final Summary Purchase Price Allocation**

| | |
|---|---|
| Cash | $ 1,102 |
| Inventories | 428 |
| Other current assets | 198 |
| Property, plant and equipment | |
| Buildings, plant and equipment | 2,946 |
| Proven and probable reserves | 1,571 |
| Value beyond proven and probable reserves | 419 |
| Intangible assets | 85 |
| Assets of discontinued operations[1] | 1,744 |
| Deferred tax assets | 93 |
| Other assets | 254 |
| Goodwill | 6,506 |
| Total assets | 15,346 |
| Current liabilities | 669 |
| Liabilities of discontinued operations[1] | 107 |
| Derivative instrument liabilities | 1,729 |
| Long-term debt | 1,252 |
| Asset retirement obligations | 387 |
| Deferred income tax liabilities | 686 |
| Total liabilities | 4,830 |
| Non-controlling interests | 462 |
| Net assets acquired | $ 10,054 |

1 Includes operations that were sold to Goldcorp Inc.

At acquisition we recorded liabilities totaling $48 million that primarily relate to employee severance at Placer Dome offices that were closed during the year. All amounts were settled by the end of 2007.

**H Discontinued Operations**

**Results of Discontinued Operations**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Gold sales | | | |
| South Deep operations | **$** | $ 158 | $ |
| Operations sold to Goldcorp | | 83 | |
| | **$** | $ 241 | $ |
| Income before tax | | | |
| South Deep | **9** | 8 | |
| Gain on sale of South Deep | | 288 | |
| Operations sold to Goldcorp | | 1 | |
| | **$ 9** | $ 297 | $ |

**South Deep**

On December 1, 2006, we sold our 50% interest in the South Deep mine in South Africa to Gold Fields Limited ( Gold Fields ). The consideration on closing was $1,517 million, of which $1,209 million was received in cash and $308 million in Gold Fields shares. On closing we recorded a gain of $288 million, representing the consideration received less transaction costs and the carrying amount of net assets of South Deep, including goodwill relating to South Deep of $651 million.

The results of the operations of South Deep in 2006 are presented under discontinued operations in the income statement and cash flow statement. As required by accounting rules applicable to discontinued operations, amortization of property, plant and equipment at South Deep ceased on September 1, 2006, the date when they were classified as held for sale, and we allocated interest expense of $2 million to these discontinued operations.

In second quarter 2006, a loaded skip and 6.7 kilometers of rope fell 1.6 kilometers down the South Deep mine s Twin Shaft complex during routine maintenance, causing extensive damage but no injuries. Repair costs for assets that were damaged were expensed as incurred. We were insured for property damage and a portion of business interruption losses. In fourth quarter 2006 we recorded a receivable for insurance recoveries of $12 million related to this incident. In second quarter 2007, a final settlement was reached with Gold Fields on the allocation of insurance proceeds and, as a result, we recorded further proceeds of $9 million within income from discontinued operations. During the third quarter, $21 million was received in cash and has been classified under Cash Flows of Discontinued Operations in our Consolidated Statement of Cash Flows.

**Operations Sold to Goldcorp**

In second quarter 2006, we sold all of Placer Dome s Canadian properties and operations (other than Placer Dome s office in Vancouver), including all mining, reclamation and exploration properties, Placer Dome s interest in the La Coipa mine in Chile, 40% of Placer Dome s interest in the Pueblo Viejo project in the Dominican Republic, certain related assets and, our share in Agua de la Falda S.A., which included our interest in the Jeronimo project, to Goldcorp Inc. ( Goldcorp ) (collectively, the Operations sold to Goldcorp ). Goldcorp is responsible for all liabilities relating solely to these properties and operations, including employment commitments and environmental, closure and reclamation liabilities.

The sales proceeds for the operations sold to Goldcorp were $1,641 million. The aggregate net amount of assets and liabilities of these operations were recorded in the purchase price allocation at $1,641 million based on the terms of the sale agreement with Goldcorp that was in place at the time we acquired Placer Dome. The results of the operations sold to Goldcorp were included under discontinued operations in the income statement and cash flow statement until closing. Interest expense of $21 million was allocated to the results from the operations sold to Goldcorp. No gain or loss arose on closing of the sale.

**4 > SEGMENT INFORMATION**

**Income Statement Information**

| | Sales | | | Segment cost of sales | | | Segment income[1] | | |
|---|---|---|---|---|---|---|---|---|---|
| **For the years ended December 31** | **2007** | **2006** | **2005** | **2007** | **2006** | **2005** | **2007** | **2006** | **2005** |
| **Gold** | | | | | | | | | |
| North America | **$ 2,001** | $ 1,791 | $ 1,247 | **$ 1,194** | $ 1,052 | $ 693 | **$ 493** | $ 492 | $ 341 |
| South America | **1,306** | 1,131 | 506 | **408** | 311 | 137 | **664** | 693 | 268 |
| Australia Pacific | **1,292** | 1,144 | 411 | **945** | 757 | 260 | **108** | 201 | 105 |
| Africa | **428** | 427 | 184 | **295** | 228 | 108 | **55** | 111 | 27 |
| **Copper** | | | | | | | | | |
| South America | **1,065** | 955 | | **233** | 283 | | **752** | 621 | |
| Australia Pacific | **240** | 182 | | **109** | 110 | | **92** | 55 | |
| | **$ 6,332** | $ 5,630 | $ 2,348 | **$ 3,184** | $ 2,741 | $ 1,198 | **$ 2,164** | $ 2,173 | $ 741 |

1 Segment income represents segment sales, less cost of sales and amortization.

**Income Statement Information (cont d)**

| | Exploration[1] | | | Regional business unit costs[1] | | |
|---|---|---|---|---|---|---|
| **For the years ended December 31** | **2007** | **2006** | **2005** | **2007** | **2006** | **2005** |
| North America | **$ 70** | $ 64 | $ 34 | **$ 27** | $ 32 | $ 16 |
| South America | **40** | 22 | 19 | **23** | 19 | 6 |
| Australia Pacific | **46** | 44 | 13 | **38** | 38 | 16 |
| Africa | **15** | 22 | 34 | **11** | 1 | |
| Other expenses outside reportable segments | **8** | 19 | 9 | | | |
| | **$ 179** | $ 171 | $ 109 | **$ 99** | $ 90 | $ 38 |

1 Exploration and regional business unit costs are excluded from the measure of segment income but are reported separately by operating segment to the Chief Operating Decision Maker.

**Geographic Information**

| For the years ended Dec.31 | Long-lived assets[1] 2007 | 2006 | 2005 | Sales[2] 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|
| **North America** | | | | | | |
| United States | **$ 2,638** | $ 2,518 | $ 1,431 | **$ 1,882** | $ 1,702 | $ 1,068 |
| Canada | **1,528** | 976 | 313 | **119** | 89 | 179 |
| Dominican Republic | **139** | 78 | | | | |
| **South America** | | | | | | |
| Peru | **392** | 492 | 540 | **1,033** | 878 | 506 |
| Chile | **1,764** | 1,599 | 269 | **1,065** | 955 | |
| Argentina | **1,048** | 1,014 | 843 | **273** | 253 | |
| **Australia Pacific** | | | | | | |
| Australia | **1,724** | 2,142 | 815 | **1,250** | 1,116 | 411 |
| Papua New Guinea | **702** | 438 | | **282** | 210 | |
| **Africa** | | | | | | |
| Tanzania | **1,336** | 993 | 669 | **428** | 427 | 184 |
| Other | **477** | 534 | 301 | | | |
| | **$ 11,748** | $ 10,784 | $ 5,181 | **$ 6,332** | $ 5,630 | $ 2,348 |

1 Long-lived assets include property, plant and equipment and other tangible non-current assets.
2 Presented based on the location in which the sale originated.

**Reconciliation of Segment Income to Income from Continuing Operations Before Income Taxes and Other Items**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Segment income | **$ 2,164** | $ 2,173 | $ 741 |
| Amortization of corporate assets | **(20)** | (19) | (18) |
| Exploration | **(179)** | (171) | (109) |
| Project development expense | **(188)** | (119) | (32) |
| Corporate administration | **(155)** | (142) | (71) |
| Other expenses | **(208)** | (216) | (114) |
| Impairment charges[1] | **(65)** | (23) | (16) |
| Interest income | **141** | 110 | 38 |
| Interest expense | **(113)** | (126) | (3) |
| Other income | **103** | 93 | 46 |
| Income from continuing operations before income taxes and other items | **$ 1,480** | $ 1,560 | $ 462 |

1 In 2007, impairment charges include $42 million of goodwill impairments in the North America region.

**Asset Information**

| For the years ended Dec.31 | Segment long-lived assets 2007 | 2006 | 2005 | Amortization 2007 | 2006 | 2005 | Segment capital expenditures[1] 2007 | 2006 | 2005 |
|---|---|---|---|---|---|---|---|---|---|
| **Gold** | | | | | | | | | |
| North America | **$ 4,305** | $ 3,572 | $ 1,744 | **$ 314** | $ 247 | $ 213 | **$ 236** | $ 226 | $ 218 |
| South America | **1,922** | 1,829 | 1,652 | **234** | 127 | 101 | **343** | 343 | 525 |
| Australia Pacific | **2,310** | 2,434 | 815 | **239** | 186 | 46 | **208** | 313 | 308 |
| Africa | **1,336** | 993 | 669 | **78** | 88 | 49 | **240** | 93 | 45 |
| **Copper** | | | | | | | | | |
| South America | **1,282** | 1,276 | | **80** | 51 | | **27** | 17 | |
| Australia Pacific | **116** | 146 | | **39** | 17 | | **11** | 22 | |
| Segment total | **11,271** | 10,250 | 4,880 | **984** | 716 | 409 | **1,065** | 1,014 | 1,096 |
| Cash and equivalents | **2,207** | 3,043 | 1,037 | | | | | | |
| Other current assets | **2,081** | 1,753 | 711 | | | | | | |
| Intangible assets | **68** | 75 | | | | | | | |
| Goodwill | **5,847** | 5,855 | | | | | | | |
| Other items not allocated to segments | **477** | 534 | 301 | **20** | 19 | 18 | **25** | 17 | 8 |
| Enterprise total | **$ 21,951** | $ 21,510 | $ 6,929 | **$ 1,004** | $ 735 | $ 427 | **$ 1,090** | $ 1,031 | $ 1,104 |

1 Segment capital expenditures are presented on an accrual basis. Capital expenditures in the Consolidated Statements of Cash Flows are presented on a cash basis. In 2007, cash expenditures were $1,046 million (2006: $1,087 million; 2005: $1,104 million) and the increase in accrued expenditures were $44 million (2006: $(56) million; 2005: nil).

**5 > REVENUE AND GOLD SALES CONTRACTS**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| **Gold bullion sales[1]** | | | |
| Spot market sales | **$ 3,823** | $ 3,957 | $ 1,938 |
| Gold sales contracts | **1,026** | 369 | 300 |
| | **4,849** | 4,326 | 2,238 |
| Concentrate sales[2] | **178** | 167 | 110 |
| | **$ 5,027** | $ 4,493 | $ 2,348 |
| **Copper sales[1,3]** | | | |
| Copper cathode sales | **$ 1,063** | $ 937 | $ |
| Concentrate sales | **242** | 200 | |
| | **$ 1,305** | $ 1,137 | $ |

1 Revenues include amounts transferred from OCI to earnings for commodity cash flow hedges (see note 20C and 25).

2 Gold sales include gains and losses on gold derivative contracts which have been economically offset, but not yet settled, and on embedded derivatives in smelting contracts: 2007: $4 million loss (2006: $4 million gain; 2005: $3 million gain).

3

Copper sales include gains and losses on economic copper hedges that do not qualify for hedge accounting treatment and on embedded derivatives in copper smelting contracts: 2007: $53 million gain (2006: $14 million loss; 2005: $nil).

**Principal Products**

All of our gold mining operations produce gold in doré form, except Eskay Creek, which produces gold concentrate and gold doré; Bulyanhulu which produces both gold doré and gold concentrate; and Osborne which produces a concentrate that contains both gold and copper. Gold doré is unrefined gold bullion bars usually consisting of 90% gold that is refined to pure gold bullion prior to sale to our customers. Gold concentrate is a processing product containing the valuable ore mineral (gold) from which most of the waste mineral has been eliminated, that undergoes a smelting process to convert it into gold bullion. Gold bullion is sold primarily in the London spot market or under gold sales contracts. Gold concentrate is sold to third-party smelters. At our Zaldívar mine we produce pure copper cathode, which consists of 99.9% copper, a form that is deliverable for sale in world metals exchanges.

**Revenue Recognition**

We record revenue when the following conditions are met: persuasive evidence of an arrangement exists; delivery and transfer of title (gold revenue only) have occurred under the terms of the arrangement; the price is fixed or determinable; and collectability is reasonably assured. Revenue in 2007 is presented net of direct sales taxes of $15 million (2006: $16 million; 2005: $nil).

**Gold Bullion Sales**

We record revenue from gold and silver bullion sales at the time of physical delivery, which is also the date that title to the gold or silver passes. The sales price is fixed at the delivery date based on either the terms of gold sales contracts or the gold spot price. Incidental revenues from the sale of by-products such as silver are classified within cost of sales.

**Gold Sales Contracts**

At December 31, 2006, we had 2.5 million ounces of Corporate Gold Sales Contracts. We delivered 2.5 million ounces into the Corporate Gold Sales Contracts at an average price of $404 per ounce in the first half of 2007. At December 31, 2007, there were no remaining Corporate Gold Sales Contracts. At December 31, 2007, we had Project Gold Sales Contracts with various customers for a total of 9.5 million ounces of future gold production of which 1.7 million ounces are at floating spot prices.

The terms of gold sales contracts are governed by master trading agreements (MTAs) that we have in place with customers. The contracts have final delivery dates primarily over the next 10 years, but we have the right to settle these contracts at any time over this period. Contract prices are established at inception through to an interim date. If we do not deliver at this interim date, a new interim date is set. The price for the new interim date is determined in accordance with the MTAs which have contractually agreed price adjustment mechanisms based on the market gold price. The MTAs have both fixed and floating price mechanisms. The fixed-price mechanism represents the market price at the start date (or previous interim date) of the contract plus a premium based on the difference between the forward price of gold and the current market price. If at an interim date we opt for a floating price, the floating price represents the spot market price at the time of delivery of gold adjusted based on the difference between the previously fixed price and the market gold price at that interim date. The final realized selling price under a contract primarily depends upon the timing of the actual future delivery date, the market price of gold at the start of the contract and the actual amount of the premium of the forward price of gold over the spot price of gold for the periods that fixed selling prices are set.

**Mark-to-Market Value**

| $ millions | Total ounces in millions | At Dec.31, 2007 value[1] |
|---|---|---|
| Project Gold Sales Contracts | 9.5 | $ (4,626) |

1 At a spot gold price of $834 per ounce.

**Concentrate Sales**

Under the terms of concentrate sales contracts with independent smelting companies, gold and copper sales prices are set on a specified future date after shipment based on market prices. We record revenues under these contracts at the time of shipment, which is also when title passes to the smelting companies, using forward market gold and copper prices on the expected date that final sales prices will be fixed. Variations between the price recorded at the shipment date and the actual final price set under the smelting contracts are caused by changes in market gold and copper prices, and result in an embedded derivative in the accounts receivable. The embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. The notional amount outstanding in accounts receivable is typically between ten and fifteen thousand ounces of gold and four and seven million pounds of copper.

**Copper Cathode Sales**

Under the terms of copper cathode sales contracts, copper sales prices are set on a specified future date based upon market commodity prices plus certain price adjustments. Revenue is recognized at the time of shipment when risk of loss passes to the customer, and collectability is reasonably assured. Revenue is measured using forward market prices on the expected date that final selling prices will be fixed. Variations occur between the price recorded on the date of revenue recognition and the actual final price under the terms of the contracts due to changes in market copper prices, which result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value each period until final settlement occurs, with changes in fair value classified as a component of revenue. The notional amount outstanding in accounts receivable is between twenty and thirty million pounds of copper.

**6 > COST OF SALES**

| | | Gold | | | Copper | |
|---|---|---|---|---|---|---|
| **For the years ended Dec.31** | **2007** | **2006** | **2005** | **2007** | **2006** | **2005** |
| Cost of goods sold[1] | **$ 2,757** | $ 2,294 | $ 1,249 | **$ 337** | $ 390 | $ |
| By-product revenues[2,3] | **(105)** | (123) | (132) | **(2)** | (1) | |
| Royalty expense | **161** | 150 | 63 | **7** | 4 | |
| Mining production taxes | **29** | 27 | 18 | | | |
| | **$ 2,842** | $ 2,348 | $ 1,198 | **$ 342** | $ 393 | $ |

1 Cost of goods sold includes accretion expense at producing mines of $40 million (2006: $31 million; 2005: $11 million). Cost of goods sold includes charges to reduce the cost of inventory to net realizable value as follows: $13 million in 2007; $28 million in 2006 and $15 million in 2005. The cost of inventory sold in the period reflects all components capitalized to inventory, except that, for presentation purposes, the component of inventory cost relating to amortization of property, plant and equipment is classified in the income statement under amortization . Some companies present this amount under cost of sales . The amount presented in amortization rather than cost of sales was $984 million in 2007; $716 million in 2006 and $409 million in 2005.

2 We use silver sales contracts to sell a portion of silver produced as a by-product. Silver sales contracts have similar delivery terms and pricing mechanisms as gold sales contracts. At December 31, 2007, we had sales contract commitments to deliver 18.2 million ounces of silver over periods up to 10 years. The mark-to-market on silver sales contracts at December 31, 2007 was negative $111 million (2006: negative $100 million; 2005: $52 million).

3 By-product credits include gains and losses on economic silver hedges that do not qualify for hedge accounting treatment: 2007: $nil (2006: $5 million loss; 2005: $nil).

**Royalties**

Certain of our properties are subject to royalty arrangements based on mineral production at the properties. The most significant royalties are at the Goldstrike, Bulyanhulu and Veladero mines and the Pascua-Lama project. The primary type of royalty is a net smelter return (NSR) royalty. Under this type of royalty we pay the holder an amount calculated as the royalty percentage multiplied by the value of gold production at market gold prices less third-party smelting, refining and transportation costs. Other types of royalties include:

- Net profits interest (NPI) royalty,
- Net smelter return sliding scale (NSRSS) royalty,
- Gross proceeds sliding scale (GPSS) royalty,
- Gross smelter return (GSR) royalty,
- Net value (NV) royalty, and a
- Land tenement (LT) royalty

Royalty expense is recorded at the time of sale of gold production, measured using the applicable royalty percentage for NSR royalties or estimates of NPI amounts.

| **Producing mines** | **Type of royalty** |
|---|---|
| North America | |
| Goldstrike | 0%-5% NSR, 0%-6% NPI |
| Eskay Creek | 1% NSR |
| Williams | 1.5% NSR, 0.5% NV, 1% NV |
| David Bell | 3% NSR |
| Round Mountain | 3.53%-6.35% NSRSS |
| Bald Mountain | 3.5%-4% NSR |
| Ruby Hill | 3% modified NSR |
| Cortez | 1.5% GSR |
| Cortez Pipeline/South Pipeline deposit | 0.4%-5% GSR |
| Cortez portion of Pipeline/South Pipeline deposit | 5% NV |
| South America | |
| Veladero | 3.75% modified NSR |
| Lagunas Norte | 2.51% NSR |
| Australia | |
| Porgera | 2% NSR |
| Queensland and Western Australia production | 2.5%-2.7% of gold revenue |
| Africa | |
| Bulyanhulu | 3% NSR |
| North Mara | 3% NSR |
| North Mara Gokona pit | 3% NSR, 1.1% LT |

**7 > EXPLORATION AND PROJECT DEVELOPMENT EXPENSE**

| For the years ended Dec. 31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Exploration: | | | |
| Minesite exploration | **$ 63** | $ 54 | $ 27 |
| Projects | **116** | 117 | 82 |
| | **$ 179** | $ 171 | $ 109 |
| Project development expense: | | | |
| Pueblo Viejo[1] | **67** | 25 | |
| Donlin Creek[2] | **32** | 37 | |
| Sedibelo | **22** | 10 | |
| Fedorova | **18** | | |
| Buzwagi | **5** | 12 | 5 |
| Pascua-Lama | **12** | 8 | 7 |
| Cowal[3] | | 1 | 9 |
| Other | **32** | 26 | 11 |
| | **$ 188** | $ 119 | $ 32 |

1 Represents 100% of project expenditures. We record a non-controlling interest credit for our partner s share of expenditures within non-controlling interests in the income statement.
2 Amounts for 2007 include a recovery of $64 million of cumulative project costs from our partner. See note 12 for further details.
3 The Cowal mine began production in second quarter 2006.

**Accounting Policy**

We capitalize costs incurred at projects that meet the definition of an asset after mineralization is classified as proven and probable gold reserves (as defined by United States reporting standards). Before classifying mineralization as proven and probable reserves, costs incurred at projects are considered project development expenses that are expensed as incurred. Project costs include: drilling costs; costs to prepare engineering scoping and feasibility studies; metallurgical testing; permitting; and sample mining. The cost of start-up activities at mines and projects such as recruiting and training are also expensed as incurred within project development expense. Drilling costs incurred at our operating mines are expensed as incurred as mine site exploration expense, unless we can conclude with a high degree of confidence, prior to the commencement of a drilling program, that the drilling costs will result in the conversion of a mineral resource into a proven and probable reserve. Our assessment of confidence is based on the following factors: results from previous drill programs; results from geological models; results from a mine scoping study confirming economic viability of the resource; and preliminary estimates of mine inventory, ore grade, cash flow and mine life. The costs of a drilling program that meets our highly confident threshold are capitalized as mine development costs.

The Pueblo Viejo, Donlin Creek, Sedibelo, and Fedorova projects are in various stages and none of the projects had met the criteria for cost capitalization at December 31, 2007. The Reko Diq project is owned through an equity investee and project expenses are included in equity investees in the income statement (see note 12).

Effective May 1, 2007, we determined that mineralization at Buzwagi met the definition of proven and probable reserves for United States reporting purposes. Following this determination, we began capitalizing costs that meet the definition of an asset at Buzwagi.

Funding of our partner s share of ongoing project expenses for Donlin Creek, which is recoverable from the other partner, is shown under loans issued to joint venture partners under investing activities in the cash flow statement.

**8 > OTHER EXPENSE**

**A Other Expenses**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Regional business unit costs[1] | **$ 99** | $ 90 | $ 38 |
| Community development costs[2] | **28** | 15 | |
| Environmental costs | **15** | 11 | 17 |
| World Gold Council fees | **12** | 13 | 10 |
| Changes in estimate of AROs at closed mines[3] | **6** | 53 | 15 |
| Accretion expense at closed mines (note 21) | **10** | 8 | 10 |
| Non-hedge derivative losses (note 20C) | **8** | | 12 |
| Currency translation losses | **1** | | |
| Pension and other post-retirement benefit expense (notes 27B and 27E)[4] | **5** | 3 | 8 |
| Other items | **24** | 23 | 4 |
| | **$ 208** | $ 216 | $ 114 |

1 Relates to costs incurred at regional business unit offices.
2 In 2007, amounts relate to community programs in Peru, Tanzania and Papua New Guinea. In 2006, amounts related to community programs in Peru and Tanzania.
3 In 2006, amount relates to change in estimate of the ARO at the Nickel Plate property In British Columbia, Canada.
4 For the year ended December 31, 2007, $nil million of pension credit that relates to active employees at producing mines is included in cost of sales (2006: $4 million; 2005: $nil), and $nil million is included in corporate administration (2006: $2 million; 2005: $nil).

**Environmental Costs**

During the production phases of a mine, we incur and expense the cost of various activities connected with environmental aspects of normal operations, including compliance with and monitoring of environmental regulations; disposal of hazardous waste produced from normal operations; and operation of equipment designed to reduce or eliminate environmental effects. In limited circumstances, costs to acquire and install plant and equipment are capitalized during the production phase of a mine if the costs are expected to mitigate risk or prevent future environmental contamination from normal operations.

When a contingent loss arises from the improper use of an asset, a loss accrual is recorded if the loss is probable and reasonably estimable. Amounts recorded are measured on an undiscounted basis, and adjusted as further information develops or if circumstances change. Recoveries of environmental remediation costs from other parties are recorded as assets when receipt is deemed probable.

**B Impairment Charges**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Impairment of goodwill (note 17)[1] | **$ 42** | $ | $ |
| Impairment charges on investments (note 12)[2] | **23** | 6 | 16 |
| Impairment of long-lived assets[3] | | 17 | |
| | **$ 65** | $ 23 | $ 16 |

1 In 2007, the carrying amounts of Eskay Creek and Golden Sunlight were tested for impairment as part of the annual goodwill impairment test. Impairment charges of $7 million and $35 million respectively, were recorded to reduce the carrying amount for goodwill to its implied fair value.

2 In 2007, we recorded an impairment charge on Asset Backed Commercial Paper of $20 million.

3 In 2006, the carrying amount of Cuerpo Sur, an extension of Pierina, was tested for impairment on completion of the annual life of mine planning process. An impairment charge of $17 million was recorded to reduce the carrying amount to the estimated fair value.

**C Other Income**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Non-hedge derivative gains (note 20C) | $ | $ 2 | $ |
| Currency translation gains | | 2 | 3 |
| Gains on sale of assets[1] | **2** | 9 | 5 |
| Gains on sale of investments (note 12) | **71** | 6 | 17 |
| Gain on vend-in to Highland Gold (note 12) | | 51 | |
| Royalty income | **17** | 10 | 6 |
| Sale of water rights | **5** | 5 | |
| Other | **8** | 8 | 15 |
| | **$ 103** | $ 93 | $ 46 |

1 In 2007, we sold certain properties in South America and Australia, including an $8 million gain on the sale of the Paddington Mill. In 2006, we sold certain properties in Canada and Chile. In 2005, we sold some land positions in Australia.

**9 > INCOME TAX EXPENSE**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Current | | | |
| Canada | **$ (3)** | $ 13 | $ (3) |
| International | **518** | 444 | 93 |
| | **$ 515** | $ 457 | $ 90 |
| Deferred | | | |
| Canada | **$ 19** | $ (131) | $ (6) |
| International | **(25)** | 46 | (8) |
| | **$ (6)** | $ (85) | $ (14) |
| Income tax expense before elements below | **$ 509** | $ 372 | $ 76 |
| Net currency translation gains on deferred tax balances | **(76)** | (5) | (11) |
| Canadian tax rate changes | **64** | 12 | |
| Change in tax status in Australia | | (31) | (5) |
| Release of end of year valuation allowances Tanzania | **(156)** | | |
| Total expense | **$ 341** | $ 348 | $ 60 |

**Currency Translation**

Deferred tax balances are subject to remeasurement for changes in currency exchange rates each period. The most significant balances are Canadian deferred tax assets with a carrying amount of approximately $439 million and Australian deferred tax liabilities with a carrying amount of approximately $95 million. In 2007, the appreciation of the Canadian and Australian dollar against the US dollar resulted in net translation gains arising totaling $76 million. These gains are included within deferred tax expense/recovery.

**Canadian Tax Rate Changes**

In the second and fourth quarters of 2007 and the second quarter of 2006, federal rate changes were enacted in Canada that lowered the applicable tax rate. The impact of this tax rate change was to reduce net deferred tax assets in Canada by $64 million in 2007 and $35 million in 2006 that was recorded as a component of deferred income tax expense. Also in second quarter 2006, on change of tax status of a Canadian subsidiary, we recorded a deferred income tax credit of $23 million to reflect the impact on the measurement of deferred income tax assets and liabilities.

**Change in Tax Status in Australia**

In first quarter 2006, an interpretative decision ( ID ) was issued by the Australia Tax Office that clarified the tax treatment of currency gains and losses on foreign denominated liabilities. Under certain conditions, for taxpayers who have made the functional currency election, and in respect of debt that existed at the time the election was made, the ID provided clarification that unrealized foreign exchange gains that currently exist on intercompany debt will not crystallize upon repayment of the debt. The effect of the ID was recorded as a $31 million reduction of deferred tax liabilities.

**Release of Tanzanian Valuation Allowances**

In 2007, we released $156 million of end of year deferred tax valuation allowances in Tanzania due to the impact of higher market gold prices.

**Reconciliation to Canadian Statutory Rate**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| At 36.12% (2006 36.12% and 2005: 38%) statutory rate | **$ 535** | $ 563 | $ 176 |
| Increase (decrease) due to: | | | |
| Allowances and special tax deductions[1] | **(99)** | (55) | (92) |
| Impact of foreign tax rates[2] | **38** | (131) | (54) |
| Expenses not tax-deductible | **63** | 20 | 9 |
| Net currency translation gains on deferred tax balances | **(76)** | (5) | (11) |
| Release of end of year valuation allowances Tanzania | **(156)** | | |
| Release of valuation allowances Other | **(88)** | (53) | (32) |
| Valuation allowances set up against current year tax losses | **5** | 7 | 59 |
| Impact of changes in tax status in Australia | | (31) | (5) |
| Canadian tax rate changes | **64** | 12 | |
| Withholding taxes | **17** | 19 | 8 |
| Mining taxes | **19** | 9 | 1 |
| Other items | **19** | (7) | 1 |
| Income tax expense | **$ 341** | $ 348 | $ 60 |

1 We are able to claim certain allowances and tax deductions unique to extractive industries that result in a lower effective tax rate.

2 We operate in multiple foreign tax jurisdictions that have tax rates different than the Canadian statutory rate. Additionally, we have reinvested earnings and cash flow generated by the Zaldívar mine in Chile to fund a portion of the construction cost of Pascua-Lama. The reinvestment of these earnings and cash flow resulted in a lower tax rate applied for the period. Amounts in 2007 included the impact of losses realized on deliveries into corporate gold sales contracts in a low tax jurisdiction.

**10 > EARNINGS PER SHARE**

| **For the years ended Dec.31** | **2007** | | **2006** | | **2005** | |
|---|---|---|---|---|---|---|
| **($ millions, except shares in millions and per share amounts in dollars)** | **Basic** | **Diluted** | **Basic** | **Diluted** | **Basic** | **Diluted** |
| Income from continuing operations | **$ 1,110** | **$ 1,110** | $ 1,209 | $ 1,209 | $ 395 | $ 395 |
| Plus: interest on convertible debentures | | **2** | | 4 | | |
| Income available to common shareholders and after assumed conversions | **1,110** | **1,112** | 1,209 | 1,213 | 395 | 395 |
| Income from discontinued operations | **9** | **9** | 297 | 297 | | |
| Income before cumulative effect of changes in accounting principles | **1,119** | **1,121** | 1,506 | 1,510 | 395 | 395 |
| Cumulative effect of changes in accounting principles | | | | | 6 | 6 |
| Net income | **$ 1,119** | **$ 1,121** | $ 1,506 | $ 1,510 | $ 401 | $ 401 |
| Weighted average shares outstanding | **867** | **867** | 842 | 842 | 536 | 536 |
| Effect of dilutive securities | | | | | | |
| Stock options | | **3** | | 4 | | 2 |
| Convertible debentures | | **9** | | 9 | | |
| | **867** | **879** | 842 | 855 | 536 | 538 |
| Earnings per share | | | | | | |
| Income from continuing operations | **$ 1.28** | **$ 1.27** | $ 1.44 | $ 1.42 | $ 0.74 | $ 0.73 |
| Income before cumulative effect of changes in accounting principles | **$ 1.29** | **$ 1.28** | $ 1.79 | $ 1.77 | $ 0.74 | $ 0.73 |
| Net income | **$ 1.29** | **$ 1.28** | $ 1.79 | $ 1.77 | $ 0.75 | $ 0.75 |

Earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflect the potential dilution that could occur if additional common shares are assumed to be issued under securities that entitle their holders to obtain common shares in the future. For stock options, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the treasury stock method. Under this method, stock options, whose exercise price is less than the average market price of our common shares, are assumed to be exercised and the proceeds are used to repurchase common shares at the average market price for the period. The incremental number of common shares issued under stock options and repurchased from proceeds is included in the calculation of diluted earnings per share. For convertible debentures, the number of additional shares for inclusion in diluted earnings per share calculations is determined using the as if converted method. The incremental number of common shares issued is included in the number of weighted average shares outstanding and interest on the convertible debentures is excluded from the calculation of income.

## 11 > CASH FLOW OTHER ITEMS

### A Operating Cash Flows Other Items

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Adjustments for non-cash income statement items: | | | |
| Currency translation (gains) losses (note 8A and 8C) | **1** | (2) | (3) |
| Accretion expense (note 21) | **50** | 39 | 21 |
| Cumulative accounting changes | | | (6) |
| Amortization of discount/premium on debt securities (note 20B) | **(3)** | (12) | |
| Amortization of debt issue costs (note 20B) | **9** | 12 | 2 |
| Stock option expense (note 26) | **25** | 27 | |
| Non-hedge derivative gold options | **30** | 14 | |
| Hedge losses on acquired gold hedge position | **2** | 165 | |
| Gain on Highland vend-in (note 8C) | | (51) | |
| Gain on Kabanga transaction (note 8C) | | | (15) |
| Equity in investees (note 12) | **43** | 4 | 6 |
| Gain on sale of long-lived assets (note 8C) | **(2)** | (9) | (5) |
| Impairment charges (note 8B and 12) | **65** | 23 | 16 |
| Losses on write-down of inventory (note 13) | **13** | 28 | 15 |
| Non-controlling interests (note 2B) | **(14)** | (1) | 1 |
| ARO reduction | **(15)** | | |
| Net changes in operating assets and liabilities | **(244)** | (142) | (82) |
| Settlement of AROs (note 21) | **(33)** | (32) | (30) |
| Other net operating activities | **$ (73)** | $ 63 | $ (80) |
| Operating cash flow includes payments for: | | | |
| Pension plan contributions (note 27A) | **$ 49** | $ 36 | $ 20 |
| Interest (net of amounts capitalized) | **$ 236** | $ 211 | $ 108 |

### B Investing Cash Flows Other Items

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Loans to joint venture partners | **$ (47)** | | |
| Non-hedge derivative copper options | **(23)** | | |
| Decrease in restricted cash (note 14) | **19** | | |
| Other | **9** | 17 | (5) |
| Other net investing activities | **$ (42)** | $ 17 | $ (5) |

### C Non-Cash Investing and Financing Activities

**Donlin Creek**

In 2007, we formed a limited liability company with NovaGold to advance the Donlin Creek project. We determined that we share joint control with NovaGold and we use the equity method of accounting for our investment in Donlin Creek. The initial cost of our investment is $64 million.

**Placer Dome Acquisition**

We purchased all of the common shares of Placer Dome in 2006 for $10,054 million (see note 3G). In conjunction with the acquisition, liabilities were assumed as follows:

| | |
|---|---|
| Fair value of assets acquired[1] | $ 15,346 |
| Consideration paid | 10,054 |
| Liabilities assumed[2] | $ 4,830 |

1 Includes cash of $1,102 million.
2 Includes debt obligations of $1,252 million (note 20B).

**Vend-in of Assets to Highland Gold ( Highland )**

In 2006, we exchanged various interests in mineral properties for 34.3 million Highland shares with a value of $95 million at the time of closing of the transaction (see note 12).

**Sale of South Deep**

In 2006 we sold the South Deep mine to Gold Fields Limited ( Gold Fields ) for $1,517 million. The proceeds included 18.7 million Gold Fields common shares with a value of $308 million (see note 3H).

**12 > INVESTMENTS**

| At Dec.31 | **2007** Fair value | Gains (losses) in OCI | **2006** Fair value | Gains (losses) in OCI |
|---|---|---|---|---|
| **Available-for-sale Securities in an unrealized gain position** | | | | |
| Benefit plans:[1] | | | | |
| Fixed-income securities | **$ 4** | **$** | $ 5 | $ |
| Equity securities | **14** | **1** | 16 | 2 |
| Other investments: | | | | |
| NovaGold | | | 231 | 13 |
| Gold Fields | | | 314 | 6 |
| Other equity securities | **73** | **41** | 77 | 33 |
| | **91** | **42** | 643 | 54 |
| Securities in an unrealized loss position | | | | |
| Other equity securities[2] | **5** | **(1)** | 3 | (1) |
| | **$ 96** | **$ 41** | $ 646 | $ 53 |
| Held-to-maturity securities | | | | |
| Asset-Backed Commercial Paper | **46** | | | |
| | **$ 142** | **$ 41** | $ 646 | $ 53 |

1 Under various benefit plans for certain former Homestake executives, a portfolio of marketable fixed-income and equity securities are held in a rabbi trust that is used to fund obligations under the plans.
2 Other equity securities in a loss position consist of investments in various junior mining companies.

**Accounting Policy for Available-for-Sale Securities**

Available-for-sale securities are recorded at fair value with unrealized gains and losses recorded in other comprehensive income ( OCI ). Realized gains and losses are recorded in earnings when investments mature or on sale, calculated using the average cost of securities sold. Investments in debt securities that we intend to hold to maturity are classified as held-to-maturity. Held-to-maturity investments are recorded at amortized cost. If the fair value of an investment declines below its carrying amount, we undertake an assessment of whether the impairment is other-than-temporary. We consider all relevant facts and circumstances in this assessment, particularly: the length of time and extent to which fair value has been less than the carrying amount; the financial condition and near-term prospects of the investee, including any specific events that have impacted its

fair value; both positive and negative evidence that the carrying amount is recoverable within a reasonable period of time; and our ability and intent to hold the investment for a reasonable period of time sufficient for an expected recovery of the fair value up to or beyond the carrying amount. We record in earnings any unrealized declines in fair value judged to be other than temporary.

**Available-for-Sale Securities Continuity**

| | Goldfields | NovaGold | Other | Total |
|---|---|---|---|---|
| January 1, 2005 | $ | $ | $ 61 | $ 61 |
| Purchases | | | 31 | 31 |
| Sales proceeds | | | (10) | (10) |
| Mark to market adjustments | | | (20) | (20) |
| January 1, 2006 | | | 62 | 62 |
| Purchases | | 218 | 27 | 245 |
| Received in consideration for sale of South Deep (note 3H) | 308 | | | 308 |
| Sales proceeds | | | (46) | (46) |
| Mark to market adjustments | 6 | 13 | 58 | 77 |
| January 1, 2007 | 314 | 231 | 101 | 646 |
| Purchases | | | 11 | 11 |
| Sales proceeds | (356) | (221) | (48) | (625) |
| Mark to market adjustments | 42 | (10) | 32 | 64 |
| December 31, 2007 | $ | $ | $ 96 | $ 96 |

**Gold Fields Limited ( Gold Fields )**

The investment in Gold Fields was acquired on December 1, 2006, as partial consideration for the sale of our interest in South Deep and was recorded net of an initial liquidity discount of $48 million to reflect a 120-day restriction on our ability to trade the shares. During 2007, we sold our entire position of 18.7 million shares for proceeds of $356 million and recorded a gain of $48 million.

**NovaGold Resources Inc. ( NovaGold )**

During 2007, we sold our entire investment in NovaGold for proceeds of $221 million and we recorded a gain of $3 million on the sale.

**Asset-Backed Commercial Paper ( ABCP )**

As at December 31, 2007, we held $66 million of Asset-Backed Commercial Paper ( ABCP ) which has matured, but for which no payment has been received. On August 16, 2007, it was announced that a group representing banks, asset providers and major investors had agreed to a standstill with regard to all non-bank sponsored ABCP (the Montreal Proposal ABCP ).

On December 23, 2007, a tentative deal was reached between investors and banks to restructure the majority of the Montreal Proposal ABCP. It has been determined that our ABCP investments are ineligible for inclusion in the proposed Master Asset Partnerships. As with other ineligible Montreal Proposal ABCP, our investments will be restructured on an individual basis and will not be pooled with other Montreal Proposal ABCP assets. Our investments will maintain exposure to the existing underlying ineligible assets. New floating rate notes will be issued with maturities and interest rates based on the respective maturities and amounts available from the underlying investments. We have assessed the fair value of the ABCP considering the best available data regarding market conditions for such investments at December 31, 2007. We recorded an impairment of $20 million in 2007 on the ABCP investments.

Our ownership of ABCP investments is comprised of trust units which have underlying investments in various securities. The underlying investments are further represented by residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and collateralized debt obligations. We have based the 30% impairment on our assessment of the inherent risks associated with the underlying investments. The 30% impairment is comprised of reductions for credit, liquidity and market risk of 5%, 20% and 5%, respectively. The impairment is further supported by an indicative value obtained from a third party. We believe that our valuation approximates fair value. The impairment of our ABCP investments has no effect on our investment strategy or covenant compliance.

There is currently no certainty regarding the outcome of the ABCP investments and therefore there is uncertainty in estimating the amount and timing of cash flows associated. This ABCP was classified under Other Investments at December 31, 2007, and as an investing activity in the Consolidated Statement of Cash Flow.

**Equity Method Investment Continuity**

| | Highland | Atacama | Cerro Casale | Donlin Creek | Other | Total |
|---|---|---|---|---|---|---|
| At January 1, 2005 | $ 86 | $ | $ | $ | $ | $ 86 |
| Purchases | 50 | | | | 8 | 58 |
| Equity pick-up | (5) | | | | (1) | (6) |
| At January 1, 2006 | 131 | | | | 7 | 138 |
| Purchases | | 123 | | | 1 | 124 |
| Vend-in | 71 | | | | | 71 |
| Equity pick-up | (3) | | | | (1) | (4) |
| Impairment charges | | | | | (2) | (2) |
| At January 1, 2007 | 199 | 123 | | | 5 | 327 |
| Acquired under Arizona Star acquisition | | | 732 | | | 732 |
| Reclassifications | | | | 64 | (4) | 60 |
| Equity pick-up | (30) | (14) | | | 1 | (43) |
| Impairment charges | | | | | (2) | (2) |
| At December 31, 2007 | $ 169 | $ 109 | $ 732 | $ 64 | $ | $ 1,074 |

**Accounting Policy for Equity Method Investments**

Under the equity method, we record our equity share of the income or loss of equity investees each period. On acquisition of an equity investment, the underlying identifiable assets and liabilities of an equity investee are recorded at fair value and the income or loss of equity investees is based on these fair values. For an investment in a company that represents a business, if the cost of any equity investment exceeds the total amount of the fair value of identifiable assets and liabilities, any excess is accounted for in a manner similar to goodwill, with the exception that an annual goodwill impairment test is not required. Additional funding into an investee is recorded as an increase in the carrying value of the investment. The carrying amount of each investment in an equity investee is evaluated for impairment using the same method as an available-for-sale security.

**Highland Gold Mining Ltd. ( Highland )**

We acquired 11 million common shares for cash of $50 million in 2005; and 34.3 million common shares as part of a vend-in transaction in 2006.

On November 17, 2006, we entered into an agreement with Highland to transfer ownership of certain companies holding Russian and Kyrgyz licenses in return for 34.3 million Highland common shares increasing our ownership of Highland from 20% to 34%. In effect, we contributed our 50% interest in the Taseevskoye deposit, as well as other exploration properties in Russia and Central Asia, to Highland, thereby consolidating ownership of these properties under one company. As part of the transaction, we seconded several of our employees to Highland, and received two additional Board seats. Completion of the transaction occurred on December 15, 2006. On closing, the fair value of Highland common shares exceeded the carrying amount of assets exchanged by $76 million. We recorded this difference as a gain of $51 million in other income to the extent of the ownership in Highland held by independent third parties, and the balance of $25 million as a reduction in the carrying amount of our investment in Highland. The Fedorova PGM deposit was not included in this transaction.

The difference between the cost of our investment in Highland and the underlying historic cost of net assets was $111 million at June 30, 2007.

During 2007, Highland announced the issue of 130.1 million new shares for $400 million. The equity was purchased by Millhouse LLC ( Millhouse ) in two tranches. The first tranche of 65 million shares was completed on December 11, 2007 giving Millhouse a 25% interest in Highland and reducing our position to 25.4%. The second tranche of 65 million shares was completed on January 16, 2008 giving Millhouse a 40% interest in Highland and further reducing our interest to 20.3%.

On completion of the first tranche, Millhouse is entitled to appoint 3 of 9 Directors to the Board. On completion of the second tranche, Millhouse is entitled to appoint the CEO of Highland who will not serve on the Board. Our ability to appoint Directors has been reduced from 3 to 2. We continue to account for the investment in Highland under the equity method of accounting.

**Donlin Creek**

In January 2006, as part of the acquisition of Placer Dome, we acquired an interest in the Donlin Creek project. Under a pre-existing joint venture agreement we held the right to earn a 70% interest in the project subject to meeting certain conditions under the agreement. In December 2007, we restructured our agreement with our joint venture partner and formed a limited liability company, Donlin Creek LLC, to advance the Donlin Creek project. Donlin Creek has a board of four directors, with two nominees selected by each company. All significant decisions related to Donlin Creek require the approval of both companies. We own 50% of the limited liability company.

We determined that Donlin Creek LLC is a VIE and consequently used the principles of FIN 46R to determine how to account for our ownership interest. We concluded that neither ourselves nor NovaGold are a primary beneficiary and neither ourselves nor NovaGold have the right to control Donlin Creek under the limited liability company agreement. We determined that we share joint control with NovaGold, and because Donlin Creek is a corporate joint venture, we use the equity method of accounting for our investment in Donlin Creek. The initial cost of our investment in Donlin Creek is $64 million and represents the cost basis of assets transferred into the limited liability company. Our maximum exposure to loss in this entity is limited to the carrying amount of our investment in Donlin Creek, which totaled $64 million and accounts receivable from our partner totaling a further $64 million that are collateralized against NovaGold s interest in the value of Donlin Creek as of December 31, 2007.

**Atacama Copper Pty Limited ( Atacama Copper )**

In September 2006, we acquired a 50% interest in Atacama Copper. The other 50% interest in Atacama Copper is owned by Antofagasta plc. Atacama Copper is responsible for advancing the Reko Diq project. The Reko Diq project is located in Pakistan and comprises a variety of exploration licenses, an interest in some of which has been retained by the government of Balochistan.

We determined that Atacama Copper is a VIE and consequently we have used the principles of FIN 46R to determine how to account for our ownership interest. We concluded that neither ourselves nor Antofagasta are a primary beneficiary and consequently we evaluated whether either ourselves or Antofagasta have the right to control Atacama under the joint venture agreement. We determined that we share joint control with Antofagasta and because Atacama is a corporate joint venture we use the equity method of accounting for our investment. Our maximum exposure to loss in this entity is limited to our investment in Atacama, which totaled $109 million as of December 31, 2007, and amounts we will prospectively fund for Atacama s interim exploration program.

**Compañía Minera Casale ( Cerro Casale )**

In December 2007, we acquired 94% of the common shares of Arizona Star. We have determined that Arizona Star s interest in the entity that holds the Cerro Casale deposit is a VIE and consequently we have used the principles of FIN 46R to determine how to account for this ownership interest. We evaluated whether either ourselves or Kinross have the right to control Cerro Casale under the joint venture agreement and we determined that we share joint control with Kinross. Therefore, neither ourselves nor Kinross are a primary beneficiary and because Cerro Casale is a corporate joint venture, we use the equity method of accounting for Arizona Star s investment in Cerro Casale. Our maximum exposure to loss in this entity is limited to our investment in Cerro Casale, which totaled $732 million as of December 31, 2007.

**13 > INVENTORIES**

| | Gold | | Copper | |
|---|---|---|---|---|
| **At Dec.31** | **2007** | **2006** | **2007** | **2006** |
| Raw materials | | | | |
| Ore in stockpiles | **$ 698** | $ 485 | **$ 63** | $ 51 |
| Ore on leach pads | **149** | 104 | **81** | 76 |
| Mine operating supplies | **351** | 284 | **20** | 16 |
| Work in process | **109** | 89 | **5** | 25 |
| Finished products | | | | |
| Gold doré/bullion | **87** | 98 | | |
| Copper cathode | | | **9** | 12 |
| Copper concentrate | | | **16** | 5 |
| Gold concentrate | **40** | 54 | | |
| | **1,434** | 1,114 | **194** | 185 |
| Non-current ore in stockpiles[1] | **(414)** | (298) | **(96)** | (70) |
| | **$ 1,020** | $ 816 | **$ 98** | $ 115 |

1 Ore that we do not expect to process in the next 12 months.

**Accounting Policy for Inventory**

Material extracted from our mines is classified as either ore or waste. Ore represents material that we expect to be processed into a saleable form, and sold at a profit. Ore is recorded as an asset that is classified within inventory at the point it is extracted from the mine. Ore is accumulated in stockpiles that are subsequently processed into gold/copper in a saleable form under a mine plan that takes into consideration optimal scheduling of production of our reserves, present plant capacity, and the market price of gold/copper. Gold/copper in process represents gold/copper in the processing circuit that has not completed the production process, and is not yet in a saleable form.

Gold ore stockpiles are measured by estimating the number of tons added and removed from the stockpile, the number of contained ounces (based on assay data) and the estimated metallurgical recovery rates (based on the expected processing method). Copper ore stockpiles are measured estimating the number of tons added and removed from the stockpile. Stockpile ore tonnages are verified by periodic surveys. Costs are allocated to a stockpile based on relative values of material stockpiled and processed using current mining costs incurred up to the point of stockpiling the ore, including applicable overhead, depreciation, depletion and amortization relating to mining operations, and removed at each stockpile s average cost per recoverable unit.

We record gold in process, gold doré and gold in concentrate form at average cost, less provisions required to reduce inventory to market value. Average cost is calculated based on the cost of inventory at the beginning of a period, plus the cost of inventory produced in a period. Costs capitalized to inventory include direct and indirect materials and consumables; direct labor; repairs and maintenance; utilities; amortization of property, plant and equipment; waste stripping costs; and local mine administrative expenses. Costs are removed from inventory and recorded in cost of sales and amortization expense based on the average cost per ounce of gold in inventory. Mine operating supplies are recorded at purchase cost.

We record provisions to reduce inventory to net realizable value, to reflect changes in economic factors that impact inventory value or to reflect present intentions for the use of slow moving and obsolete supplies inventory.

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Inventory impairment charges | **$ 13** | $ 28 | $ 15 |

**Heap Leach Inventory**

The recovery of gold and copper from certain oxide ores is achieved through the heap leaching process. Our Pierina, Lagunas Norte, Veladero, Cortez, Bald Mountain, Round Mountain, Ruby Hill and Marigold mines all use a heap leaching process for gold and our Zaldívar mine uses a heap leaching process for copper. Under this method, ore is placed on leach pads where it is treated with a chemical solution, which dissolves the gold or copper contained in the ore. The resulting pregnant solution is further processed in a plant where the gold or copper is recovered. For accounting purposes, costs are added to ore on leach pads based on current mining and leaching costs, including applicable depreciation, depletion and amortization relating to mining operations. Costs are removed from ore on leach pads as ounces or pounds are recovered based on the average cost per recoverable ounce of gold or pound of copper on the leach pad.

Estimates of recoverable gold or copper on the leach pads are calculated from the quantities of ore placed on the leach pads (measured tons added to the leach pads), the grade of ore placed on the leach pads (based on assay data) and a recovery percentage (based on ore type). In general, leach pads recover between 35% and 95% of the ounces or pounds placed on the pads.

Although the quantities of recoverable gold or copper placed on the leach pads are reconciled by comparing the grades of ore placed on pads to the quantities of gold or copper actually recovered (metallurgical balancing), the nature of the leaching process inherently limits the ability to precisely monitor inventory levels. As a result, the metallurgical balancing process is constantly monitored and estimates are refined based on actual results over time. Historically, our operating results have not been materially impacted by variations between the estimated and actual recoverable quantities of gold or copper on our leach pads. At December 31, 2007, the weighted average cost per recoverable ounce of gold and recoverable pound of copper on leach pads was $287 per ounce and $0.39 per pound, respectively (2006: $180 per ounce of gold and $0.45 per pound of copper). Variations between actual and estimated quantities resulting from changes in assumptions and estimates that do not result in write-downs to net realizable value are accounted for on a prospective basis.

The ultimate recovery of gold or copper from a leach pad will not be known until the leaching process is concluded. Based on current mine plans, we expect to place the last ton of ore on our current leach pads at dates for gold ranging from 2013 to 2020 and for copper ranging from 2024 to 2029. Including the estimated time required for residual leaching, rinsing and reclamation activities, we expect that our leaching operations will terminate within a period of up to six years following the date that the last ton of ore is placed on the leach pad.

The current portion of ore inventory on leach pads is determined based on estimates of the quantities of gold or copper at each balance sheet date that we expect to recover during the next 12 months.

**Ore in Stockpiles**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Gold | | |
| Goldstrike | | |
| Ore that requires roasting | **$ 320** | $ 239 |
| Ore that requires autoclaving | **67** | 84 |
| Kalgoorlie | **75** | 58 |
| Porgera | **88** | 17 |
| Cowal | **36** | 9 |
| Veladero | **23** | 9 |
| Cortez | **19** | 3 |
| Turquoise Ridge | **15** | 15 |
| Golden Sunlight | **15** | 1 |
| Other | **40** | 50 |
| Copper | | |
| Zaldívar | **63** | 51 |
| | **$ 761** | $ 536 |

At Goldstrike, we expect to fully process the ore in stockpiles by 2031. At Kalgoorlie, we expect to fully process the stockpile by 2018. At Porgera, we expect to fully process the stockpile by 2021. At Zaldívar, we expect to fully process the stockpile by 2029.

**14 > ACCOUNTS RECEIVABLE AND OTHER CURRENT ASSETS**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Accounts receivable | | |
| Amounts due from concentrate sales | **$ 19** | $ 24 |
| Amounts due from copper cathode sales | **89** | 83 |
| Other receivables | **148** | 127 |
| | **$ 256** | $ 234 |
| Other current assets | | |
| Derivative assets (note 20C) | **$ 334** | $ 201 |
| Goods and services taxes recoverable | **161** | 137 |
| Restricted cash | **131** | 150 |
| Prepaid expenses | **40** | 32 |
| Other | **41** | 68 |
| | **$ 707** | $ 588 |

**15 > PROPERTY, PLANT AND EQUIPMENT**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| **Assets not subject to amortization** | | |
| Acquired mineral properties and capitalized mine development costs[1,4] | **$ 2,010** | $ 1,856 |
| **Assets subject to amortization** | | |

| | | |
|---|---|---|
| Capitalized mineral property acquisition and mine development costs[4,5] | **6,297** | 6,436 |
| Buildings, plant and equipment[2,5] | 8,192 | 7,017 |
| | **16,499** | 15,309 |
| Accumulated amortization[3] | **(7,903)** | (6,919) |
| | **$ 8,596** | $ 8,390 |

1 Assets in the exploration or development stages that are not subject to amortization.
2 Includes $146 million (2006: $131 million) of assets under capital leases.
3 Includes $66 million (2006: $41 million) of accumulated amortization for assets under capital leases.
4 Includes a $176 million reclassification from amortized assets to assets not subject to amortization for Cortez Hills. This reclassification has no impact on total property, plant & equipment and no impact on amortization expense.
5 Includes a $108 million reclassification in 2006 from Buildings, plant and equipment to Capitalized mine development costs. This classification has no impact on total property, plant and equipment and no impact on amortization expense.

**A Unamortized Assets**

**Acquired Mineral Properties and Capitalized Mine Development Costs**

| | **Carrying amount at Dec.31, 2007** | Carrying amount at Dec.31, 2006 |
|---|---|---|
| Exploration projects and other land positions | **$ 109** | $ 287 |
| Value beyond proven and probable reserves at producing mines | **299** | 353 |
| Projects | | |
| Ruby Hill | | 49 |
| Pascua-Lama | **609** | 459 |
| Cortez Hills[1] | **361** | 306 |
| Pueblo Viejo | **157** | 152 |
| Sedibelo | **81** | 76 |
| Donlin Creek[2] | | 66 |
| Buzwagi | **224** | 108 |
| Punta Colorada Wind Farm | **35** | |
| Kainantu and PNG exploration licenses | **135** | |
| | **$ 2,010** | $ 1,856 |

1 $176 million and $48 million have been classified from acquired mineral properties and capitalized mine development costs and value beyond proven and probable reserves of producing mines, respectively, to the Cortez Hills development stage project for 2007 and 2006. This reclassification has no effect on the total property, plant and equipment balance and no effect on net income in either year.
2 See note 12 for further details.

**Value beyond proven and probable reserves ( VBPP )**

At the end of each fiscal year, as part of our annual business cycle, we prepare estimates of proven and probable gold and copper mineral reserves for each mineral property. An amount is transferred out of VBPP into amortizable assets based on the quantity of resources converted into reserves. In 2007, we transferred $54 million from VBPP to amortizable assets (2006 and 2005: $nil).

**Acquisitions**

We capitalize the cost of acquisition of land and mineral rights. On acquiring a mineral property, we estimate the fair value of proven and probable reserves as well as the value beyond proven and probable reserves and we record these amounts as assets at the date of acquisition. At the time mineralized material is converted into proven and probable reserves, we classify the capitalized acquisition cost associated with those reserves as a component of acquired mineral properties, which are subject to amortization. When production begins, capitalized acquisition costs that are subject to amortization are amortized to operations using the units-of-production method.

In 2007, amortization of property, plant and equipment began at our Ruby Hill mine after it moved from construction into the production phase. (2006: Cowal mine; 2005: Tulawaka, Lagunas Norte and Veladero mines). Amortization also began in 2005 at the Western 102 power plant in Nevada that was built to supply power for the Goldstrike mine as it moved from construction into the production phase.

**Gold and Copper Mineral Reserves**

At the end of each fiscal year, as part of our annual business cycle, we prepare estimates of proven and probable gold and copper mineral reserves for each mineral property, including the transfer of the values beyond proven and probable ( VBPP ) reserves to assets subject to amortization. We prospectively revise calculations of amortization of property, plant and equipment. The effect of changes in reserve estimates and transfers of VBPP reserves to assets subject to amortization on amortization expense for 2007 was an increase of $31 million (2006: $75 million decrease; 2005: $28 million decrease).

**Interest Costs**

Interest cost is considered an element of the historical cost of an asset when a period of time is necessary to prepare it for its intended use. We capitalize interest costs to assets under development or construction while activities are in progress. We also capitalize interest costs on the value assigned to projects acquired from third parties. We also capitalize interest costs on the carrying amount of eligible equity method investments.

**B Assets Subject to Amortization**

**Capitalized Mineral Property Acquisition and Mine Development Costs**

We start amortizing capitalized mineral property acquisition and mine development costs when production begins. Amortization is calculated using the units-of-production method, where the numerator is the number of ounces produced and the denominator is the estimated recoverable ounces of gold contained in proven and probable reserves.

During production at underground mines, we incur development costs to build new shafts, drifts and ramps that will enable us to physically access ore underground. The time over which we will continue to incur these costs depends on the mine life, and in some cases could be up to 25 years. These underground development costs are capitalized as incurred. Costs incurred and capitalized to enable access to specific ore blocks or areas of the mine, and which only provide an economic benefit over the period of mining that ore block or area, are attributed to earnings using the units-of-production method where the denominator is estimated recoverable ounces of gold contained in proven and probable reserves within that ore block or area. If capitalized underground development costs provide an economic benefit over the entire mine life, the costs are attributed to earnings using the units-of-production method, where the denominator is the estimated recoverable ounces of gold contained in total accessible proven and probable reserves. At our Open Pit mining operations, costs of moving overburden waste materials are capitalized until the production stage has commenced.

**Buildings, Plant and Equipment**

We record buildings, plant and equipment at cost. We capitalize costs that extend the productive capacity or useful economic life of an asset. Costs incurred that do not extend the productive capacity or useful economic life of an asset are considered repairs and maintenance and expensed as incurred. We amortize the capitalized cost of assets less any estimated residual value, using the straight-line method over the estimated useful economic life of the asset based on their expected use in our business. The longest estimated useful economic life for buildings and equipment at ore processing facilities is 25 years and for mining equipment is 15 years.

In the normal course of our business, we have entered into certain leasing arrangements whose conditions meet the criteria for the leases to be classified as capital leases. For capital leases, we record an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments over the lease term. In the case of our capital leasing arrangements, there is transfer of ownership of the leased assets to us at the end of the lease term and therefore we amortize these assets on a basis consistent with our other owned assets.

**C Impairment Evaluations**

**Producing Mines and Development Projects**

We review and test the carrying amounts of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. We group assets at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. For operating mines and development projects, all assets related to a mine or project are included in one group. If there are indications that an impairment may have occurred at a particular mine site, we compare the sum of the undiscounted cash flows expected to be generated from that mine to its carrying amount. If the sum of undiscounted cash flows is less than the carrying amount, an impairment charge is recognized if the carrying amounts of the individual long-lived assets within the group exceed their fair values.

Long-lived assets subject to potential impairment at operating mines and development projects include buildings, plant and equipment, and capitalized mineral property acquisition and mine development costs. For impairment assessment purposes, the estimated fair value of buildings, plant and equipment is based on a combination of current depreciated replacement cost and current market value. The estimated fair value of capitalized mineral property acquisition and mine development costs is based on a discounted cash flow model.

**Exploration Projects**

After acquisition, various factors can affect the recoverability of the capitalized cost of land and mineral rights, particularly the results of exploration drilling. The length of time between the acquisition of land and mineral rights and when we undertake exploration work varies based on the prioritization of our exploration projects and the size of our exploration budget. If we conclude that an impairment may exist, we compare the carrying amount to its fair value. The fair value for exploration projects is based on a discounted cash flow model. For projects that do not have reliable cash flow projections, a market approach is applied. In the event land and mineral rights are impaired, we reduce the carrying amount to estimated fair value and an impairment charge is recorded.

**D Capital Commitments**

In addition to entering into various operational commitments in the normal course of business, we had commitments of approximately $159 million at December 31, 2007 for construction activities at our development projects.

**E Insurance**

We purchase insurance coverage for certain insurable losses, subject to varying deductibles, at our mineral properties including losses such as property damage and business interruption. We record losses relating to insurable events as they occur. Proceeds receivable from insurance coverage are recorded at such time as receipt is probable and the amount receivable is fixed or determinable.

**Insurance Proceeds**

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Cost of sales | **$ 16** | $ | $ |
| Discontinued operations | **21** | 12 | |
| | **$ 37** | $ 12 | $ |

**16 > INTANGIBLE ASSETS**

| For the years ended Dec.31 | 2007 | | | 2006 | | |
|---|---|---|---|---|---|---|
| | Gross carrying amount | Accumulated amortization | Net carrying amount | Gross carrying amount | Accumulated amortization | Net carrying amount |
| Water rights[1] | **$ 28** | **$** | **$ 28** | $ 28 | $ | $ 28 |
| Technology[2] | **17** | | **17** | 17 | | 17 |
| Supply contracts[3] | **23** | **15** | **8** | 23 | 9 | 14 |
| Royalties[4] | **17** | **2** | **15** | 17 | 1 | 16 |
| | **$ 85** | **$ 17** | **$ 68** | $ 85 | $ 10 | $ 75 |
| Aggregate period amortization expense | **$** | **$ 7** | **$** | $ | $ 10 | $ |
| For the years ended December 31 | | **2008** | **2009** | 2010 | 2011 | 2012 |
| Estimated aggregate amortization expense | | **$ 5** | **$ 3** | $ 1 | $ 1 | $ 1 |

1 The water rights at Zaldívar are subject to annual impairment testing and will be amortized when we use them in the future. 2 The acquired technology will be used at the Pueblo Viejo project. The amount will be amortized using the units-of-production method over the estimated proven and probable reserves of the mine, with no assumed residual value. 3 Supply contracts are being amortized over the weighted average contract lives of 4-8 years, with no assumed residual value. 4 Royalties are being amortized using the units-of-production method over the total ounces subject to royalty payments under the agreement.

**Supply Agreement with Yokohama Rubber Co. Ltd. ( Yokohama )**

In December 2007, we signed an agreement with Yokohama to secure the supply of tires. Under the agreement, in January 2008, we advanced Yokahama $35 million to fund expansion of their production facility and secure supply of tires for a 10-year period.

**17 > GOODWILL**

| | Gold | | | | Copper | | |
|---|---|---|---|---|---|---|---|
| | North America | Australia | South America | Africa | Australia | South America | Total |
| Opening balance, January 1, 2006 | $ | $ | $ | $ | $ | $ | $ |
| Additions[1] | 2,423 | 1,811 | 441 | 1,024 | 64 | 743 | 6,506 |
| Disposals[2] | | | | (651) | | | (651) |
| Closing balance, December 31, 2006 | $ 2,423 | $ 1,811 | $ 441 | $ 373 | $ 64 | $ 743 | $ 5,855 |
| Additions[3] | | 34 | | | | | 34 |
| Impairments[4] | (42) | | | | | | (42) |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Closing balance, December 31, 2007 | $ 2,381 | $ 1,845 | $ 441 | $ 373 | $ 64 | $ 743 | $ 5,847 |

1 Represents goodwill acquired as a result of the acquisition of Placer Dome Inc. No portion of this goodwill is expected to be deductible for income tax purposes. [2] Represents goodwill associated with the sale of our 50% interest in the South Deep mine to Gold Fields Ltd. [3] Represents goodwill acquired as a result of the

acquisition of an additional 20% interest in Porgera. This goodwill is expected to be deductible for income tax purposes (note 3E). [4] Impairment charges recorded in the fourth quarter related to the Golden Sunlight ($35 million) and Eskay Creek ($7 million) mines, as a result of our annual goodwill impairment test. The goodwill impairment charges are primarily due to the short remaining lives of these mines.

**Accounting Policy for Goodwill and Goodwill Impairment**

Under the purchase method, the cost of business acquisitions is allocated to the assets acquired and liabilities assumed based on the estimated fair value at the date of acquisition. The excess of purchase cost over the net fair value of identified tangible and intangible assets and liabilities acquired represents goodwill that is allocated to reporting units. We believe that goodwill arises principally because of the following factors: (1) The going concern value implicit in our ability to sustain and/or grow our business by increasing reserves and resources through new discoveries; and (2) The ability to capture unique synergies that can be realized from managing a portfolio of both acquired and existing mines and mineral properties in our regional business units.

In 2006, we determined that goodwill should be allocated to reporting units that would either represent components (individual mineral properties) or aggregations of components up to a regional business unit level. As at December 31, 2006, the process of determining the appropriate level to allocate goodwill was ongoing. In fourth quarter 2006, we completed impairment tests of goodwill assuming both no aggregation of mineral properties, and aggregation of mineral properties up to the regional business unit level and determined that there were no impairments at that date under either methodology. In second quarter 2007, we determined that an individual mineral property that is an operating mine is a reporting unit for the purposes of allocating goodwill. On this basis, we allocated goodwill arising from the Placer Dome acquisition to both acquired and existing mineral properties.

Allocations for goodwill arising on the acquisition of Placer Dome were calculated by first comparing the fair value of acquired reporting units to the fair value of net identified assets allocated to the reporting units. Secondly, the fair value of estimated synergies arising on the combination between Barrick and Placer Dome was used to allocate goodwill both to reporting units acquired and existing Barrick reporting units expected to benefit from the combination.

On an annual basis in the fourth quarter of our fiscal year, we evaluate the carrying amount of goodwill assigned to reporting units for potential impairment. This impairment assessment involves estimating the fair value of each reporting unit that includes goodwill. We compare this fair value to the total carrying amount of each reporting unit (including goodwill). If the carrying amount exceeds this fair value, then we estimate the fair values of all identifiable assets and liabilities in the reporting unit, and compare this net fair value of assets less liabilities to the estimated fair value of the entire reporting unit. The difference represents the implied fair value of the reporting unit s goodwill, which is compared to its carrying amount. Any excess of the carrying value over the fair value is charged to earnings.

Gold mining companies typically trade at a market capitalization that is based on a multiple of net asset value ( NAV ), whereby NAV represents a discounted cash flow valuation based on projected future cash flows. For goodwill impairment testing purposes, we estimate the fair value of a gold property by applying a multiple to the reporting units NAV. For a copper property, the estimated fair value is based on its NAV and no multiple is applied. The process for determining fair value is subjective and requires us to make numerous assumptions including, but not limited to, projected future revenues based on estimated production, long-term metal prices, operating expenses, capital expenditures, discount rates and NAV multiples. In particular, our assumptions with respect to long-term gold prices and the appropriate NAV multiple to apply have a significant impact on our estimate of fair value. In our 2007 annual goodwill impairment test we used a long-term gold price of $800 per ounce and NAV multiples ranging from 1.0 to 2.0, depending on each property s geographic location and estimated remaining economic life. On completion of this test, we recorded a goodwill impairment charge of $35 million at our Golden Sunlight mine and $7 million at our Eskay Creek mine. The goodwill impairment charges at these mines are primarily a result of their short remaining lives.

**18 > OTHER ASSETS**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Non-current ore in stockpiles (note 13) | **$ 510** | $ 368 |
| Derivative assets (note 20C) | **220** | 209 |
| Goods and services taxes recoverable | **54** | 48 |
| Deferred income tax assets (note 23) | **722** | 528 |
| Debt issue costs | **27** | 36 |
| Deferred share-based compensation (note 26B) | **75** | 36 |
| Notes receivable | **97** | 65 |
| Deposits receivable | **147** | 82 |
| Other | **84** | 49 |
| | **$ 1,936** | $ 1,421 |

**Debt Issue Costs**

In 2007, no new debt financings were put into place and there were no additions to debt issue costs. Amortization of debt issue costs is calculated using the interest method over the term of each debt obligation, and classified as a component of interest cost (see note 20B).

**19 > OTHER CURRENT LIABILITIES**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Asset retirement obligations (note 21) | **$ 74** | $ 50 |
| Derivative liabilities (note 20C) | **100** | 82 |
| Post-retirement benefits (note 27) | **11** | 11 |
| Deferred revenue | **23** | |
| Income taxes payable (note 9) | **38** | 159 |
| Other | **9** | 1 |
| | **$ 255** | $ 303 |

**20 > FINANCIAL INSTRUMENTS**

Financial instruments include cash; evidence of ownership in an entity; or a contract that imposes an obligation on one party and conveys a right to a second entity to deliver/receive cash or another financial instrument. Information on certain types of financial instruments is included elsewhere in these financial statements as follows: accounts receivable note 14; investments note 12; restricted share units note 26B.

**A Cash and Equivalents**

Cash and equivalents include cash, term deposits and treasury bills with original maturities of less than 90 days. Cash and equivalents include $480 million (2006: $605 million) held in Argentinean and Chilean subsidiaries that have been designated for use in funding construction costs at our Pascua-Lama project.

**B Long-Term Debt[6]**

| | 2007 | | | | 2006 | | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | At Dec.31 | Proceeds | Repayments | Amortization[5] | At Dec.31 | Proceeds | Repayments | Amortization[5] | Assumed on acquisition of Placer Dome | At Dec.31 | Proceeds | Repayments | Amortization[5] |
| 7.50% debentures[1] | $ | $ | $ 500 | $ | $ 498 | $ | $ | $ | $ | $ 490 | $ | $ | $ |
| 5.80%/4.875% notes | 745 | | | | 745 | | | | | 745 | | | |
| Veladero financing | 163 | | 57 | | 220 | 13 | 30 | | | 237 | 39 | | |
| Bulyanhulu financing | 51 | | 34 | | 85 | | 34 | | | 119 | | 31 | |
| Other debt[2] | 923 | | 101 | | 1,024 | 50 | | 6 | 867 | 113 | 50 | | |
| Copper-linked notes | 515 | | 393 | | 908 | 995 | 87 | | | | | | |
| US dollar notes | 480 | 393 | | | 87 | 87 | | | | | | | |
| Senior convertible debentures | 293 | | | 3 | 296 | | | 4 | 300 | | | | |
| Capital leases | 85 | 15 | 24 | | 94 | 7 | 16 | | 6 | 97 | 90 | 28 | |
| Series B Preferred Securities | | | | | | | 77 | 2 | 79 | | | | |
| First credit facility[3] | | | | | | 1,000 | 1,000 | | | | | | |
| | 3,255 | 408 | 1,109 | 3 | 3,957 | 2,152 | 1,244 | 12 | 1,252 | 1,801 | 179 | 59 | |
| Less: current portion | (102) | | | | (713) | | | | | (80) | | | |
| | $ 3,153 | $ 408 | $ 1,109 | $ 3 | $ 3,244 | $ 2,152 | $ 1,244 | $ 12 | $ 1,252 | $ 1,721 | $ 179 | $ 59 | $ |
| Short-term debt | | | | | | | | | | | | | |
| Demand financing facility | 131 | | 19 | | 150 | | | | 150 | | | | |
| Second credit facility[4] | | | | | | 37 | 337 | | 300 | | | | |
| | $ 131 | $ | $ 19 | $ | $ 150 | $ 37 | $ 337 | $ | $ 450 | $ | $ | $ | $ |

1 During second quarter 2007, we repaid the $500 million 7.5% debentures from existing cash balances and proceeds from the sale of investments.

2 The debt has an aggregate principal amount of $923 million, of which $163 million is subject to floating interest rates and $760 million is subject to fixed interest rates ranging from 6.37% to 7.75%. The notes mature at various times between 2009 and 2035.

3 We have a credit and guarantee agreement with a group of banks (the Lenders ), which requires the Lenders to make available to us a credit facility of up to $1.5 billion or the equivalent amount in Canadian currency. The credit facility, which is unsecured, has an interest rate of Libor plus 0.25% to

0.35% on drawn down amounts, and a commitment rate of 0.07% to 0.08% on undrawn amounts. We increased the limit of this facility from $1 billion in August 2006. The facility currently matures in 2011.

4 During third quarter 2006, we terminated a second credit facility which consisted of unused bank lines of credit of $850 million with an international consortium of banks.

5 Amortization of debt discount/premium.

6 The agreements which govern our long-term debt each contain various provisions which are not summarized herein. In certain cases, these provisions allow Barrick to, at its option, redeem indebtedness prior to maturity at specified prices and also may permit redemption of debt by Barrick upon the occurrence of certain specified changes in tax legislation.

**Veladero Financing**

One of our wholly owned subsidiaries, Minera Argentina Gold S.A. in Argentina, has a limited recourse amortizing loan facility for $250 million, the majority of which has a variable interest rate. We have guaranteed the loan until completion occurs, after which it will become non-recourse to the parent company. As at December 31, 2007, completion as defined in the loan agreement has not occurred. The loan is insured for political risks by branches of the Canadian and German governments.

**Copper-Linked Notes/US Dollar Notes**

In October 2006, we issued $1,000 million of Copper-Linked Notes. During the first three years, the full $1,000 million obligation of these notes is to be repaid through the delivery of (the US dollar equivalent of) 324 million pounds of copper. At December 31, 2007, 156 million pounds of copper remained to be delivered (2008 103 million pounds; 2009 53 million pounds). Coincident with the repayment of (the US dollar equivalent of) 324 million pounds of copper, we will reborrow $1,000 million. Over the next two years, the total amount outstanding under these notes will continue to be $1,000 million, with a portion repayable in a copper-linked equivalent and a portion repayable in a fixed amount of US dollars at the maturity of the notes (2016 and 2036). As the copper-linked equivalent is repaid, the fixed US dollar obligation will increase. After 2009, only the fixed US dollar obligation will remain. The accounting principles applicable to these Copper-Linked Notes require separate accounting for the future delivery of copper (a fixed-price forward sales contract that meets the definition of a derivative that must be separately accounted for) and for the underlying bond (see note 20C).

**Senior Convertible Debentures**

The convertible senior debentures (the Securities ) mature in 2023 and had an aggregate principal amount of $293 million outstanding as at the end of 2007. Holders of the Securities may, upon the occurrence of certain circumstances and within specified time periods, convert their Securities into common shares of Barrick. These circumstances are: if the closing price of our common shares exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading days ending on the last trading day of the immediately preceding fiscal quarter; if certain credit ratings assigned to the Securities fall below specified levels or if the Securities cease to be rated by specified rating agencies or such ratings are suspended or withdrawn; if for each of five consecutive trading days, the trading price per $1,000 principal amount of the Securities was less than 98% of the product of the closing price of our common shares and the then current conversion rate; if the Securities have been called for redemption provided that only such Securities called for redemption may be converted and upon the occurrence of specified corporate transactions. On December 31, 2007 the conversion rate per each $1,000 principal amount of Securities was 39.99 common shares and the effective conversion price was $25.01 per common share. The conversion rate is subject to adjustment in certain circumstances. As such, the effective conversion price may also change.

The Securities were convertible from October 1, 2007 through December 31, 2007. No holder of Securities converted during this period. However, had all the Securities been converted and settlement occurred on December 31, 2007, we would have issued approximately 9.2 million common shares with an aggregate fair value of approximately $386.7 million based on our closing share price on December 31, 2007. The Securities are also convertible from January 1, 2008 through March 31, 2008.

We may redeem the Securities at any time on or after October 20, 2010 and prior to maturity, in whole or in part, at a prescribed redemption price that varies depending upon the date of redemption from 100.825% to 100% of the principal amount, plus accrued and unpaid interest. The maximum amount we could be required to pay to redeem the securities is $232 million plus accrued interest. Holders of the Securities can require the repurchase of the Securities for 100% of their principal amount, plus accrued and unpaid interest, on October 15, 2013 and October 15, 2018. In addition, if specified designated events occur prior to maturity of the Securities, we will be required to offer to purchase all outstanding Securities at a repurchase price equal to 100% of the principal amount, plus accrued and unpaid interest. For accounting purposes the Securities are classified as a conventional convertible debenture and the conversion feature has not been bifurcated from the host instrument.

**Series B Preferred Securities**

On December 18, 2006, we redeemed all of the outstanding 8.5% Series B Preferred Securities due December 31, 2045 for total cash of $80 million. The redemption price was comprised of the outstanding principal amount of $77 million plus accrued and unpaid interest to December 17, 2006 of $3 million.

**Demand Financing Facility**

We have a demand financing facility that permits borrowings of up to $150 million. The terms of the facility require us to maintain cash on deposit with the lender as a compensating balance equal to the amount outstanding under the facility, which is restricted as to use. The net effective interest rate is 0.4% per annum. At December 31, 2007, $131 million had been drawn on the facility and an equal amount had been placed on deposit that is included in restricted cash (see note 14).

**Interest**

| | For the years ended Dec.31 | | | | | |
|---|---|---|---|---|---|---|
| | 2007 | | 2006 | | 2005 | |
| | Interest cost | Effective rate[1] | Interest cost | Effective rate[1] | Interest cost | Effective rate[1] |
| 7.50% debentures | **$ 16** | **9.9%** | $ 49 | 9.8% | $ 41 | 8.21% |
| 5.80%/4.875% notes | **41** | **5.6%** | 41 | 5.5% | 42 | 5.6% |
| Veladero financing | **21** | **10.2%** | 25 | 10.2% | 20 | 8.6% |
| Bulyanhulu financing | **5** | **6.2%** | 6 | 5.5% | 10 | 7.5% |
| Other debt | **60** | **6.1%** | 53 | 5.4% | 3 | 4.1% |
| Copper-linked notes/US dollar notes | **63** | **6.2%** | 13 | 5.8% | | |
| Senior convertible debentures | **2** | **0.8%** | 6 | 2.0% | | |
| Capital leases | **6** | **7.7%** | 6 | 6.7% | 6 | 6.2% |
| Series B Preferred Securities | | | 3 | 4.4% | | |
| Demand financing facility | **13** | **8.9%** | 12 | 8.8% | | |
| First credit facility | **1** | | 29 | 7.4% | | |
| Second credit facility | | | 6 | 5.0% | | |
| Other interest | **9** | | 2 | | (1) | |
| | **237** | | 251 | | 121 | |
| Less: interest allocated to discontinued operations | | | (23) | | | |
| Less: interest capitalized | **(124)** | | (102) | | (118) | |
| | **$ 113** | | $ 126 | | $ 3 | |
| Cash interest paid | **$ 236** | | $ 211 | | $ 108 | |
| Amortization of debt issue costs | **9** | | 12 | | 2 | |
| Amortization of premium | **(3)** | | (12) | | | |
| Losses on interest rate hedges | **4** | | 12 | | 5 | |
| Increase (decrease) in interest accruals | **(9)** | | 28 | | 6 | |
| Interest cost | **$ 237** | | $ 251 | | $ 121 | |

1 The effective rate includes the stated interest rate under the debt agreement, amortization of debt issue costs and debt discount/premium and the impact of interest rate contracts designated in a hedging relationship with long term debt.

**Scheduled Debt Repayments**

| | 2008 | 2009 | 2010 | 2011 | 2012 and thereafter |
|---|---|---|---|---|---|
| 5.80%/4.875% notes | $ | $ | $ | $ | $ 750 |
| Veladero financing | 48 | 53 | 30 | 10 | 22 |
| Bulyanhulu financing | 34 | 17 | | | |
| Copper-linked notes/US dollar notes[1] | | | | | 1,000 |
| Other debt | | 16 | | | 844 |
| Senior convertible debentures | | | | | 230 |
| | $ 82 | $ 86 | $ 30 | $ 10 | $ 2,846 |
| Minimum annual payments under capital leases | $ 21 | $ 24 | $ 20 | $ 8 | $ 6 |

1 The Copper-linked notes/US dollar notes have scheduled repayments through the delivery of pre-determined amounts of copper (see Copper-Linked Notes/US Dollar Notes).

**C Use of Derivative Instruments ( Derivatives ) in Risk Management**

In the normal course of business, our assets, liabilities and forecasted transactions are impacted by various market risks including:

| Item | Impacted by |
|---|---|
| Sales | Prices of gold and copper |
| Cost of sales | |
| Consumption of diesel fuel and propane | Prices of diesel fuel, propane and natural gas |
| Local currency denominated expenditures | Currency exchange rates US dollar versus A$, C$, CLP, ARS, PGK and TZS |
| By-product credits | Prices of silver and copper |
| Administration, exploration and business development costs in local currencies | Currency exchange rates US dollar versus A$, ZAR, CLP, ARS, PGK and C$ |
| Capital expenditures in local currencies | Currency exchange rates US dollar versus A$, C$, CLP, ARS, PGK and EUR |
| Interest earned on cash | US dollar interest rates |
| Fair value of fixed rate debt | US dollar interest rates |

Under our risk management policy, we seek to mitigate the impact of these market risks to provide certainty for a portion of our revenues and to control costs and enable us to plan our business with greater certainty. The timeframe and manner in which we manage these risks varies for each item based upon our assessment of the risk and available alternatives for mitigating risk. For these particular risks, we believe that derivatives are an effective means of managing risk.

The primary objective of the hedging elements of our derivative positions is that changes in the values of hedged items are offset by changes in the values of derivatives. Most of the derivatives we use meet the FAS 133 hedge effectiveness criteria and are designated in a hedge accounting relationship. Some of the derivative positions are effective in achieving our risk management objectives but they do not meet the strict FAS 133 hedge effectiveness criteria, and they are classified as non hedge derivatives . The change in fair value of these non-hedge derivatives is recorded in earnings, in a manner consistent with the derivative positions intended use.

**Non-Hedge Derivative Gains/Losses**

| | **Income statement classification** |
|---|---|
| Gold contracts | Revenue |
| Copper contracts | Revenue |
| Silver contracts | Cost of sales |
| Fuel contracts | Cost of sales |
| Currency contracts | Other expense |
| Interest rate swaps | Interest income/expense |
| Share purchase warrants | Other income |

**Summary of Derivatives at Dec.31, 2007[1]**

| | Notional Amount by Term to Maturity | | | | Accounting Classification by Notional Amount | | | Fair value |
|---|---|---|---|---|---|---|---|---|
| | Within 1 year | 2 to 5 years | Over 5 years | Total | Cash flow hedge | Fair value hedge | Non-Hedge | |
| **US dollar interest rate contracts** | | | | | | | | |
| Receive-fixed swaps (millions) | $ | $ 50 | $ | $ 50 | $ | $ | $ 50 | $ 1 |
| Pay-fixed swaps (millions) | | (125) | | (125) | | | (125) | (11) |
| Net swap position | $ | $ (75) | $ | $ (75) | $ | $ | $ (75) | $ (10) |
| **Currency contracts** | | | | | | | | |
| C$:US$ contracts (C$ millions) | C$ 331 | C$ 219 | C$ | C$ 550 | C$ 450 | C$ | C$ 100 | $ 31 |
| A$:US$ contracts (A$ millions) | A$ 1,379 | A$ 3,232 | A$ | A$ 4,611 | A$ 4,518 | A$ | A$ 93 | 210 |
| EUR:US$ contracts ( millions) | 4 | | | 4 | 1 | | 3 | |
| CLP:US$ contracts (CLP billions) | CLP 42 | CLP | CLP | CLP42 | CLP 42 | CLP | CLP | |
| **Commodity contracts** | | | | | | | | |
| Copper call option spread contracts (millions of pounds) | 103 | 53 | | 156 | | | 156 | $ 25 |
| Copper sold forward contracts (millions of pounds) | 100 | 72 | | 172 | 172 | | | |
| Copper collar contracts (millions of pounds) | 299 | | | 299 | 272 | | 27 | 49 |
| Diesel forward contracts (thousands of barrels)[2] | 1,868 | 2,910 | 440 | 5,218 | 4,505 | | 713 | 84 |

1 Excludes gold sales contracts (see note 5), gold lease rate swaps (see note 5),

2 Diesel commodity contracts represent a combination of WTI, WTB, MOPS and JET hedge contracts and diesel price contracts based on the price of WTI, WTB, MOPS, and JET, respectively, plus a spread. WTI represents West Texas intermediate, WTB represents Water Borne, MOPS represents Mean of Platts Singapore, JET represents Jet Fuel.

**US Dollar Interest Rate Contracts**

Receive-fixed swaps totaling $300 million were closed out in third quarter 2007. They had been designated against the Copper-linked notes/US dollar notes, included in long-term debt, as a hedge of the variability in the fair value of the debentures caused by changes in LIBOR. For these hedges, prospective hedge effectiveness was assessed by comparing the effects of theoretical shifts in forward interest rates on the fair value of both the debt and the swaps. The retrospective assessment involved comparing the effect of changes in the underlying interest rate (i.e., LIBOR) on both the debt and the swaps.

In the second quarter, receive-fixed swaps totaling $500 million expired. These swaps were set up as fair value hedges of the $500 million 7.5% debentures which matured on May 1, 2007. Changes in fair value of the swaps, together with changes in fair value of the debentures caused by changes in LIBOR, were recorded in earnings each period. Also, as interest payments on the debentures are recorded in earnings, an amount equal to the net of the fixed-rate interest receivable and the variable-rate interest payable is recorded in earnings as a component of interest costs.

**Currency Contracts**

*Cash Flow Hedges*

Currency contracts totaling C$450 million, A$4,518 million, 1 million and CLP 42 billion have been designated against forecasted local currency denominated expenditures as a hedge of the variability of the US dollar amount of those expenditures caused by changes in currency exchange rates over the next four years. Hedged items are identified as the first stated quantity of dollars of forecasted expenditures in a future month. For a C$450 million, A$4,452 million, 1 million and CLP 42 billion portion of the contracts, we have concluded that the hedges are 100% effective under FAS 133 because the critical terms (including notional amount and maturity date) of the hedged items and currency contracts are the same. For the remaining A$66 million, prospective and retrospective hedge effectiveness is assessed using the hypothetical derivative method under FAS 133. The prospective test involves comparing the effect of a theoretical shift in forward exchange rates on the fair value of both the actual and hypothetical derivative. The retrospective test involves comparing the effect of historic changes in exchange rates each period on the fair value of both the actual and hypothetical derivative using a dollar offset approach. The effective portion of changes in fair value of the currency contracts is recorded in OCI until the forecasted expenditure impacts earnings. For expenditures capitalized to the cost of inventory, this is upon sale of inventory, and for capital expenditures, this is when amortization of the capital assets is recorded in earnings.

*Non-hedge Contracts*

On December 31, 2007 we had non-hedge Canadian currency contracts of $100M. We entered these contracts to hedge the purchase price of Arizona Star. The contracts qualified for hedge accounting treatment from the designation date to the acquisition date of December 20, 2007. After December 20, 2007, the contracts were no longer considered hedges under FAS 133, and all changes in fair value subsequent to that date were recorded in current period earnings. These non-hedge contracts matured at the end of January 2008.

During 2007, we entered into a series of A$ contracts as identified above. A$93 million contracts were not designated as hedges and are outstanding as of December 31, 2007.

**Commodity Contracts**

*Cash Flow Hedges*

Commodity contracts totaling 4,505 thousand barrels of diesel fuel have been designated against forecasted purchases of the commodities for expected consumption at our mining operations. The contracts act as a hedge of the impact of variability in market prices on the cost of future commodity purchases over the next seven years. Hedged items are identified as the first stated quantity in millions of barrels/gallons of forecasted purchases in a future month. Prospective and retrospective hedge effectiveness is assessed using the hypothetical derivative method under FAS 133. The prospective test is based on regression analysis of the month on month change in fair value of both the actual derivative and a hypothetical derivative caused by actual historic changes in commodity prices over the last three years. The retrospective test involves comparing the effect of historic changes in commodity prices each period on the fair value of both the actual and hypothetical derivative using a dollar offset approach. The effective portion of changes in fair value of the commodity contracts is recorded in OCI until the forecasted transaction impacts earnings. The cost of commodity consumption is capitalized to the cost of inventory, and therefore this is upon the sale of inventory.

The terms of a series of copper-linked notes resulted in an embedded fixed-price forward copper sales contract for 324 million pounds that meets the definition of a derivative and must be separately accounted for. At December 31, 2007, embedded fixed-price forward copper sales contracts for 156 million pounds were outstanding due to deliveries of copper totaling 168 million pounds. The resulting copper derivative has been designated against future copper cathode at the Zaldívar mine as a cash flow hedge of the variability in market prices of those future sales. Hedged items are identified as the first stated quantity of pounds of forecasted sales in a future month. Prospective hedge effectiveness is assessed on these hedges using a dollar offset method. The dollar offset assessment involves comparing the effect of theoretical shifts in forward copper prices on the fair value of both the actual hedging derivative and a hypothetical hedging derivative. The retrospective assessment involves comparing the effect of historic changes in copper prices each period on the fair value of both the actual and hypothetical derivative using a dollar offset approach. The effective portion of changes in fair value of the copper contracts is recorded in OCI until the forecasted copper sale impacts earnings.

During 2007 we added 392 million pounds of copper collar contracts which provide a floor price and a cap price for copper sales. 315 million pounds of the collars were designated against copper cathode sales at our Zaldívar mine and 77 million pounds are designated against copper concentrate sales at our Osborne mine. At December 31, 2007 we had 207 million pounds of copper collar contracts remaining at Zaldívar and 65 million pounds at Osborne.

For collars designated against copper cathode production, the hedged items are identified as the first stated quantity of pounds of forecasted sales in a future month. Prospective hedge effectiveness is assessed on these hedges using a dollar offset method. The dollar offset assessment involves comparing the effect of theoretical shifts in forward copper prices on the fair value of both the actual hedging derivative and a hypothetical hedging derivative. The retrospective assessment involves comparing the effect of historic changes in copper prices each period on the fair value of both the actual and hypothetical derivative using a dollar offset approach. The effective portion of changes in fair value of the copper contracts is recorded in OCI until the forecasted copper sale impacts earnings.

Concentrate sales at our Osborne mine contain both gold and copper, and as a result, are exposed to price changes of both commodities. Prospective hedge effectiveness is assessed using a regression method. The regression method involves comparing month-by-month changes in fair value of both the actual hedging derivative and a hypothetical derivative (derived from the price of concentrate) caused by actual historical changes in commodity prices over the last three years. The retrospective assessment involves comparing the effect of historic changes in copper prices each period on the fair value of both the actual and hypothetical derivative using a dollar offset approach. The effective portion of changes in fair value of the copper contracts is recorded in OCI until the forecasted copper sale impacts earnings. During 2007, we recorded ineffectiveness of $5 million on these hedges. The ineffectiveness was caused by changes in the price of gold impacting the hypothetical derivative, but not the hedging derivative. Prospective effectiveness tests indicate that these hedges are expected to be highly effective in the future.

*Non hedge Contracts*

Non hedge fuel contracts are used to mitigate the risk of oil price changes on other fuel consumption. On completion of regression analysis, we concluded that the contracts do not meet the highly effective criterion in FAS 133 due to currency and basis differences between contract prices and the prices charged to the mines by oil suppliers. Despite not qualifying as an accounting hedge, the contracts protect the Company to a significant extent from the effects of oil price changes. Changes in fair value of non-hedge fuel contracts are recorded in current period cost of sales.

In first quarter 2007, we purchased and sold call options on 274 million pounds of copper over the next 2 1/2 years. These options, when combined with the aforementioned fixed-price forward copper sales contracts, economically lock in copper sales prices between $3.08/lb and $3.58/lb over a period of 2 1/2 years. At December 31, 2007, the notional amount of options outstanding had decreased to 156 million pounds due to expiry of options totaling 118 million pounds in 2007. These contracts do not meet the highly effective criterion for hedge accounting in FAS 133. We paid net option premiums of $23 million for these positions that were included under investing activities in the cash flow statement. Changes in fair value of these copper options are recorded in current period revenue.

During 2007, we entered into a series of copper collar contracts for 27 million pounds of copper that were not designated as hedges and were outstanding as of December 31, 2007.

**Non-hedge Derivative Gains (Losses)**

| For the years ended | 2007 | 2006 | 2005 | Income statement classification |
|---|---|---|---|---|
| Commodity contracts | | | | |
| Copper | **$ 48** | $ (14) | $ | Revenue |
| Gold | **(8)** | 7 | (4) | Revenue |
| Silver | | (5) | | Cost of sales |
| Fuel | **7** | 1 | 8 | Cost of sales |
| Currency contracts | **(7)** | | 3 | Other income/expense |
| Interest rate contracts | **(2)** | 8 | 2 | Interest income/expense |
| Share purchase warrants | **(1)** | | (5) | Other income/expense |
| | **37** | (3) | 4 | |
| Hedge ineffectiveness | | | | |
| Ongoing hedge inefficiency | **4** | 3 | 1 | Various |
| Due to changes in timing of hedged items | | | 1 | Various |
| | **$ 41** | $ | 6 | |

**Derivative Assets and Liabilities**

| | 2007 | 2006 |
|---|---|---|
| At Jan.1 | **$ 178** | $ 204 |
| Acquired with Placer Dome | | (1,707) |
| Derivatives cash (inflow) outflow | | |
| Operating activities | **(309)** | (184) |
| Financing activities | **197** | 1,840 |
| Investing activities | **23** | |
| **Change in fair value of:** | | |
| Non-hedge derivatives | **33** | (3) |
| Cash flow hedges Effective portion | **257** | 17 |
| Ineffective portion | **9** | 3 |
| Share purchase warrants | **(1)** | |
| Fair value hedges | **2** | 8 |
| At Dec.31 | **$ 389** | $ 178 |
| Classification: | | |
| Other current assets | **$ 334** | $ 201 |
| Other assets | **220** | 209 |
| Other current liabilities | **(100)** | (82) |
| Other long term obligations | **(65)** | (150) |
| | **$ 389** | $ 178 |

1 Derivative assets and liabilities are presented net by offsetting related amounts due to/from counterparties if the conditions of FIN No. 39, Offsetting of Amounts Related to Certain Contracts, are met. Amounts receivable from counterparties netted against derivative liabilities totaled $5 million at December 31, 2007.

**Cash Flow Hedge Gains (Losses) in OCI**

| | Commodity price hedges | | | Currency hedges | | | Interest rate hedges | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gold/ Silver | Copper | Fuel | Operating costs | Administration costs | Capital expenditures | Cash balances | Long-term debt | Total |
| At Dec.31, 2004 | | | 2 | 240 | 33 | 48 | 3 | (25) | 301 |
| Effective portion of change in fair value of hedging instruments | | | 46 | (38) | 13 | (4) | 1 | 5 | 23 |
| Transfers to earnings: | | | | | | | | | |
| On recording hedged items in earnings | | | (10) | (100) | (16) | (4) | (6) | 2 | (134) |
| Hedge ineffectiveness due to changes in timing of hedged items | | | | | | (1)[1] | | | (1) |
| At Dec.31, 2005 | | | 38 | 102 | 30 | 39 | (2) | (18) | 189 |
| Effective portion of change in fair value of hedging instruments | (148) | 29 | (1) | 137 | (2) | 4 | (2) | | 17 |
| Transfers to earnings: | | | | | | | | | |
| On recording hedged items in earnings | 165 | 28 | (16) | (84) | (14) | (4)[1] | 1 | 1 | 77 |
| At Dec.31, 2006 | $ 17 | $ 57 | $ 21 | $ 155 | $ 14 | $ 39 | $ (3) | $ (17) | $ 283 |
| Effective portion of change in fair value of hedging instruments | | (75) | 87 | 249 | 32 | (35) | | (1) | 257 |
| Transfers to earnings: | | | | | | | | | |
| On recording hedged items in earnings | (2) | 32 | (29) | (166) | (19) | (5)[1] | 3 | 1 | (185) |
| At Dec.31, 2007 | $ 15 | $ 14 | $ 79 | $ 238 | $ 27 | $ (1) | $ | $ (17) | $ 355 |

| Hedge gains/losses classified within | Gold sales | Copper sales | Cost of sales | Cost of sales | Administration | Amortization | Interest income | Interest expense | |
|---|---|---|---|---|---|---|---|---|---|
| Portion of hedge gain (loss) expected to affect 2008 earnings[2] | $ 2 | $ 24 | $ 27 | $ 141 | $ 18 | $ | $ | $ (1) | $ 211 |

1 On determining that certain forecasted capital expenditures were no longer likely to occur within two months of the originally specified time frame.

2 Based on the fair value of hedge contracts at December 31, 2007.

**D Fair Value of Financial Instruments**

Fair value is the value at which a financial instrument could be closed out or sold in a transaction with a willing and knowledgeable counterparty over a period of time consistent with our risk management or investment strategy. Fair value is based on quoted market prices, where available. If market quotes are not available, fair value is based on internally developed models that use market-based or independent information as inputs. These models could produce a fair value that may not be reflective of future fair value.

**Fair Value Information**

| At Dec.31 | 2007 Carrying amount | 2007 Estimated fair value | 2006 Carrying amount | 2006 Estimated fair value |
|---|---|---|---|---|
| Financial assets | | | | |
| Cash and equivalents[1] | **$ 2,207** | **$ 2,207** | $ 3,043 | $ 3,043 |
| Accounts receivable[1] | **256** | **256** | 234 | 234 |
| Available-for-sale securities[2] | **96** | **96** | 646 | 646 |
| Equity-method investments[3] | **1,074** | **1,113** | 204 | 212 |
| Derivative assets[4] | **554** | **554** | 410 | 410 |
| Held-to-maturity securities[5] | **46** | **46** | | |
| | **$ 4,233** | **$ 4,272** | $ 4,537 | $ 4,545 |
| Financial liabilities | | | | |
| Accounts payable[1] | **$ 808** | **$ 808** | $ 686 | $ 686 |
| Long-term debt[6] | **3,255** | **3,151** | 3,957 | 3,897 |
| Derivative liabilities[4] | **165** | **165** | 232 | 232 |
| Restricted share units[7] | **100** | **100** | 42 | 42 |
| Deferred share units[7] | **4** | **4** | 2 | 2 |
| | **$ 4,332** | **$ 4,228** | $ 4,919 | $ 4,859 |

1 Recorded at cost. Fair value approximates the carrying amounts due to the short-term nature and generally negligible credit losses.

2 Recorded at fair value. Quoted market prices are used to determine fair value.

3 Recorded at cost, adjusted for our share of income/loss and dividends of equity investees. Excludes the investment in Atacama Pty for which there is no readily determinable fair value.

4 Recorded at fair value based on internal valuation models that reflect forward market commodity prices, currency exchange rates and interest rates, and a discount factor that is based on market US dollar interest rates. If a forward market does not exist, we obtain broker-dealer quotations. Valuations assume all counterparties have an AA credit rating.

5 Includes ABCP.

6 Long-term debt is generally recorded at cost except for obligations that are designated in a fair-value hedge relationship, which are recorded at fair value in periods where a hedge relationship exists. The fair value of long-term debt is calculated by discounting the future cash flows under a debt obligation by a discount factor that is based on US dollar market interest rates adjusted for our credit quality.

7 Recorded at fair value based on our period end closing market share price.

**E Credit Risk**

Credit risk is the risk that a third party might fail to fulfill its performance obligations under the terms of a financial instrument. For cash and equivalents and accounts receivable, credit risk represents the carrying amount on the balance sheet, net of any overdraft positions.

For derivatives, when the fair value is positive, this creates credit risk. When the fair value of a derivative is negative, we assume no credit risk. In cases where we have a legally enforceable master netting agreement with a counterparty, credit risk exposure represents the net amount of the positive and negative fair values for similar types of derivatives. For a net negative amount, we regard credit risk as being zero. A net positive amount for a counterparty is a reasonable measure of credit risk when there is a legally enforceable master netting agreement. We mitigate credit risk by:

- entering into derivatives with high credit-quality counterparties;
- limiting the amount of exposure to each counterparty; and

monitoring the financial condition of counterparties.

Location of credit risk is determined by physical location of the bank branch, customer or counterparty.

**Credit Quality of Financial Assets**

| | S&P Credit rating | | | |
|---|---|---|---|---|
| **At Dec.31, 2007** | **AA or higher** | **A or higher** | **B to BBB** | **Total** |
| Cash and equivalents[1] | $ 2,225 | $ 30 | $ | $ 2,255 |
| Derivatives[2] | 405 | | | 405 |
| Accounts receivable | | | 256 | 256 |
| Other non-current assets[3] | 42 | 3 | 1 | 46 |
| | $ 2,672 | $ 33 | $ 257 | $ 2,962 |
| Number of counterparties | 22 | 3 | | |
| Largest counterparty (%) | 31% | 96% | | |

**Concentrations of Credit Risk**

| **At Dec.31, 2007** | **United States** | **Canada** | **Other International** | **Total** |
|---|---|---|---|---|
| Cash and equivalents[1] | $ 1,831 | $ 103 | $ 321 | $ 2,255 |
| Derivatives[2] | 151 | 139 | 115 | 405 |
| Accounts receivable | 191 | 46 | 19 | 256 |
| Other non-current assets[3] | 46 | | | 46 |
| | $ 2,219 | $ 288 | $ 455 | $ 2,962 |

1 The amounts presented reflect the outstanding bank balance held with institutions as at December 31, 2007.

2 The amounts presented reflect the net credit exposure after considering the effect of master netting agreements.

3 Other non-current assets include ABCP.

**F Risks Relating to the Use of Derivatives**

By using derivatives, in addition to credit risk, we are affected by market risk and market liquidity risk. Market risk is the risk that the fair value of a derivative might be adversely affected by a change in commodity prices, interest rates, gold lease rates, or currency exchange rates, and that this in turn affects our financial condition. We manage market risk by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. We mitigate this risk by establishing trading agreements with counterparties under which we are not required to post any collateral or make any margin calls on our derivatives. Our counterparties cannot require settlement solely because of an adverse change in the fair value of a derivative.

Market liquidity risk is the risk that a derivative cannot be eliminated quickly, by either liquidating it or by establishing an offsetting position. Under the terms of our trading agreements, counterparties cannot require us to immediately settle outstanding derivatives, except upon the occurrence of customary events of default such as covenant breaches, including financial covenants, insolvency or bankruptcy. We generally mitigate market liquidity risk by spreading out the maturity of our derivatives over time.

## 21 > ASSET RETIREMENT OBLIGATIONS

**Asset Retirement Obligations (AROs)**

| | 2007 | 2006 |
|---|---|---|
| At January 1 | **$ 893** | $ 446 |
| AROs acquired with Placer Dome | | 387 |
| AROs arising in the period | **53** | 27 |
| Impact of revisions to expected cash flows | | |
| Revisions to carrying amount of assets | | (7) |
| Recorded in earnings[1] | **6** | 53 |
| Settlements | | |
| Cash payments | **(33)** | (32) |
| Settlement gains | **(3)** | (4) |
| AROs reclassified under Liabilities of discontinued operations | | (16) |
| Accretion | **50** | 39 |
| At Dec.31 | **966** | 893 |
| Current portion | **(74)** | (50) |
| | **$ 892** | $ 843 |

1 In 2006, we recognized an increase of $37 million for a change in estimate of the ARO at the Nickel Plate property in British Columbia, Canada. The adjustment was made on receipt of an environmental study that indicated a requirement to treat ground water for an extended period of time. The increase was recorded as a component of other expense (note 8A).

Each period we assess cost estimates and other assumptions used in the valuation of AROs at each of our mineral properties to reflect events, changes in circumstances and new information available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO. For closed mines, any change in the fair value of AROs results in a corresponding charge or credit within other expense, whereas at operating mines the charge is recorded as an adjustment to the carrying amount of the corresponding asset. In 2007, we recorded adjustments of $53 million for changes in estimates of the AROs at our Hemlo, Cowal, Bulyanhulu, Lagunas Norte and Veladero operating mines. In 2007, charges of $6 million were recorded for changes in cost estimates for AROs at closed mines (2006: $53 million; 2005: $15 million expense).

AROs arise from the acquisition, development, construction and normal operation of mining property, plant and equipment, due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to tailings and heap leach pad closure/rehabilitation; demolition of buildings/mine facilities; ongoing water treatment; and ongoing care and maintenance of closed mines. The fair values of AROs are measured by discounting the expected cash flows using a discount factor that reflects the credit-adjusted risk free rate of interest. We prepare estimates of the timing and amount of expected cash flows when an ARO is incurred. We update expected cash flows to reflect changes in facts and circumstances. The principal factors that can cause expected cash flows to change are: the construction of new processing facilities; changes in the quantities of material in reserves and a corresponding change in the life of mine plan; changing ore characteristics that impact required environmental protection measures and related costs; changes in water quality that impact the extent of water treatment required; and changes in laws and regulations governing the protection of the environment. When expected cash flows increase, the revised cash flows are discounted using a current discount factor whereas when expected cash flows decrease the reduced cash flows are discounted using a historic discount factor, and then in both cases any change in the fair value of the ARO is recorded. We record the fair value of an ARO when it is incurred. At producing mines AROs incurred and changes in the fair value of AROs are recorded as an adjustment to the corresponding asset carrying amounts. At closed mines, any adjustment to the fair value of an ARO is charged directly to earnings. AROs are adjusted to reflect the passage of time (accretion) calculated by applying the discount factor implicit in the initial fair-value measurement to the beginning-of-period carrying amount of the AROs. For producing mines, accretion is recorded in the cost of goods sold each period. For development projects and closed mines, accretion is recorded in other expense. Upon settlement of an ARO, we record a gain or loss if the actual cost differs from the carrying amount of the ARO. Settlement gains/losses are recorded in other (income) expense. Other environmental remediation costs that are not AROs as defined by FAS 143 are expensed as incurred (see note 8A).

**22 > OTHER NON-CURRENT LIABILITIES**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Pension benefits (note 27) | **$ 87** | $ 85 |
| Other post-retirement benefits (note 27) | **27** | 33 |
| Derivative liabilities (note 20C) | **65** | 150 |
| Restricted share units (note 26B) | **94** | 42 |
| Deferred revenue | **88** | 136 |
| Other | **70** | 72 |
| | **$ 431** | $ 518 |

**23 > DEFERRED INCOME TAXES**

**Recognition and Measurement**

We record deferred income tax assets and liabilities where temporary differences exist between the carrying amounts of assets and liabilities in our balance sheet and their tax bases. The measurement and recognition of deferred income tax assets and liabilities takes into account: enacted rates that will apply when temporary differences reverse; interpretations of relevant tax legislation; tax planning strategies; estimates of the tax bases of assets and liabilities; and the deductibility of expenditures for income tax purposes. We recognize the effect of changes in our assessment of these estimates and factors when they occur. Changes in deferred income tax assets, liabilities and valuation allowances are allocated between net income and other comprehensive income based on the source of the change.

Deferred income taxes have not been provided on the undistributed earnings of foreign subsidiaries, which are considered to be reinvested indefinitely outside Canada. The determination of the unrecorded deferred income tax liability is not considered practicable.

**Sources of Deferred Income Tax Assets and Liabilities**

| At Dec.31 | 2007 | 2006 |
|---|---|---|
| Deferred tax assets | | |
| Tax loss carry forwards | **$ 729** | $ 798 |
| Capital tax loss carry forwards | | 30 |
| Alternative minimum tax ( AMT ) credits | **247** | 198 |
| Asset retirement obligations | **342** | 303 |
| Property, plant and equipment | **331** | 333 |
| Inventory | | 95 |
| Post-retirement benefit obligations | **23** | 40 |
| Other | **3** | 3 |
| | **1,675** | 1,800 |
| Valuation allowances | **(419)** | (658) |
| | **1,256** | 1,142 |
| Deferred tax liabilities | | |
| Property, plant and equipment | **(1,243)** | (1,377) |
| Derivative instruments | **(122)** | (9) |
| Other | **(10)** | (26) |
| | **$ (119)** | $ (270) |
| Classification: | | |
| Non-current assets (note 18) | **$ 722** | $ 528 |
| Non-current liabilities | **(841)** | (798) |
| | **$ (119)** | $ (270) |

**Expiry Dates of Tax Losses and AMT Credits**

| | 08 | 09 | 10 | 11 | 12+ | No expiry date | Total |
|---|---|---|---|---|---|---|---|
| Tax losses[1] | | | | | | | |
| Canada | $ 3 | $ 5 | $ | $ | $ 1,583 | $ | $ 1,591 |
| Australia | | | | | | 150 | 150 |
| Barbados | | | | | 1,056 | | 1,056 |
| Chile | | | | | | 679 | 679 |
| Tanzania | | | | | | 242 | 242 |
| U.S. | | | | | 67 | | 67 |
| Other | | | 2 | | | | 2 |
| | $ 3 | $ 5 | $ 2 | $ | $ 2,706 | $ 1,071 | $ 3,787 |
| AMT credits[2] | | | | | | $ 247 | $ 247 |

1 Represents the gross amount of tax loss carry forwards translated at closing exchange rates at December 31, 2007.

2 Represents the amounts deductible against future taxes payable in years when taxes payable exceed minimum tax as defined by United States tax legislation.

**Net Deferred Tax Assets**

| | 2007 | 2006 |
|---|---|---|
| Gross deferred tax assets | | |
| Canada | **$ 494** | $ 487 |
| Chile | **117** | 113 |
| Tanzania | **197** | 217 |
| United States | **225** | 247 |
| Other | **108** | 122 |
| | **1,141** | 1,186 |
| Valuation allowances | | |
| Canada | **(55)** | (59) |
| Chile | **(105)** | (110) |
| Tanzania | **(30)** | (217) |
| United States | **(190)** | (211) |
| Other | **(39)** | (61) |
| | **$ (419)** | $ (658) |
| Non-current assets | **$ 722** | $ 528 |

**Valuation Allowances**

We consider the need to record a valuation allowance against deferred tax assets, taking into account the effects of local tax law. A valuation allowance is not recorded when we conclude that sufficient positive evidence exists to demonstrate that it is more likely than not that a deferred tax asset will be realized. The main factors considered are:

Historic and expected future levels of taxable income;

Tax plans that affect whether tax assets can be realized; and

The nature, amount and expected timing of reversal of taxable temporary differences.

Levels of future taxable income are mainly affected by: market gold and silver prices; forecasted future costs and expenses to produce gold reserves; quantities of proven and probable gold reserves; market interest rates and foreign currency exchange rates. If these factors or other circumstances change, we record an adjustment to valuation allowances to reflect our latest assessment of the amount of deferred tax assets that will more likely than not be realized.

A deferred income tax asset totaling $439 million has been recorded in Canada. This deferred tax asset primarily arose due to mark-to-market losses realized for acquired Placer Dome derivative instruments. Projections of various sources of income support the conclusion that the realizability of this deferred tax asset is more likely than not, and consequently no valuation allowance has been set up for this deferred tax asset.

A deferred tax asset of $167 million has been recorded in Tanzania following the release of tax valuation allowances totaling $189 million in 2007. The release of tax valuation allowances resulted from the impact of rising market gold prices on expectations of future taxable income and the ability to realize these tax assets.

A partial valuation allowance of $190 million has been set up against deferred tax assets in the United States at December 31, 2007. The majority of this valuation allowance relates to AMT credits in periods when partly due to low market gold prices, Barrick was an AMT taxpayer in the United States. If market gold prices continue to rise, it is reasonably possible that some or all of these valuation allowances could be released in future periods.

A valuation allowance of $105 million exists as at December 31, 2007 against tax loss carry forwards in Chile that exist in entities that have no present sources of income.

**Source of Changes in Deferred Tax Balances**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Temporary differences | | | |
| Property, plant and equipment | **$ 24** | $ (1,111) | $ 30 |
| Asset retirement obligations | **39** | 128 | (69) |
| Tax loss carry forwards | **(69)** | 546 | 38 |
| Derivatives | **(113)** | 52 | (34) |
| Other | **9** | (17) | (3) |
| | **$ (110)** | $ (402) | $ (38) |
| Net currency translation gains on deferred tax balances | **76** | 5 | 11 |
| Canadian tax rate changes | **(64)** | (12) | |
| Adjustment to deferred tax balances due to change in tax status[1] | | 31 | (5) |
| Release of end of year Tanzanian valuation allowances | **156** | | |
| Release of other valuation allowances | **88** | 53 | (32) |
| | **$ 146** | $ (325) | $ (64) |
| Intraperiod allocation to: | | | |
| Income from continuing operations before income taxes | **$ 174** | $ 109 | $ (30) |
| Placer Dome acquisition (note 3G) | | (432) | |
| Porgera mine acquisition (note 3E) | **20** | | |
| OCI (note 25) | **(48)** | (2) | (34) |
| Other | **5** | 28 | (5) |
| | **$ 151** | $ (297) | $ (69) |

1 Relates to changes in tax status in Australia (note 9).

**Unrecognized Tax Benefits**

| | |
|---|---|
| Balance at January 1, 2007 | 20 |
| Additions based on tax positions related to the current year | 1 |
| Additions for tax positions of prior years | |
| Reductions for tax positions of prior years | (2) |
| Settlements | (4) |
| Balance at December 31, 2007[1,2] | 15 |

1 If recognized, the total amount of $15 million would be recognized as a benefit to income taxes on the income statement, and therefore would impact the reported effective tax rate.

2 Includes interest and penalties of $1 million.

We expect the amount of unrecognized tax benefits to decrease within 12 months of the reporting date by approximately $2 to $3 million, related primarily to the expected settlement of Canadian income and mining tax assessments.

**Tax Years Still Under Examination**

| | |
|---|---|
| Canada | 2003-2007 |
| United States | 2003-2007 |
| Peru | 2004-2007 |
| Chile | 2004-2007 |
| Argentina | 2002-2007 |
| Australia | all years open |
| Papua New Guinea | 2002-2007 |
| Tanzania | all years open |

**Peruvian Tax Assessment**

On September 30, 2004, the Tax Court of Peru issued a decision in our favor in the matter of our appeal of a 2002 income tax assessment for an amount of $32 million, excluding interest and penalties. The assessment mainly related to the validity of a revaluation of the Pierina mining concession, which affected its tax basis for the years 1999 and 2000. The full life-of-mine effect on current and deferred income tax liabilities totaling $141 million was fully recorded at December 31, 2002, as well as other related costs of about $21 million.

In January 2005, we received written confirmation that there would be no appeal of the September 30, 2004 Tax Court of Peru decision. In December 2004, we recorded a $141 million reduction in current and deferred income tax liabilities and a $21 million reduction in other accrued costs. The confirmation concluded the administrative and judicial appeals process with resolution in Barrick s favor.

Notwithstanding the favorable Tax Court decision we received in 2004 on the 1999 to 2000 revaluation matter, on an audit concluded in 2005, SUNAT has reassessed us on the same issue for tax years 2001 to 2003. On October 19, 2007, SUNAT confirmed their reassessment. The tax assessment is for $49 million of tax, plus interest and penalties of $116 million. We filed an appeal to the Tax Court of Peru within the statutory period. We believe that the audit reassessment has no merit, that we will prevail in court again, and accordingly no liability has been recorded for this reassessment.

**24 > CAPITAL STOCK**

**A Common Shares**

Our authorized capital stock includes an unlimited number of common shares (issued 869,886,631 common shares); 9,764,929 First preferred shares Series A (issued nil); 9,047,619 Series B (issued nil); 1 Series C special voting share (issued 1); and 14,726,854 Second preferred shares Series A (issued nil).

In 2007, we declared and paid dividends in US dollars totaling $0.30 per share ($261 million) (2006: $0.22 per share, $191 million; 2005: $0.22 per share, $118 million).

**B Exchangeable Shares**

In connection with a 1998 acquisition, Barrick Gold Inc. ( BGI ), issued 11.1 million BGI exchangeable shares, which are each exchangeable for 0.53 of a Barrick common share at any time at the option of the holder, and have essentially the same voting, dividend (payable in Canadian dollars), and other rights as 0.53 of a Barrick common share. BGI is a subsidiary that holds our interest in the Hemlo and Eskay Creek Mines.

At December 31, 2007, 1.4 million (2006 1.4 million) BGI exchangeable shares were outstanding, which are equivalent to 0.7 million Barrick common shares (2006 0.7 million common shares), and are reflected in the number of common shares outstanding. We have the right to require the exchange of each outstanding BGI exchangeable share for 0.53 of a Barrick common share. While there are exchangeable shares outstanding, we are required to present summary consolidated financial information relating to BGI.

**Summarized Financial Information for BGI**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Total revenues and other income | **$ 213** | $ 233 | $ 181 |
| Less: costs and expenses[1] | **202** | 215 | 186 |
| Income (loss) before taxes | **$ 11** | $ 18 | $ (5) |
| Net income | **$ 22** | $ 33 | $ 21 |

| **At Dec.31** | **2007** | **2006** |
|---|---|---|
| Assets | | |
| Current assets | **$ 123** | $ 127 |
| Non-current assets | **47** | 50 |
| | **$ 170** | $ 177 |
| Liabilities and shareholders equity | | |
| Liabilities | | |
| Other current liabilities | **22** | 25 |
| Intercompany notes payable | **409** | 387 |
| Other long-term liabilities | **109** | 80 |
| Shareholders equity | **(370)** | (315) |
| | **$ 170** | $ 177 |

1 2006 includes a $37 million increase in the ARO at the Nickel Plate property (see note 21).

**25 > OTHER COMPREHENSIVE INCOME (LOSS) ( OCI )**

| | 2007 | 2006 | 2005 |
|---|---|---|---|
| Accumulated OCI at Jan.1 | | | |
| Cash flow hedge gains, net of tax of $60, $61, $95 | **$ 223** | $ 128 | $ 206 |
| Investments, net of tax of $7, $nil, $nil | **46** | 12 | 21 |
| Currency translation adjustments, net of tax of $nil, $nil, $nil | **(143)** | (143) | (146) |
| Pension plans and other post-retirement benefits, net of tax of $4, $nil, $nil | **(7)** | (28) | (12) |
| | **$ 119** | $ (31) | $ 69 |
| Other comprehensive income (loss) for the period: | | | |
| Changes in fair value of cash flow hedges | **257** | 17 | 23 |
| Changes in fair value of investments | **58** | 43 | (8) |
| Currency translation adjustments | | | 3 |
| Pension plans and other post-retirement benefits: | | | |
| Adjustments to minimum pension liability prior to adoption of FAS 158 | | 15 | (16) |
| FAS 158 adjustments (note 27C): | | | |
| Elimination of minimum pension liability | | 13 | |
| Net actuarial gain (loss) | **19** | (9) | |
| Transition obligation | **1** | (2) | |
| Less: reclassification adjustments for gains/losses recorded in earnings: | | | |
| Transfers of cash flow hedge (gains) losses to earnings: | | | |
| On recording hedged items in earnings | **(185)** | 77 | (134) |
| Hedge ineffectiveness due to changes in timing of hedged items | | | (1) |
| Investments: | | | |
| Other than temporary impairment charges | **1** | 4 | 16 |
| Gains realized on sale | **(71)** | (6) | (17) |
| Other comprehensive income (loss), before tax | **80** | 152 | (134) |
| Income tax recovery (expense) related to OCI | **(48)** | (2) | 34 |
| Other comprehensive income (loss), net of tax | **$ 32** | $ 150 | $ (100) |
| Accumulated OCI at Dec.31 | | | |
| Cash flow hedge gains, net of tax of $105, $60, $61 | **250** | 223 | 128 |
| Investments, net of tax of $4, $7, $nil | **37** | 46 | 12 |
| Currency translation adjustments, net of tax of $nil, $nil, $nil | **(143)** | (143) | (143) |
| Pension plans and other post-retirement benefits, net of tax of $2, $4, $nil | **7** | (7) | (28) |
| | **$ 151** | $ 119 | $ (31) |

**26 > STOCK-BASED COMPENSATION**

**A Stock Options**

In September 2006, the SEC released a letter on accounting for stock options. The letter addresses the determination of the grant date and measurement date for stock option awards. For Barrick, the stock option grant date is the date when the details of the award, including the number of options granted by individual and the exercise price, are approved. The application of the principles in the letter issued by the SEC did not change the date that has been historically determined as the measurement date for stock option grants.

Under Barrick s stock option plan certain officers and key employees of the Corporation may purchase common shares at an exercise price that is equal to the closing share price on the day before the grant of the option. Stock options vest evenly over four years, beginning in the year after granting. Options granted in July 2004 and prior are exercisable over 10 years, whereas options granted since December 2004 are exercisable over 7 years. At December 31, 2007, 10 million (2006: 13 million; 2005: 12 million) common shares, in addition to

those currently outstanding, were available for granting options. Stock options when exercised result in an increase to the number of common shares issued by Barrick.

Compensation expense for stock options was $25 million in 2007 (2006: $27 million; 2005: $nil), and is presented as a component of cost of sales, corporate administration and other expense, consistent with the classification of other elements of compensation expense for those employees who had stock options. The recognition of compensation expense for stock options reduced earnings per share for 2007 by $0.03 per share (2006: $0.03 per share).

Total intrinsic value relating to options exercised in 2007 was $58 million (2006: $27 million; 2005: $22 million).

**Employee Stock Option Activity (Number of Shares in Millions)**

| | **2007** | | | **2006** | | | **2005** | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Shares** | | **Average price** | **Shares** | | **Average price** | **Shares** | | **Average price** |
| C$ options | | | | | | | | | |
| At Jan.1 | **11.9** | **$** | **28** | 14.7 | $ | 28 | 19.4 | $ | 28 |
| Granted | | **$** | | | $ | | | $ | |
| Issued on acquisition of Placer Dome | | **$** | | 1.7 | $ | 34 | | $ | |
| Exercised | **(3.9)** | **$** | **28** | (2.4) | $ | 26 | (3.8) | $ | 25 |
| Forfeited | **(0.1)** | **$** | **29** | (0.2) | $ | 27 | (0.8) | $ | 27 |
| Cancelled/expired | **(0.8)** | **$** | **35** | (1.9) | $ | 40 | (0.1) | $ | 40 |
| At Dec.31 | **7.1** | **$** | **27** | 11.9 | $ | 28 | 14.7 | $ | 28 |
| US$ options | | | | | | | | | |
| At Jan.1 | **7.7** | **$** | **25** | 6.9 | $ | 24 | 5.9 | $ | 22 |
| Granted | **1.4** | **$** | **40** | 1.1 | $ | 30 | 2.1 | $ | 25 |
| Issued on acquisition of Placer Dome | | **$** | | 1.0 | $ | 19 | | $ | |
| Exercised | **(1.7)** | **$** | **23** | (0.9) | $ | 21 | (0.3) | $ | 15 |
| Forfeited | **(0.3)** | **$** | **25** | (0.4) | $ | 24 | (0.4) | $ | 28 |
| Cancelled/expired | **(0.1)** | **$** | **22** | | $ | 25 | (0.4) | $ | 26 |
| At Dec.31 | **7.0** | **$** | **28** | 7.7 | $ | 25 | 6.9 | $ | 24 |

**Stock Options Outstanding (Number of Shares in Millions)**

| | **Outstanding** | | | | | | **Exercisable** | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Range of exercise prices** | **Shares** | | **Average price** | **Average life (years)** | | **Intrinsic Value[1] ($ millions)** | **Shares** | | **Average price** | | **Intrinsic Value[1] ($ millions)** |
| C$ options | | | | | | | | | | | |
| $ 22 - $ 27 | 3.2 | $ | 24 | 4 | $ | 57 | 3.2 | $ | 24 | $ | 57 |
| $ 28 - $ 31 | 3.8 | $ | 29 | 4 | $ | 47 | 3.7 | $ | 29 | $ | 46 |
| $ 32 - $ 43 | 0.1 | $ | 32 | 4 | $ | 1 | 0.1 | $ | 32 | $ | 1 |
| | 7.1 | $ | 27 | 4 | $ | 105 | 7.0 | $ | 27 | $ | 104 |
| US$ options | | | | | | | | | | | |
| $ 9 - $ 19 | 0.2 | $ | 13 | 5 | $ | 5 | 0.2 | $ | 13 | $ | 5 |
| $ 20 - $ 27 | 4.3 | $ | 24 | 4 | $ | 77 | 2.8 | $ | 24 | $ | 51 |
| $ 28 - $ 41 | 2.5 | $ | 35 | 8 | $ | 16 | 0.3 | $ | 30 | $ | 4 |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 7.0 | $ | 28 | 6 | $ | 98 | 3.3 | $ | 24 | $ | 60 |

1 Based on the closing market share price on Dec.31, 2007 of C$41.78 and US$42.05.

**Option Information**

**For the years ended Dec.31**

**(per share and per option amounts in dollars)**

| | 2007 | 2006 | 2005 | |
|---|---|---|---|---|
| **Valuation assumptions** | **Lattice[1,2]** | **Lattice[1,2]** | **Black-Scholes[1]** | **Lattice[2]** |
| Expected term (years) | 4.5-5 | 4.5-5 | 5 | 5 |
| Expected volatility[2] | 30%-38% | 30%-38% | 23%-30% | 31%-38% |
| Weighted average expected volatility[2] | 36.6% | 31.6% | n/a | 33.3% |
| Expected dividend yield | 0.7%-0.9% | 0.7%-0.9% | 0.8%-1.0% | 0.9% |
| Risk-free interest rate[2] | 3.2%-5.1% | 4.3%-5.1% | 3.8%-4.0% | 4.3%-4.5% |
| Options granted (in millions)[3] | 1.4 | 1.1 | 1.1 | 1.0 |
| Weighted average fair value per option | $ 12.91 | $ 9.42 | $ 7.30 | $ 8.13 |

1 Different assumptions were used for the multiple stock option grants during the year.
2 Stock option grants issued after September 30, 2005 were valued using the Lattice valuation model. The volatility and risk-free interest rate assumption varied over the expected term of these stock option grants.
3 Excludes 2.7 million fully vested options issued on the acquisition of Placer Dome.

We changed the model used to value stock option grants from the Black-Scholes model to the Lattice valuation model for stock options granted after September 30, 2005. We believe the Lattice valuation model provides a more representative fair value because it incorporates more attributes of stock options such as employee turnover and voluntary exercise patterns of option holders. For options granted before September 30, 2005, fair value was determined using the Black-Scholes method. The expected volatility assumptions have been developed taking into consideration both historical and implied volatility of our US dollar share price. The risk-free rate for periods within the contractual life of the option is based on the US Treasury yield curve in effect at the time of the grant.

We use the straight-line method for attributing stock option expense over the vesting period. Stock option expense incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeitures rates. We make adjustments if the actual forfeiture rate differs from the expected rate.

Under the Black-Scholes model the expected term assumption takes into consideration assumed rates of employee turnover and represents the estimated average length of time stock options remain outstanding before they are either exercised or forfeited. Under the Lattice valuation model, the expected term assumption is derived from the option valuation model and is in part based on historical data regarding the exercise behavior of option holders based on multiple share-price paths. The Lattice model also takes into consideration employee turnover and voluntary exercise patterns of option holders.

As at December 31, 2007, there was $33 million (2006: $39 million; 2005: $56 million) of total unrecognized compensation cost relating to unvested stock options. We expect to recognize this cost over a weighted average period of 2 years (2006: 2 years; 2005: 2 years).

For years prior to 2006, we utilized the intrinsic value method of accounting for stock options, which resulted in no compensation expense. If compensation expense had been determined in accordance with the fair value provisions of SFAS No. 123 pro-forma net income and net income per share would have been as follows:

**Stock Option Expense**

| **For the years ended Dec.31** | |
|---|---|
| **($ millions, except per share amounts in dollars)** | **2005** |
| Pro forma effects | |
| Net income, as reported | 401 |
| Stock option expense | (26) |
| Pro forma net income | 375 |
| Net income per share: | |
| As reported basic | $ 0.75 |
| As reported diluted | $ 0.75 |
| Pro forma[1] | $ 0.70 |

1 Basic and diluted.

**B Restricted Share Units (RSUs) and Deferred Share Units (DSUs)**

Under our RSU plan, selected employees are granted RSUs where each RSU has a value equal to one Barrick common share. RSUs vest at the end of a three year period and are settled in cash on the third anniversary of the grant date. Additional RSUs are credited to reflect dividends paid on Barrick common shares over the vesting period.

A liability for RSUs is recorded at fair value on the grant date, with a corresponding amount recorded as a deferred compensation asset that is amortized on a straight-line basis over the vesting period. Changes in the fair value of the RSU liability are recorded each period, with a corresponding adjustment to the deferred compensation asset. Compensation expense for RSUs incorporates an expected forfeiture rate. The expected forfeiture rate is estimated based on historical forfeiture rates and expectations of future forfeiture rates. We make adjustments if the actual forfeiture rate differs from the expected rate. At December 31, 2007, the weighted average remaining contractual life of RSUs was 2.5 years.

Compensation expense for RSUs was $16 million in 2007 (2006: $6 million; 2005: $2 million) and is presented as a component of cost of sales, corporate administration and other expense, consistent with the classification of other elements of compensation expense for those employees who had RSUs. As at December 31, 2007 there was $75 million of total unamortized compensation cost relating to unvested RSUs (2006: $36 million; 2005: $11 million).

Under our DSU plan, Directors must receive a specified portion of their basic annual retainer in the form of DSUs, with the option to elect to receive 100% of such retainer in DSUs. Each DSU has the same value as one Barrick common share. DSUs must be retained until the Director leaves the Board, at which time the cash value of the DSUs will be paid out. Additional DSUs are credited to reflect dividends paid on Barrick common shares. DSUs are recorded at fair value on the grant date and are adjusted for changes in fair value. The fair value of amounts granted each period together with changes in fair value are expensed.

**DSU and RSU Activity**

| | DSUs (thousands) | Fair value (millions) | RSUs (thousands) | Fair value (millions) |
|---|---|---|---|---|
| At Dec.31, 2004 | 31 | $ 0.7 | 235 | $ 5.6 |
| Settled for cash | (3) | (0.1) | | |
| Forfeited | | | (38) | (0.9) |
| Granted | 19 | 0.5 | 415 | 11.1 |
| Converted to stock options | | | (3) | (0.1) |
| Credits for dividends | | | 2 | 0.1 |
| Change in value | | 0.3 | | 0.6 |
| At Dec.31, 2005 | 47 | $ 1.4 | 611 | $ 16.4 |
| Settled for cash | | | (82) | (2.5) |
| Forfeited | | | (58) | (1.6) |
| Granted[1] | 22 | 0.7 | 893 | 27 |
| Converted to stock options[1] | | | (18) | (0.5) |
| Credits for dividends | | | 8 | 0.2 |
| Change in value | | | | 2.6 |
| At Dec.31, 2006 | 69 | $ 2.1 | 1,354 | $ 41.6 |
| Settled for cash | (11) | (0.3) | (119) | (4.9) |
| Forfeited | | | (38) | (1.4) |
| Granted | 42 | 1.4 | 1,174 | 47.5 |
| Credits for dividends | | | 12 | 0.4 |
| Change in value | | 0.9 | | 17.0 |
| At Dec.31, 2007 | 100 | $ 4.1 | 2,383 | $ 100.2 |

1 In January 2006, under our RSU plan, 18,112 restricted share units were converted to 72,448 stock options.

**C Employee Share Purchase Plan**

During the first quarter of 2008, Barrick is expected to launch an Employee Share Purchase Plan. This plan will enable Barrick employees to purchase Company shares through payroll deduction. Each year, employees may contribute 1%-6% of their combined base salary and annual bonus, and Barrick will match 50% of the contribution, up to a maximum of $5,000 per year.

**27 > POST-RETIREMENT BENEFITS**

**A Defined Contribution Pension Plans**

Certain employees take part in defined contribution employee benefit plans. We also have a retirement plan for certain officers of the Company, under which we contribute 15% of the officer s annual salary and bonus. Our share of contributions to these plans, which is expensed in the year it is earned by the employee, was $49 million in 2007, $36 million in 2006 and $20 million in 2005.

**B Defined Benefit Pension Plans**

We have qualified defined benefit pension plans that cover certain of our United States, Canadian and Australian employees and provide benefits based on employees years of service. Through the acquisition of Placer Dome, we acquired pension plans in the United States, Canada and Australia. Our policy is to fund the amounts necessary on an actuarial basis to provide enough assets to meet the benefits payable to plan members. Independent trustees administer assets of the plans, which are invested mainly in fixed-income and equity securities. On June 30, 2007, one of our qualified defined benefit plans in Canada was wound-up. No curtailment gain or loss resulted and the obligations of the plans are expected to be settled at the end of 2008. On

November 30, 2007, one of our defined benefit plans in Australia was wound-up and on December 31, 2007, the other defined benefit plan in Australia was wound-up. No curtailment gain or loss resulted for either plan. In 2006, actuarial assumptions were amended for one of our qualified defined benefit plans in Canada and on June 30, 2006, one of our other plans in Canada was partially wound-up; no curtailment gain or loss resulted for either plan. Also in 2006, one of our qualified defined benefit plans was amended to freeze benefits in the United States accruals for all employees, resulting in a curtailment gain of $8 million.

As well as the qualified plans, we have non-qualified defined benefit pension plans covering certain employees and former directors of the Company. An irrevocable trust ( rabbi trust ) was set up to fund these plans. The fair value of assets held in this trust was $19 million in 2007 (2006: $21 million), and is recorded in our consolidated balance sheet under available-for-sale securities.

Actuarial gains and losses arise when the actual return on plan assets differs from the expected return on plan assets for a period, or when the expected and actuarial accrued benefit obligations differ at the end of the year. We amortize actuarial gains and losses over the average remaining life expectancy of plan participants, in excess of a 10% corridor.

**Pension Expense (Credit)**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Expected return on plan assets | **$ (21)** | $ (20) | $ (11) |
| Service cost | **2** | 4 | |
| Interest cost | **21** | 22 | 12 |
| Actuarial losses | **1** | 1 | |
| Curtailment gains | | (8) | |
| | **$ 3** | $ (1) | $ 1 |

**C Pension Plan Information**

**Fair Value of Plan Assets**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Balance at Jan.1 | **$ 301** | $ 166 | $ 170 |
| Increase for plans assumed on acquisition of Placer Dome | | 127 | |
| Actual return on plan assets | **31** | 35 | 10 |
| Company contributions | **10** | 10 | 10 |
| Settlements | **(14)** | | |
| Benefits paid | **(35)** | (37) | (24) |
| Balance at Dec.31 | **$ 293** | $ 301 | $ 166 |

| **At Dec.31** | | **2007** | | **2006** |
|---|---|---|---|---|
| | **Target** | **Actual** | **Actual** | **Actual** |
| Composition of plan assets: | | | | |
| Equity securities | 60% | **45%** | $ 130 | $ 180 |
| Debt securities | 40% | **42%** | 123 | 106 |
| Fixed income securities | | **12%** | 35 | |
| Real estate | | | | 9 |
| Other | | **2%** | 5 | 6 |
| | | **100%** | $ 293 | $ 301 |

**Projected Benefit Obligation (PBO)**

| For the years ended Dec.31 | 2007 | 2006 |
|---|---|---|
| Balance at Jan.1 | **$ 389** | $ 224 |
| Increase for plans assumed on acquisition of Placer Dome | | 191 |
| Service cost | **2** | 4 |
| Interest cost | **21** | 22 |
| Actuarial (gains) losses | **1** | (7) |
| Benefits paid | **(35)** | (37) |
| Curtailments | **(14)** | (8) |
| Balance at Dec.31 | **$ 364** | $ 389 |
| Funded status[1] | **$ (71)** | $ (88) |
| ABO[2,3] | **$ 254** | $ 386 |

1 Represents the fair value of plan assets less projected benefit obligations. Plan assets exclude investments held in a rabbi trust that are recorded separately on our balance sheet under Investments (fair value $19 million at December 31, 2007). In the year ending December 31, 2008, we do not expect to make any further contributions.

2 For 2007, we used a measurement date of December 31, 2007 to calculate accumulated benefit obligations.

3 Represents the accumulated benefit obligation ( ABO ) for all plans. The ABO for plans where the PBO exceeds the fair value of plan assets was $254 million (2006: $110 million).

**Pension Plan Assets/Liabilities**

| For the years ended Dec.31 | 2007 | 2006 |
|---|---|---|
| Non-current assets | **$ 25** | $ 5 |
| Current liabilities | **(8)** | (8) |
| Non-current liabilities | **(87)** | (85) |
| Other comprehensive income[1] | **(8)** | 6 |
| | **$ (78)** | $ (82) |

1 Amounts represent actuarial (gains) losses.

The projected benefit obligation and fair value of plan assets for pension plans with a projected benefit obligation in excess of plan assets at December 31, 2007 and 2006 were as follows:

| For the years ended Dec.31 | 2007 | 2006 |
|---|---|---|
| Projected benefit obligation, end of year | **$ 329** | $ 111 |
| Fair value of plan assets, end of year | **$ 258** | $ 62 |

The projected benefit obligation and fair value of plan assets for pension plans with an accumulated benefit obligation in excess of plan assets at December 31, 2007 and 2006 were as follows:

| **For the years ended Dec.31** | **2007** | **2006** |
|---|---|---|
| Projected benefit obligation, end of year | **$ 329** | $ 111 |
| Accumulated benefit obligation, end of year | **$ 330** | $ 110 |
| Fair value of plan assets, end of year | **$ 258** | $ 62 |

**Expected Future Benefit Payments**

| For the years ending Dec.31 | |
|---|---|
| 2008 | $ 61 |
| 2009 | 24 |
| 2010 | 31 |
| 2011 | 24 |
| 2012 | 24 |
| 2013 2017 | $ 117 |

**D Actuarial Assumptions**

| For the years ended Dec.31 | 2007 | 2006 | 2005 |
|---|---|---|---|
| Discount rate[1] | | | |
| Benefit obligation | **4.50-6.30%** | 4.40-5.90% | 5.50% |
| Pension cost | **4.50-5.81%** | 4.40-5.90% | 5.50% |
| Return on plan assets[1] | **4.50-7.25%** | 7.00-7.25% | 7.00% |
| Wage increases | **3.50-5.00%** | 3.5-5.00% | 5.00% |

1 Effect of a one-percent change: Discount rate: $25 million decrease in ABO and $1 million increase in pension cost; Return on plan assets: $3 million decrease in pension cost.

Pension plan assets, which consist primarily of fixed-income and equity securities, are valued using current market quotations. Plan obligations and the annual pension expense are determined on an actuarial basis and are affected by numerous assumptions and estimates including the market value of plan assets, estimates of the expected return on plan assets, discount rates, future wage increases and other assumptions. The discount rate, assumed rate of return on plan assets and wage increases are the assumptions that generally have the most significant impact on our pension cost and obligation.

The discount rate for benefit obligation and pension cost purposes is the rate at which the pension obligation could be effectively settled. This rate was developed by matching the cash flows underlying the pension obligation with a spot rate curve based on the actual returns available on high-grade (Moody s Aa) US corporate bonds. Bonds included in this analysis were restricted to those with a minimum outstanding balance of $50 million. Only non-callable bonds, or bonds with a make-whole provision, were included. Finally, outlying bonds (highest and lowest 10%) were discarded as being non-representative and likely to be subject to a change in investment grade. The resulting discount rate from this analysis was rounded to the nearest 25 basis points. The procedure was applied separately for pension and post-retirement plan purposes, and produced the same rate in each case.

The assumed rate of return on assets for pension cost purposes is the weighted average of expected long-term asset return assumptions. In estimating the long-term rate of return for plan assets, historical markets are studied and long-term historical returns on equities and fixed-income investments reflect the widely accepted capital market principle that assets with higher volatility generate a greater return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are finalized.

Wage increases reflect the best estimate of merit increases to be provided, consistent with assumed inflation rates.

**E Other Post-retirement Benefits**

We provide post-retirement medical, dental, and life insurance benefits to certain employees. We use the corridor approach in the accounting for post-retirement benefits. Actuarial gains and losses resulting from variances between actual results and economic estimates or actuarial assumptions are deferred and amortized over the average remaining life expectancy of participants when the net gains or losses exceed 10% of the accumulated post-retirement benefit obligation.

**Other Post-retirement Benefits Expense**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Interest cost | **$ 2** | $ 2 | $ 2 |
| Other | | | 5 |
| | **$ 2** | $ 2 | $ 7 |

**Fair Value of Plan Assets**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Balance at Jan.1 | **$** | $ | $ |
| Contributions | **2** | 3 | 4 |
| Benefits paid | **(2)** | (3) | (4) |
| Balance at Dec.31 | **$** | $ | $ |

**Accumulated Post-retirement Benefit Obligation (APBO)**

| **For the years ended Dec.31** | **2007** | **2006** | **2005** |
|---|---|---|---|
| Balance at Jan. 1 | **$ 37** | $ 39 | $ 29 |
| Interest cost | **2** | 2 | 2 |
| Actuarial losses | **(7)** | (1) | 11 |
| Benefits paid | **(2)** | (3) | (3) |
| Balance at Dec. 31 | **$ 30** | $ 37 | $ 39 |
| Funded status | **(30)** | (37) | (38) |
| Unrecognized net transition obligation | **n/a** | n/a | 1 |
| Unrecognized actuarial losses | **n/a** | n/a | 6 |
| Net benefit liability recorded | **n/a** | n/a | $ (31) |

**Other Post-retirement Assets/Liabilities**

| **For the year ended Dec.31** | **2007** | **2006** |
|---|---|---|
| Current liability | **$ (3)** | $ (3) |
| Non-current liability | **(27)** | (33) |
| Accumulated other comprehensive income | **(1)** | 5 |
| | **$ (31)** | $ (31) |

Amounts recognized in accumulated other comprehensive income consist of:[1]

| For the year ended Dec.31 | 2007 | 2006 |
|---|---|---|
| Net actuarial loss (gain) | $ (2) | $ 3 |
| Transition obligation (asset) | 1 | 2 |
| | $ (1) | $ 5 |

1 The estimated amounts that will be amortized into net periodic benefit cost in 2008.

We have assumed a health care cost trend of 9% in 2008, decreasing ratability to 5% in 2010 and thereafter. The assumed health care cost trend had a minimal effect on the amounts reported. A one percentage point change in the assumed health care cost trend rate at December 31, 2007 would have had no significant effect on the post-retirement obligation and would have had no significant effect on the benefit expense for 2007.

**Expected Future Benefit Payments**

| For the years ending Dec.31 | |
|---|---|
| 2008 | $ 3 |
| 2009 | 3 |
| 2010 | 3 |
| 2011 | 3 |
| 2012 | 3 |
| 2013 2017 | $ 11 |

**28 > LITIGATION AND CLAIMS**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated, then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case we disclose the nature of the guarantee. Legal fees incurred in connection with pending legal proceedings are expensed as incurred.

**Wagner Complaint**

On June 12, 2003, a complaint was filed against Barrick and several of its current or former officers in the U.S. District Court for the Southern District of New York. The complaint is on behalf of Barrick shareholders who purchased Barrick shares between February 14, 2002 and September 26, 2002. It alleges that Barrick and the individual defendants violated U.S. securities laws by making false and misleading statements concerning Barrick s projected operating results and earnings in 2002. The complaint seeks an unspecified amount of damages. Other parties filed several other complaints, making the same basic allegations against the same defendants. In September 2003, the cases were consolidated into a single action in the Southern District of New York. The plaintiffs filed a Third Amended Complaint on January 6, 2005. On May 23, 2005, Barrick filed a motion to dismiss part of the Third Amended Complaint. On January 31, 2006, the Court issued an order granting in part and denying in part Barrick s motion to dismiss. Both parties moved for reconsideration of a portion of the Court s January 31, 2006 Order. On December 12, 2006, the Court issued its order denying both parties motions for reconsideration. On February 15, 2008, the Court issued an order granting the plaintiffs motion for class certification. Discovery is ongoing. We intend to defend the action vigorously. No amounts have been accrued for any potential loss under this complaint.

**Marinduque Complaint**

Placer Dome has been named the sole defendant in a Complaint filed on October 4, 2005, by the Provincial Government of Marinduque, an island province of the Philippines ( Province ), with the District Court in Clark County, Nevada. The action was removed to the Nevada Federal District Court on motion of Placer Dome. The

Complaint asserts that Placer Dome is responsible for alleged environmental degradation with consequent economic damages and impacts to the environment in the vicinity of the Marcopper mine that was owned and operated by Marcopper Mining Corporation ( Marcopper ). Placer Dome indirectly owned a minority shareholding of 39.9% in Marcopper until the divestiture of its shareholding in 1997. The Province seeks to recover damages for injuries to the natural, ecological and wildlife resources within its territory , but does not seek to recover damages for individual injuries sustained by its citizens either to their persons or their property . In addition to damages for injury to natural resources, the Province seeks compensation for the costs of restoring the environment, an order directing Placer Dome to undertake and complete the remediation, environmental cleanup, and balancing of the ecology of the affected areas, and payment of the costs of environmental monitoring. The Complaint addresses the discharge of mine tailings into Calancan Bay, the 1993 Maguila-guila dam breach, the 1996 Boac river tailings spill, and alleged past and continuing damage from acid rock drainage.

At the time of the amalgamation of Placer Dome and Barrick Gold Corporation, a variety of motions were pending before the District Court, including motions to dismiss the action for lack of personal jurisdiction and for *forum non conveniens* (improper choice of forum). However, on June 29, 2006, the Province filed a Motion to join Barrick Gold Corporation as an additional named Defendant and for leave to file a Third Amended Complaint. The Court granted that motion on March 2, 2007. On March 6, 2007, the Court issued an order setting a briefing schedule on the Company s motion to dismiss on grounds of forum non conveniens. Briefing was completed on May 21, 2007, and on June 7, 2007, the Court issued an order granting the Company s motion to dismiss. On June 25, 2007, the Province filed a motion requesting the Court to reconsider its Order dismissing the action. The Company opposed the motion for reconsideration. On July 6, 2007, the Province filed a Notice of Appeal to the Ninth Circuit from the Order on the motion to dismiss. On August 8, 2007, the Ninth Circuit issued an order holding the appeal in abeyance pending the district court s resolution of the motion for reconsideration. On January 16, 2008, the district court issued an order denying the Province s motion for reconsideration. Following the district court order, the Province has filed an amended Notice of Appeal. We will challenge the claims of the Province on various grounds and otherwise vigorously defend the action. No amounts have been accrued for any potential loss under this complaint.

**Calancan Bay (Philippines) Complaint**

On July 23, 2004, a complaint was filed against Marcopper and Placer Dome Inc. ( PDI ) in the Regional Trial Court of Boac, on the Philippine island of Marinduque, on behalf of a putative class of fishermen who reside in the communities around Calancan Bay, in northern Marinduque. The complaint alleges injuries to health and economic damages to the local fisheries resulting from the disposal of mine tailings from the Marcopper mine. The total amount of damages claimed is approximately US$900 million.

On October 16, 2006, the court granted the plaintiffs application for indigent status, allowing the case to proceed without payment of filing fees. On January 17, 2007, the Court issued a summons to Marcopper and PDI. To date, we are unaware of any attempts to serve the summons on PDI, nor do we believe that PDI is properly amenable to service in the Philippines. If service is attempted, the Company intends to defend the action vigorously. No amounts have been accrued for any potential loss under this complaint.

**Pakistani Constitutional Litigation**

On November 28, 2006, a Constitutional Petition was filed in the High Court of Balochistan by three Pakistan citizens against: Barrick, the governments of Balochistan and Pakistan, the Balochistan Development Authority ( BDA ), Tethyan Copper Company ( TCC ), Antofagasta Plc ( Antofagasta ), Muslim Lakhani and BHP (Pakistan) Pvt Limited ( BHP ).

The Petition alleged, among other things, that the entry by the BDA into the 1993 Joint Venture Agreement ( JVA ) with BHP to facilitate the exploration of the Reko Diq area and the grant of related exploration licenses were illegal and that the subsequent transfer of the interests of BHP in the JVA and the licenses to TCC was also illegal and should therefore be set aside. Barrick currently indirectly holds 50% of the shares of TCC, with Antofagasta indirectly holding the other 50%.

On June 26, 2007, the High Court of Balochistan dismissed the Petition against Barrick and the other respondents in its entirety. On August 23, 2007, the petitioners filed a Civil Petition for Leave to Appeal in the Supreme Court of Pakistan. The Supreme Court of Pakistan has not yet considered the Civil Petition for Leave to Appeal. Barrick intends to defend this action vigorously. No amounts have been accrued for any potential loss under this complaint.

**NovaGold Litigation**

On August 24, 2006, during the pendency of Barrick s unsolicited bid for NovaGold Resources Inc., NovaGold filed a complaint against Barrick in the United States District Court for the District of Alaska. The complaint was amended on several occasions with the most recent amendment having been filed in January 2007. The complaint, as amended, sought a declaration that Barrick will be unable to satisfy the requirements of the Mining Venture Agreement between NovaGold and Barrick which would allow Barrick to increase its interest in the Donlin Creek joint venture from 30% to 70%. NovaGold also asserted that Barrick breached its fiduciary and contractual duties to NovaGold, including its duty of good faith and fair dealing, by misusing confidential information of NovaGold regarding NovaGold s Galore Creek project in British Columbia. NovaGold sought declaratory relief, an injunction and an unspecified amount of damages. Barrick s Motion to Dismiss NovaGold s amended complaint was heard on February 9, 2007.On July 17, 2007 the Court issued its order granting the Motion to Dismiss with respect to all claims. On August 28, 2007, NovaGold filed a notice of appeal as to a portion of the district court s order granting Barrick s motion to dismiss.

On August 11, 2006, NovaGold filed a complaint against Barrick in the Supreme Court of British Columbia. The complaint asserted that in the course of discussions with NovaGold of a potential joint venture for the development of the Galore Creek project, Barrick misused confidential information of NovaGold regarding that project to, among other things, wrongfully acquire Pioneer Metals, a company that holds mining claims adjacent to NovaGold s project. NovaGold asserted that Barrick breached fiduciary duties owed to NovaGold, intentionally and wrongfully interfered with NovaGold s interests and has been unjustly enriched. NovaGold sought a constructive trust over the shares in Pioneer acquired by Barrick and an accounting for any profits of Barrick s conduct, as well as an unspecified amount of damages.

On December 3, 2007 Barrick and NovaGold announced that a global settlement of all disputes between them had been reached. As a result of this settlement, all pending legal actions between Barrick and NovaGold have been dismissed.

**29 > FINANCE SUBSIDIARIES**

On May 9, 2008, we incorporated two wholly-owned finance subsidiaries, Barrick North America Finance LLC and Barrick Gold Financeco LLC, the sole purpose of which is to issue debt securities. On May 30, 2008, we filed a preliminary short form base shelf prospectus and registration statement in respect of the future offer and issuance of debt securities up to an aggregate principal amount of $2 billion by Barrick and the finance subsidiaries. Barrick will fully and unconditionally guarantee any debt securities issued by the finance subsidiaries.

**SCHEDULE B**

**INTERIM FINANCIAL STATEMENTS OF BARRICK GOLD CORPORATION FOR THE THREE**

**MONTHS ENDED MARCH 31, 2008**

**Consolidated Statements of Income**

**Barrick Gold Corporation**

(in millions of United States dollars, except per share data) (Unaudited)

| | Three months ended March 31, 2008 | 2007 |
|---|---|---|
| Sales (notes 4 and 5) | **$ 1,958** | $ 1,089 |
| Costs and expenses | | |
| Cost of sales (notes 4 and 6)[1] | **775** | 740 |
| Amortization and accretion (notes 4 and 14) | **241** | 220 |
| Corporate administration | **33** | 33 |
| Exploration (note 9) | **43** | 30 |
| Project development expense (note 9) | **46** | 37 |
| Other expense (note 7A) | **54** | 38 |
| Impairment charges (note 7B) | **41** | |
| | **1,233** | 1,098 |
| Interest income | **17** | 39 |
| Interest expense (note 15B) | **(6)** | (36) |
| Other income (note 7C) | **32** | 18 |
| | **43** | 21 |
| Income before income taxes and other items | **768** | 12 |
| Income tax expense (note 8) | **(253)** | (147) |
| Non-controlling interests | **(3)** | (3) |
| Income (loss) from equity investees (note 12) | **2** | (21) |
| Net income (loss) for the period | **$ 514** | $ (159) |
| Earnings (loss) per share data (note 10): | | |
| Net income (loss) | | |
| Basic | **$ 0.59** | $ (0.18) |
| Diluted | **$ 0.58** | $ (0.18) |

1 Exclusive of amortization (note 4).

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

**Consolidated Statements of Cash Flow**

**Barrick Gold Corporation**

(in millions of United States dollars) (Unaudited)

| | Three months ended March 31, 2008 | Three months ended March 31, 2007 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net income (loss) for the period | **$ 514** | $ (159) |
| Amortization and accretion (notes 4 and 14) | **241** | 220 |
| Income tax expense (note 8) | **253** | 147 |
| Income taxes paid | **(127)** | (129) |
| Impairment charges (note 7B) | **41** | |
| Increase in inventory (note 13) | **(133)** | (20) |
| Other items (note 11) | **(61)** | 104 |
| **Net cash provided by operating activities** | **728** | **163** |
| **INVESTING ACTIVITIES** | | |
| Property, plant and equipment | | |
| Capital expenditures (note 4) | **(265)** | (248) |
| Sales proceeds | **4** | 6 |
| Acquisitions, net of cash acquired of $21 (note 3) | **(1,722)** | |
| Available-for-sale securities | | |
| Purchases | **(15)** | (4) |
| Sales proceeds | **2** | 3 |
| Long-term supply contract (note 12) | **(35)** | |
| Other investing activities | **(35)** | (27) |
| **Net cash used in investing activities** | **(2,066)** | (270) |
| **FINANCING ACTIVITIES** | | |
| Capital stock | | |
| Proceeds on exercise of stock options | **70** | 31 |
| Debt | | |
| Proceeds | **990** | |
| Repayments | **(5)** | (9) |
| **Net cash provided by financing activities** | **1,055** | 22 |
| **Effect of exchange rate changes on cash and equivalents** | **7** | 1 |
| Net decrease in cash and equivalents | **(276)** | (84) |
| **Cash and equivalents at beginning of period** | **2,207** | 3,043 |
| **Cash and equivalents at end of period** | **$ 1,931** | $ 2,959 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements

**Consolidated Balance Sheets**

Barrick Gold Corporation

(in millions of United States dollars) (Unaudited)

| | As at March 31, 2008 | As at December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and equivalents | **$ 1,931** | $ 2,207 |
| Accounts receivable | **291** | 256 |
| Inventories (note 13) | **1,246** | 1,129 |
| Other current assets | **774** | 707 |
| | **4,242** | 4,299 |
| Non-current assets | | |
| Investments (note 12) | **123** | 142 |
| Equity method investments (note 12) | **1,147** | 1,074 |
| Property, plant and equipment (note 14) | **10,339** | 8,596 |
| Goodwill | **5,865** | 5,847 |
| Intangible assets | **75** | 68 |
| Other assets | **2,102** | 1,925 |
| **Total assets** | **$ 23,893** | $ 21,951 |
| **LIABILITIES AND SHAREHOLDERS EQUITY** | | |
| Current liabilities | | |
| Accounts payable | **$ 874** | $ 808 |
| Short term debt (note 15) | **234** | 233 |
| Other current liabilities | **472** | 255 |
| | **1,580** | 1,296 |
| Non-current liabilities | | |
| Long-term debt (note 15) | **4,137** | 3,153 |
| Asset retirement obligations | **932** | 892 |
| Deferred income tax liabilities | **858** | 841 |
| Other liabilities | **582** | 431 |
| **Total liabilities** | **8,089** | 6,613 |
| **Non-controlling interests** | **93** | 82 |
| Shareholders equity | | |
| Capital stock (note 17) | **13,348** | 13,273 |
| Retained earnings | **2,346** | 1,832 |
| Accumulated other comprehensive income (note 18) | **17** | 151 |
| **Total shareholders equity** | **15,711** | 15,256 |
| Contingencies and commitments (notes 14 and 20) | | |
| **Total liabilities and shareholders equity** | **$ 23,893** | $ 21,951 |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**Consolidated Statements of Shareholders Equity**

**Barrick Gold Corporation**

For the three months ended March 31 (in millions of United States dollars) (Unaudited)

| | 2008 | 2007 |
|---|---|---|
| **Common shares** (number in millions) | | |
| At January 1 | **870** | 864 |
| Issued on exercise of stock options | **2** | 1 |
| At March 31 | **872** | 865 |
| **Common shares** (dollars in millions) | | |
| At January 1 | **$ 13,273** | $ 13,106 |
| Issued on exercise of stock options | **70** | 31 |
| Recognition of stock option expense | **5** | 5 |
| At March 31 | **$ 13,348** | $ 13,142 |
| **Retained earnings** | | |
| At January 1 | **$ 1,832** | $ 974 |
| Net income (loss) | **514** | (159) |
| At March 31 | **$ 2,346** | $ 815 |
| Accumulated other comprehensive income (note 18) | **$ 17** | $ 126 |
| Total shareholders equity at March 31 | **$ 15,711** | $ 14,083 |

**Consolidated Statements of Comprehensive Income**

**Barrick Gold Corporation**

(in millions of United States dollars) (Unaudited)

| | Three months ended March 31 | |
|---|---|---|
| | 2008 | 2007 |
| Net income (loss) | **$ 514** | $ (159) |
| Other comprehensive income (loss) net of tax (note 18) | **(134)** | 7 |
| Comprehensive income (loss) | **$ 380** | $ (152) |

The accompanying notes are an integral part of these unaudited interim consolidated financial statements.

**NOTES TO CONSOLIDATED**

**FINANCIAL STATEMENTS**

**Barrick Gold Corporation**. *Tabular dollar amounts in millions of United States dollars, unless otherwise shown. References to C$, A$, ZAR, CLP, PGK, TZS, ARS and EUR are to Canadian dollars, Australian dollars, South African rands, Chilean pesos, Papua New Guinea kina, Tanzanian schillings, Argentinean pesos and Euros respectively.*

**1 > NATURE OF OPERATIONS**

Barrick Gold Corporation ( Barrick or the Company ) principally engages in the production and sale of gold, as well as related activities such as exploration and mine development. We also produce copper and hold interests in a platinum group metals development project and a nickel development project, both located in Africa, and a platinum group metals project located in Russia. Our mining operations are concentrated in our four regional business units: North America, South America, Africa and Australia Pacific. We sell our gold production into the world market and we sell our copper production into the world market and to private customers.

**2 > SIGNIFICANT ACCOUNTING POLICIES**

**A Basis of Preparation**

These consolidated financial statements have been prepared under United States generally accepted accounting principles ( US GAAP ). In first quarter 2008, we amended the income statement classification of accretion expense. To ensure comparability of financial information, prior year amounts have been reclassified to reflect changes in the financial statement presentation.

**B Use of Estimates**

The preparation of these financial statements requires us to make estimates and assumptions. The most significant ones are: quantities of proven and probable mineral reserves; fair values of acquired assets and liabilities under business combinations, including the value of mineralized material beyond proven and probable mineral reserves; future costs and expenses to produce proven and probable mineral reserves; future commodity prices for gold, copper, silver and other products; the future cost of asset retirement obligations; amounts and likelihood of contingencies; the fair values of reporting units that include goodwill; and uncertain tax positions. Using these and other estimates and assumptions, we make various decisions in preparing the financial statements including:

- The treatment of expenditures at mineral properties prior to when production begins as either an asset or an expense;
- Whether tangible and intangible long-lived assets are impaired, and if so, estimates of the fair value of those assets and any corresponding impairment charge;
- Our ability to realize deferred income tax assets and amounts recorded for any corresponding valuation allowances;
- The useful lives of tangible and intangible long-lived assets and the measurement of amortization;
- The fair value of asset retirement obligations;
- Whether to record a liability for loss contingencies and the amount of any liability;
- Whether investments are other than temporarily impaired;

The amount of income tax expense;

Allocations of the purchase price in business combinations to assets and liabilities acquired, including goodwill;

Whether any impairments of goodwill have occurred and if so the amounts of impairment charges;

Transfers of value beyond proven and probable reserves to amortized assets;

Amounts recorded for uncertain tax positions, and

The timing and amounts recorded of proceeds for insurable losses under insurance claims.

As the estimation process is inherently uncertain, actual future outcomes could differ from present estimates and assumptions, potentially having material future effects on our financial statements.

**Significant Changes in Estimates**

*Gold and Copper Mineral Reserves*

At the end of each fiscal year, as part of our annual business cycle, we prepare estimates of proven and probable gold and copper mineral reserves for each mineral property, and we record a transfer of value beyond proven and probable reserves ( VBPP ) to assets subject to amortization. We prospectively revise calculations of amortization of property, plant and equipment based on the latest reserve estimates. The effect of changes in reserve estimates including the effect of transfers of VBPP to assets subject to amortization, on amortization expense for the three months ended March 31, 2008 was a decrease of $13 million (2007: $15 million decrease).

*Asset Retirement Obligations (AROs)*

Each quarter we update cost estimates, and other assumptions used in the valuation of AROs at each of our mineral properties to reflect new events, changes in circumstances and any new information that is available. Changes in these cost estimates and assumptions have a corresponding impact on the fair value of the ARO. During first quarter 2008, we recorded an adjustment of $20 million for changes in estimates of the AROs at our Buzwagi, Tulawaka and Veladero properties. These adjustments were recorded with a corresponding adjustment to property, plant and equipment. During first quarter 2007, we recorded an increase in AROs of $29 million for a change in estimate of the ARO at our Hemlo property following receipt of an updated closure study for the property. This adjustment was recorded with a corresponding adjustment to property, plant and equipment.

**C Accounting Changes**

FAS 159, The Fair Value Option for Financial Assets and Financial Liabilities (FAS 159)

In February 2007, the FASB issued FAS 159, which allows an irrevocable option, the Fair Value Option (FVO), to carry eligible financial assets and liabilities at fair value, with the election made on an instrument-by-instrument basis. Changes in fair value for these instruments would be recorded in earnings. The objective of FAS 159 is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions.

FAS 159 was effective for Barrick beginning in first quarter 2008 and was applied prospectively. Barrick has not adopted the FVO for any of its eligible financial instruments, which primarily include available-for-sale securities, equity-method investments and long-term debt.

**FAS 157, Fair Value Measurements (FAS 157)**

In September 2006, the FASB issued FAS 157 that defines fair value, establishes a framework for measuring fair value in US GAAP, and expands disclosure about fair value measurements. FAS 157 applies under other US GAAP pronouncements that require (or permit) fair value measurements where fair value is the relevant measurement attribute.

In February 2008 the FASB issued FSP FAS 157-2. FSP FAS 157-2 delays the effective date of FAS 157 to fiscal years beginning after November 15, 2008 for non-financial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis. Therefore, we will apply the requirements of FAS 157 to fair value measurements used in accounting for property, plant and equipment, intangible assets, goodwill and asset retirement obligations beginning in 2009.

In the first quarter of 2008, we implemented FAS 157 subject to the delay specified in FSP FAS 157-2 for non-financial assets and liabilities. Refer to note 16 for details of the adoption of FAS 157 and related disclosures.

**Changes in Financial Statement Presentation   Accretion expense**

In first quarter 2008, we made a change to our accounting policy regarding the financial statement classification of accretion expense. Prior to this change, we recorded accretion expense at producing mines as a component of cost of sales and accretion expense at closed mines as a component of other expense.

Beginning in first quarter 2008, we recorded accretion expense at producing mines and accretion expense at closed mines in amortization and accretion on our Consolidated Statements of Income.

**D    Accounting Developments**

**FAS 161, Disclosures about Derivative Instruments and Hedging Activities (FAS 161)**

In March 2008, the FASB issued FAS 161, which will require entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under FAS 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance and cash flows. FAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. We are currently evaluating the impact of adopting FAS 161 on our note disclosures related to derivative instruments and hedging activities.

**FAS 141(R), Business Combinations (FAS 141(R))**

In December 2007 the FASB issued FAS 141(R), which replaces FAS 141 prospectively for business combinations consummated after the effective date of December 15, 2008. Early adoption is not permitted. Under FAS 141(R), business acquisitions are accounted for under the acquisition method , compared to the purchase method mandated by FAS 141.

The more significant changes that will result from applying the acquisition method include: (i) the definition of a business is broadened to include development stage entities, and therefore more acquisitions will be accounted for as business combinations rather than asset acquisitions; (ii) the measurement date for equity interests issued by the acquirer is the acquisition date instead of a few days before and after terms are agreed to and announced, which may significantly change the amount recorded for the acquired business if share prices differ from the agreement and announcement date to the acquisition date; (iii) all future adjustments to income tax estimates are recorded to income tax expense, whereas under FAS 141 certain changes in income tax estimates were recorded to goodwill; (iv) acquisition-related costs of the acquirer, including investment banking fees, legal fees, accounting fees, valuation fees, and other professional or consulting fees are expensed as incurred, whereas under FAS 141 these costs are capitalized as part of the cost of the business combination; (v) the assets acquired and liabilities assumed are recorded at 100% of fair value even if less than 100% is obtained, whereas under FAS 141 only the controlling interest s portion is recorded at fair value; and (vi) the non-controlling interest is recorded at its share of fair value of net assets acquired, including its share of goodwill, whereas under FAS 141 the non-controlling interest is recorded at its share of carrying value of net assets acquired with no goodwill being allocated.

**FAS 160, Non-controlling Interests in Consolidated Financial Statements (FAS 160)**

In December 2007 the FASB issued FAS 160, which is effective for fiscal years beginning after December 15, 2008. Under FAS 160, non-controlling interests are measured at 100% of the fair value of assets acquired and liabilities assumed. Under current standards, the non-controlling interest is measured at book value. For presentation and disclosure purposes, non-controlling interests are classified as a separate component of shareholders equity. In addition, FAS 160 changes the manner in which increases/decreases in ownership percentages are accounted for. Changes in ownership percentages are recorded as equity transactions and no gain or loss is recognized as long as the parent retains control of the subsidiary. When a parent company deconsolidates a subsidiary but retains a non-controlling interest, the non-controlling interest is re-measured at fair value on the date control is lost and a gain or loss is recognized at that time. Under FAS 160, accumulated losses attributable to the non-controlling interests are no longer limited to the original carrying amount, and therefore non-controlling interests could have a negative carrying balance. The provisions of FAS 160 are to be applied prospectively with the exception of the presentation and disclosure provisions, which are to be applied for all prior periods presented in the financial statements. Early adoption is not permitted.

**3 > ACQUISITIONS AND DIVESTITURES**

| **For the three months ended March 31** | **2008** | **2007** |
|---|---|---|
| **Cash paid on acquisition**[1] | | |
| Arizona Star | **$ 41** | $ |
| Cortez | **1,681** | |
| | **$ 1,722** | $ |

1 All amounts are presented net of cash acquired/divested. Potential deferred tax adjustments may arise from these acquisitions.

**B Acquisition of Arizona Star Resources Corporation ( Arizona Star )**

On March 12, 2008, we acquired all of the remaining common shares of Arizona Star pursuant to its statutory right of compulsory acquisition for $41 million. Arizona Star owns a 51% interest in the Cerro Casale deposit in the Maricunga district of Region III in Chile. The acquisition of Arizona Star has been accounted for as an asset purchase. The tables below represent the purchase cost and preliminary purchase price allocation for the acquisition of 100% of the common shares of Arizona Star, 94% of the common shares were acquired in the fourth quarter of 2007. The principal area outstanding is the determination of deferred tax effects of the purchase price allocation, which will be finalized in 2008.

| **Purchase Cost** | |
|---|---|
| Purchase cost per agreement | $ 769 |
| Purchase price adjustments and transaction costs | 1 |
| Less: cash acquired | (7) |
| | $ 763 |

| **Preliminary Purchase Price Allocation** | |
|---|---|
| Other current assets | $ 1 |
| Equity investment in Cerro Casale project | 770 |
| Total Assets | 771 |
| Current liabilities | 8 |
| Total liabilities | 8 |

| | |
|---|---|
| Net assets acquired | $ 763 |

**C Acquisition of 40% Interest in Cortez**

On March 5, 2008, we completed our acquisition of an additional 40% interest in the Cortez property from Kennecott Explorations (Australia) Ltd. ( Kennecott ), a subsidiary of Rio Tinto plc, for a total cash consideration of $1.695 billion. A further $50 million will be payable if and when we add an additional 12 million ounces of contained gold resources beyond our December 31, 2007 reserve statement for Cortez. A sliding scale royalty is payable to Kennecott on 40% of all production in excess of 15 million ounces on and after January 1, 2008. Both of these contingent payments will be recognized as an additional cost of the acquisition only if the resource/production targets are met and the amounts become payable as a result.

The acquisition consolidates 100% ownership for Barrick of the existing Cortez mine and the Cortez Hills expansion plus any future potential from the property. We have determined that the transaction represents a business combination. The allocation of the purchase price is based upon our preliminary estimates with respect to the fair value of the assets acquired. The actual fair values of the assets acquired may differ materially from the amounts disclosed below. We expect that the purchase price allocation will be completed in 2008. The terms of the acquisition are effective March 1, 2008 and the revenues and expenses attributable to the 40% interest have been included in our consolidated statements of income from that date onwards.

**Purchase Cost**

| | |
|---|---|
| Purchase cost per agreement | $ 1,695 |
| Less: cash acquired | (14) |
| | $ 1,681 |

**Preliminary Purchase Price Allocation**

| | |
|---|---|
| Inventories | $ 47 |
| Other current assets | 1 |
| Non-current ore in stockpiles | 17 |
| Property, plant and equipment | |
| Building, plant and equipment | 184 |
| Capitalized mineral property acquisition and mine development costs | 1,063 |
| Value beyond proven and probable reserves | 388 |
| Goodwill | 18 |
| Total Assets | 1,718 |
| Current liabilities | 23 |
| Asset Retirement Obligations | 14 |
| Total liabilities | 37 |
| Net assets acquired | $ 1,681 |

**D Kainantu Acquisition**

On December 12, 2007 we completed the acquisition of the Kainantu mineral property and various exploration licenses in Papua New Guinea from Highlands Pacific Limited for $135 million in cash, which reflects the purchase price, net of $7 million withheld pending certain permit renewals. The acquisition has been accounted for as a purchase of assets. The purchase price allocation will be finalized in 2008.

**4 > SEGMENT INFORMATION**

In first quarter 2008, we formed a dedicated Capital Projects group, distinct from our existing regional business units to focus on managing development projects and building new mines. This specialized group manages all project development activities up to and including the commissioning of new mines, at which point responsibility for mine operations will be handed over to the regional business units. We have revised the format of information provided to the Chief Operating Decision Maker in order to make resource allocation decisions and assess the operating performance of this group. Accordingly, we have revised our operating segment disclosure to be consistent with the internal management structure and reporting changes, with restatement of comparative information to conform to the current period presentation.

**Income Statement Information**

| | Sales | | Segment cost of sales | | Segment income (loss)[1] | |
|---|---|---|---|---|---|---|
| **For the three months ended March 31** | **2008** | **2007** | **2008** | **2007** | **2008** | **2007** |
| Gold | | | | | | |
| North America | **$ 594** | $ 312 | **$ 320** | $ 277 | **$ 196** | $ (34) |
| South America | **471** | 212 | **100** | 79 | **327** | 84 |
| Australia Pacific | **393** | 210 | **184** | 224 | **149** | (60) |
| Africa | **150** | 92 | **80** | 78 | **51** | (10) |
| Copper | | | | | | |
| South America | **274** | 216 | **58** | 56 | **196** | 142 |
| Australia Pacific | **76** | 47 | **33** | 26 | **28** | 13 |
| Capital Projects | | | | | **(40)** | (33) |
| | **$ 1,958** | $ 1,089 | **$ 775** | $ 740 | **$ 907** | $ 102 |

1 Segment income (loss) represents segment sales, less cost of sales, less amortization and accretion. For the three months ended March 31, 2008, accretion expense was $13 million (2007: $12 million), see note 14B for further details. Segment income (loss) for the Capital Projects segment includes Project Development expense., see note 9 for further details.

| | Exploration[1] | | Regional business unit costs[1,2] | |
|---|---|---|---|---|
| **For the three months ended March 31** | **2008** | **2007** | **2008** | **2007** |
| North America | **$ 16** | $ 11 | **$ 10** | $ 6 |
| South America | **10** | 5 | **7** | 6 |
| Australia Pacific | **11** | 8 | **10** | 9 |
| Africa | **3** | 2 | **4** | 1 |
| Capital Projects | **1** | 2 | | |
| Other expense outside reportable segments | **2** | 2 | | |
| | **$ 43** | $ 30 | **$ 31** | $ 22 |

1 Exploration and regional business unit costs are excluded from the measure of segment income but are reported separately by operating segment to the Chief Operating Decision Maker.

2 All amounts related to the Capital Projects segment are included within Project Development Expense.

**Reconciliation of Segment Income**

| For the three months ended March 31 | 2008 | 2007 |
|---|---|---|
| Segment income | **$ 907** | $ 102 |
| Amortization of corporate assets | **(5)** | (6) |
| Exploration | **(43)** | (30) |
| Other project expenses | **(6)** | (4) |
| Corporate administration | **(33)** | (33) |
| Other expense | **(54)** | (38) |
| Impairment charges | **(41)** | |
| Interest income | **17** | 39 |
| Interest expense | **(6)** | (36) |
| Other income | **32** | 18 |
| Income before income taxes and other items | **$ 768** | $ 12 |

**Asset Information**

| | Amortization | | Segment capital expenditures[1] | |
|---|---|---|---|---|
| For the three months ended Mar.31 | 2008 | 2007 | 2008 | 2007 |
| Gold | | | | |
| North America | **$ 71** | $ 62 | **$ 54** | $ 34 |
| South America | **42** | 47 | **23** | 54 |
| Australia Pacific | **57** | 43 | **44** | 60 |
| Africa | **18** | 24 | **14** | 25 |
| Copper | | | | |
| South America | **20** | 18 | **11** | 3 |
| Australia Pacific | **15** | 8 | **7** | 1 |
| Capital Projects | | | **123** | 58 |
| Segment total | **223** | 202 | **276** | 235 |
| Other items not allocated to segments | **5** | 6 | **17** | 3 |
| Enterprise total | **$ 228** | $ 208 | **$ 293** | $ 238 |

1 Segment capital expenditures are presented on an accrual basis. Capital expenditures in the Consolidated Statements of Cash Flows are presented on a cash basis. For the three months ended March 31, 2008, cash expenditures were $265 million (2007: $248 million) and the increase in accrued expenditures were $28 million (2007: ($10) million).

**5 > REVENUE AND GOLD SALES CONTRACTS**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| **Gold bullion sales[1]** | | |
| Spot market sales | **$ 1,560** | $ 58 |
| Gold sales contracts | | 710 |
| | **1,560** | 768 |
| Concentrate sales[2] | **48** | 58 |

| | | |
|---|---|---|
| | **$ 1,608** | $ 826 |
| Copper sales[1, 3] | | |
| Copper cathode sales | **$ 269** | $ 218 |
| Concentrate sales | **81** | 45 |
| | **$ 350** | $ 263 |

1 Revenues include amounts transferred from OCI to earnings for commodity cash flow hedges (see note 15C and 18).

2 Gold sales include gains and losses on gold derivative contracts which have been economically offset, but not yet settled and on embedded derivatives in smelting contracts: first quarter 2008: $2 million loss (2007: $1 million loss).

3 Copper sales include gains and losses on economic copper hedges that do not qualify for hedge accounting treatment and on embedded derivatives in copper smelting contracts: first quarter 2008: $12 million gain (2007: $10 million gain).

Revenue is presented net of direct sales taxes of $8 million (2007: $5 million).

**Gold Sales Contracts**

At March 31, 2008, we had Project Gold Sales Contracts with various customers for a total of 9.5 million ounces of future gold production, of which 2.8 million ounces are at floating spot prices.

**Mark-to-Market Value**

| **$ millions** | **Total ounces in millions** | **At Mar.31, 2008[1]** |
|---|---|---|
| Project Gold Sales Contracts | 9.5 | $ (5,285) |

1 At a spot gold price of $934 per ounce. Refer to note 16 for further information on fair value measurements.

**6 > COST OF SALES**

| | **Gold** | | **Copper** | |
|---|---|---|---|---|
| **For the three months ended Mar.31** | **2008** | **2007** | **2008** | **2007** |
| Cost of goods sold[1] | **$ 663** | $ 640 | **$ 91** | $ 80 |
| By-product revenues[2,3] | **(35)** | (30) | **(1)** | |
| Royalty expense | **48** | 40 | **1** | 1 |
| Mining production taxes | **8** | 9 | | |
| | **$ 684** | $ 659 | **$ 91** | $ 81 |

1 Cost of goods sold includes charges to reduce the cost of inventory to net realizable value as follows: $7 million for the three months ended March 31, 2008 (2007: $1 million). The cost of inventory sold in the period reflects all components capitalized to inventory, except that, for presentation purposes, the component of inventory cost relating to amortization of property, plant and equipment is classified in the income statement under amortization . Some companies present this amount under cost of sales . The amount presented in amortization rather than cost of sales was $223 million in the three months ended March 31, 2008 (2007: $202 million).

2 We use silver sales contracts to sell a portion of silver produced as a by-product. Silver sales contracts have similar delivery terms and pricing mechanisms as gold sales contracts. At March 31, 2008, we had fixed-price commitments to deliver 12 million ounces of silver at an average price of $8.11 per ounce and floating spot price silver sales contracts for 6 million ounces over periods primarily of up to 10 years. The mark-to-market on silver sales contracts at March 31, 2008 was negative $146 million (Dec 31, 2007: negative $103 million). Refer to note 16 for further information on fair value measurements.

**7 > OTHER EXPENSE**

**A Other Expense**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Regional business unit costs[1] | $ 31 | $ 22 |
| Community development costs[2] | 11 | 6 |
| Environmental remediation costs | 6 | 5 |
| World Gold Council fees | 3 | 3 |
| Pension and other post-retirement benefit expense | 1 | 2 |
| Other | 2 | |
| | $ 54 | $ 38 |

1 Relates to costs incurred at regional business unit offices.
2 Amounts relate to community programs in Peru, Tanzania and Papua New Guinea.

**B Impairment Charges**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Impairment charges on investments[1] | $ 39 | $ |
| Other | 2 | |
| | $ 41 | $ |

1 In the first quarter of 2008, we recorded an impairment charge on Asset-Backed Commercial Paper of $39 million. Refer to note 12 for further details.

**C Other Income**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Gain on sale of assets | $ 4 | $ 6 |
| Gain on sale of investments | 1 | 2 |
| Currency translation gains | 15 | |
| Royalty income | 6 | 3 |
| Interest income | 3 | |
| Other | 3 | 7 |
| | $ 32 | $ 18 |

**8 > INCOME TAX EXPENSE**

| **For the three months ended Mar.31** | **2008** | **2007** |
|---|---|---|
| Current | $ 210 | $ 119 |
| Deferred | 43 | 28 |
| | $ 253 | $ 147 |
| Actual effective tax rate | 33% | 1225% |
| Impact of deliveries into Corporate Gold Sales contracts | | (1198)% |
| Net currency translation losses on deferred tax balances | (3)% | |
| Estimated effective tax rate on ordinary income | 30% | 27% |

The primary reasons why our effective income tax rate on ordinary income differs from the 33.5% Canadian statutory rate are mainly due to certain allowances and special deductions unique to extractive industries, and also because we operate in multiple tax jurisdictions, some of which have lower tax rates than the applicable Canadian federal and provincial rates.

*Peruvian Tax Assessment*

On September 30, 2004, the Tax Court of Peru issued a decision in our favor in the matter of our appeal of a 2002 income tax assessment for an amount of $32 million, excluding interest and penalties. The assessment mainly related to the validity of a revaluation of the Pierina mining concession, which affected its tax basis for the years 1999 and 2000. The full life-of-mine effect on current and deferred income tax liabilities totaling $141 million was fully recorded at December 31, 2002, as well as other related costs of about $21 million.

In January 2005, we received written confirmation that there would be no appeal of the September 30, 2004 Tax Court of Peru decision. In December 2004, we recorded a $141 million reduction in current and deferred income tax liabilities and a $21 million reduction in other accrued costs. The confirmation concluded the administrative and judicial appeals process with resolution in Barrick s favor.

Notwithstanding the favorable Tax Court decision we received in 2004 on the 1999 to 2000 revaluation matter, on an audit concluded in 2005, SUNAT has reassessed us on the same issue for tax years 2001 to 2003. On October 19, 2007, SUNAT confirmed their reassessment. The tax assessment is for $49 million of tax, plus interest and penalties of $116 million. We filed an appeal to the Tax Court of Peru within the statutory period. We believe that the audit reassessment has no merit, that we will prevail in court again, and accordingly no liability has been recorded for this reassessment.

**9 > EXPLORATION AND PROJECT DEVELOPMENT EXPENSE**

| **For the three months ended March 31** | **2008** | **2007** |
|---|---|---|
| Exploration: | | |
| Minesite exploration | **$ 26** | $ 10 |
| Projects | **17** | 20 |
| | **$ 43** | $ 30 |
| Project development expense: | | |
| Capital projects | | |
| Pueblo Viejo[1] | **17** | $ 6 |
| Donlin Creek | | 14 |
| Sedibelo | **5** | 4 |
| Fedorova | **4** | 2 |
| Buzwagi | **1** | 4 |
| Pascua-Lama | **2** | 2 |
| Kainantu | **6** | |
| Other | **5** | 1 |
| | **40** | 33 |
| Other project expenses | **6** | 4 |
| | **$ 46** | $ 37 |

1 Represents 100% of project expenditures. We record a non-controlling interest credit for our partner s share of expenditures within non-controlling interests in the income statement.

**10 > EARNINGS (LOSS) PER SHARE**

| ($ millions, except shares in millions and per share amounts in dollars) | Three month period ended March 31 2008 | | Three month period ended March 31 2007 | |
|---|---|---|---|---|
| | Basic | Diluted | Basic | Diluted |
| Income (loss) from continuing operations | **$ 514** | **$ 514** | $ (159) | $ (159) |
| Plus: interest on convertible debentures | | **1** | | |
| Net income (loss) | **$ 514** | **$ 515** | $ (159) | $ (159) |
| Weighted average shares outstanding | **872** | **872** | 865 | 865 |
| Effect of dilutive securities | | | | |
| Stock options | | **4** | | |
| Convertible debentures | | **9** | | |
| | **872** | **885** | 865 | 865 |
| Earnings (loss) per share | | | | |
| Net income (loss) | **$ 0.59** | **$ 0.58** | $ (0.18) | $ (0.18) |

**11 > OPERATING CASH FLOW OTHER ITEMS**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Adjustments for non-cash income statement items: | | |
| Currency translation gains (note 7C) | **$ (15)** | $ |
| Amortization of discount/premium on debt securities | **(2)** | (3) |
| Stock option expense | **5** | 5 |
| (Income) loss from equity investees (note 12) | **(2)** | 21 |
| Non-controlling interests | **3** | 3 |
| Gain on sale of investments (note 7C) | **(1)** | (2) |
| Gain on sale of long-lived assets (note 7C) | **(4)** | (6) |
| Net changes in operating assets and liabilities (excluding inventory) | **(38)** | 93 |
| Settlement of AROs | **(7)** | (7) |
| Other net operating activities | **$ (61)** | $ 104 |
| Operating cash flow includes payments for: | | |
| Interest costs | **$ 17** | $ 8 |

**12 > INVESTMENTS**

| | At Mar.31 2008 | | At Dec.31 2007 | |
|---|---|---|---|---|
| | Fair[1] value | Gains (losses) in OCI | Fair value | Gains (losses) in OCI |
| Available-for-sale Securities[4] | | | | |
| Securities in an unrealized gain position | | | | |
| Benefit plans:[2] | | | | |
| Fixed-income securities | **$ 3** | **$** | $ 4 | $ |
| Equity securities | | | 14 | 1 |
| Other investments: | | | | |
| Diamondex | **4** | | | |
| Other equity securities | **58** | **26** | 73 | 41 |
| | **65** | **26** | 91 | 42 |
| Securities in an unrealized loss position | | | | |
| Benefit plans:[2] | | | | |
| Equity securities | **11** | **(1)** | | |
| Other equity securities[3] | **13** | **(3)** | 5 | (1) |
| | **$ 89** | **$ 22** | $ 96 | $ 41 |
| **Held-to-maturity securities** | | | | |
| Asset-Backed Commercial Paper | **7** | | 46 | |
| **Other investments** | **27** | | | |
| Long-term loan receivable from Yokohama Rubber Co. Ltd.[5] | | | | |
| | **$ 123** | **$ 22** | $ 142 | $ 41 |

1 Refer to note 16 for further information on the measurement of fair value.

2 Under various benefit plans for certain former Homestake executives, a portfolio of marketable fixed-income and equity securities are held in a rabbi trust that is used to fund obligations under the plans.

3 Other equity securities in a loss position consist of investments in various junior mining companies.

4 Available-for-sale securities are recorded at fair value with unrealized gains and losses recorded in other comprehensive income ( OCI ). Realized gains and losses are recorded in earnings when investments mature or on sale, calculated using the average cost of securities sold. We record in earnings any unrealized declines in fair value judged to be other than temporary.

5 The long-term loan receivable is measured at amortized cost.

**Gains on Investments Recorded in Earnings**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Gains realized on sales | **$ 1** | $ 2 |
| Cash proceeds from sales | **$ 2** | $ 3 |

**Equity Method Investments**

| | At Mar.31 2008 | | At Dec.31 2007 | |
|---|---|---|---|---|
| | **Fair value[1]** | **Carrying amount** | **Fair value[1]** | **Carrying amount** |
| Highland | **$ 278** | **$ 177** | $ 208 | $ 169 |
| Atacama (Reko Diq)[2] | **n/a** | **124** | n/a | 109 |
| Cerro Casale[2] | **n/a** | **771** | n/a | 732 |
| Donlin Creek[2] | **n/a** | **75** | n/a | 64 |
| | | **$ 1,147** | | $ 1,074 |

1 Refer to note 16 for further information fair value measurement.

2 As our Investments are not publicly traded companies, there are no quoted prices to determine fair values. For impairment purposes we utilized an expected present value technique to determine the fair value of underlying assets and liabilities.

**Equity Method Investment Continuity**

| | **Highland** | **Atacama** | **Cerro Casale** | **Donlin Creek** | **Total** |
|---|---|---|---|---|---|
| At January 1, 2008 | $ 169 | $ 109 | $ 732 | $ 64 | $ 1,074 |
| Equity pick-up | 7 | (5) | | | 2 |
| Funding | | 20 | | 11 | 31 |
| Purchases | 1 | | 41 | | 42 |
| Elimination of non-controlling interest | | | (2) | | (2) |
| At March 31, 2008 | $ 177 | $ 124 | $ 771 | $ 75 | $ 1,147 |

**Highland Gold Mining Ltd. ( Highland )**

During 2007, Highland announced the issue of 130.1 million new shares for $400 million. The equity was purchased by Millhouse LLC ( Millhouse ) in two tranches. The first tranche of 65 million shares was completed on December 11, 2007 giving Millhouse a 25% interest in Highland and reducing our position to 25.4%. The second tranche of 65 million shares was completed on January 16, 2008 giving Millhouse a 40% interest in Highland and further reducing our interest to 20.3%.

On completion of the first tranche, Millhouse was entitled to appoint 3 of 9 Directors to the Board. On completion of the second tranche, Millhouse was entitled to appoint the CEO of Highland who will not serve on the Board. Our ability to appoint Directors has been reduced from 3 to 2. We continue to account for the investment in Highland using the equity method of accounting.

**Asset-Backed Commercial Paper ( ABCP )**

As at March 31, 2008, we held $66 million of Ironstone Trust, Series B Asset-Backed Commercial Paper ( ABCP ) which has matured, but for which no payment has been received. On August 16, 2007, it was announced that a group representing banks, asset providers and major investors had agreed to a standstill with regard to all non-bank sponsored ABCP (the Montreal Accord ).

On March 17, 2008, all affected ABCP was placed under CCAA protection. It has been determined that our ABCP investments will restructured on an individual basis and will not be pooled with other Montreal Accord ABCP assets. Our investments will maintain exposure to the existing underlying assets. New floating rate notes

are expected to be issued with maturities and interest rates based on the respective maturities and amounts available from the underlying investments. The new notes are expected to mature in 2021 and 2027.

We have assessed the fair value of the ABCP considering the available data regarding market conditions for such investments at March 31, 2008. As a result of current market conditions, we recorded an impairment of $39 million in the first quarter of 2008 on the ABCP investments, resulting in a total impairment to date of $59 million.

Our ownership of ABCP investments is comprised of trust units which have underlying investments in various asset backed securities. The underlying investments are further represented by residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and collateralized debt obligations. We have based the 90% impairment on our assessment of the inherent risks associated with the underlying investments. The impairment is further supported by an indicative value obtained from a third party, which was facilitated by the Pan-Canadian Investors Committee. The impairment of our ABCP investments has no effect on our investment strategy or covenant compliance.

There is currently no certainty regarding the outcome of the ABCP investments and therefore there is uncertainty in estimating the amount and timing of the associated cash flows. This ABCP is classified under Other Investments at March 31, 2008.

**Agreement with Yokohama Rubber Co. Ltd. ( Yokohama )**

In January 2008, we advanced $35 million ( the loan ) to Yokohama to fund expansion of their production facility and secure a guaranteed supply of OTR tires. Interest on the loan is calculated at a lower than market rate, due to the benefit of the supply agreement, and is compounded annually. The principal amount and accrued interest is to be repaid in full no later than 7 years from the initial date of the loan. In the event that Barrick does not satisfy certain minimum monthly purchase commitments, Yokohama has the right to apply the dollar value of the purchase shortfall against the principal balance of the loan.

The loan was initially recorded at its fair value, based on an estimated market borrowing rate for a comparable loan without the related tire supply agreement. After initial recognition, the loan is recorded at amortized cost and interest income is recognized at an effective rate of 6%. We determined that the supply contract component of the agreement is an intangible asset with an initial fair value of $8 million. The intangible asset is amortized on a straight line basis over its useful life.

**13 > INVENTORIES**

| | Gold | | Copper | |
|---|---|---|---|---|
| | At Mar.31 2008 | At Dec.31 2007 | At Mar.31 2008 | At Dec.31 2007 |
| Raw materials | | | | |
| Ore in stockpiles | $ 790 | $ 698 | $ 32 | $ 63 |
| Ore on leach pads | 167 | 149 | 127 | 81 |
| Mine operating supplies | 385 | 351 | 22 | 20 |
| Work in process | 152 | 109 | 5 | 5 |
| Finished products | | | | |
| Gold doré/bullion | 102 | 87 | | |
| Copper cathode | | | 5 | 9 |
| Copper concentrate | | | 11 | 16 |
| Gold concentrate | 27 | 40 | | |
| | 1,623 | 1,434 | 202 | 194 |
| Non-current ore in stockpiles[1] | (494) | (414) | (85) | (85) |
| | $ 1,129 | $ 1,020 | $ 117 | $ 109 |

1 Ore that we do not expect to process in the next 12 months is classified within Other Assets.

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Inventory impairment charges | **$ 7** | $ 1 |

## 14 > PROPERTY, PLANT AND EQUIPMENT

### A Unamortized Assets

### Acquired Mineral Properties and Capitalized Mine Development Costs

| | Carrying amount at Mar.31, 2008 | Carrying amount at Dec.31, 2007 |
|---|---|---|
| Exploration projects and other land positions | **$ 122** | $ 109 |
| Value beyond proven and probable reserves at producing mines | **641** | 322 |
| Projects[1] | | |
| Pascua-Lama | **645** | 609 |
| Pueblo Viejo | **165** | 157 |
| Sedibelo | **82** | 81 |
| Buzwagi | **287** | 224 |
| Punta Colorado Wind Farm | **38** | 35 |
| Kainantu | **137** | 135 |
| | **$ 2,117** | $ 1,672 |

1 Excludes Cerro Casale, Reko Diq and Donlin Creek that are held through equity investees and Cortez Hills which is included as a component of the acquired mineral property and capitalized mine development costs attributable to the Cortez mine.

**Value beyond proven and probable reserves ( VBPP )**

On acquiring a mineral property, we estimate the VBPP and record these amounts as assets. At the end of each fiscal year, as part of our annual business cycle, we prepare estimates of proven and probable gold and copper mineral reserves for each mineral property. The change in reserves, net of production, is used to determine the amount to be converted from VBPP to amortized assets. For the three months ended March 31, 2008, we transferred $69 million of VBPP to amortized assets (2007: $189 million). We added $388 million to VBPP on acquiring the additional 40% of Cortez, based on the preliminary purchase price allocation.

### B Amortization and Accretion

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Amortization | **$ 228** | $ 208 |
| Accretion | **13** | 12 |
| | **$ 241** | $ 220 |

### C Capital Commitments

In addition to entering into various operational commitments in the normal course of business, we had commitments of approximately $173 million at March 31, 2008 mainly at our various projects.

## 15 > FINANCIAL INSTRUMENTS

### A Cash and Equivalents

Cash and equivalents include cash, term deposits and treasury bills with original maturities of less than 90 days. Cash and equivalents include $1,160 million (December 31, 2007: $480 million) held by Argentinean and Chilean subsidiaries that have been designated for use in funding construction costs at our Pascua-Lama project and other capital projects.

### B Long-Term Debt

**Interest Costs**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Incurred | **$ 50** | $ 66 |
| Capitalized | **(44)** | (30) |
| Interest expensed | **$ 6** | $ 36 |

For the three months ended March 31, 2008, Cortez Hills, Pascua-Lama, Buzwagi, Pueblo Viejo, Donlin Creek, Sedibelo, Reko Diq, Kainantu, Cerro Casale and Punta Colorado Wind farm qualified for interest capitalization.

**Proceeds**

In first quarter 2008, we drew down $990 million to partially fund our acquisition of the 40% interest in Cortez. The amounts were drawn down using our existing $1.5 billion credit facility. The credit facility, which is unsecured, has an interest rate of Libor plus 0.25% to 0.35% on the outstanding loan amount, and a commitment rate of 0.07% to 0.08% on any undrawn amounts. For the amounts drawn down at March 31, 2008, $200 million matures on April 29, 2012 and the balance matures on April 29, 2013.

### C Use of Derivative Instruments ( Derivatives ) in Risk Management

In the normal course of business, our assets, liabilities and forecasted transactions are impacted by various market risks including, but not limited to:

| Item | Impacted by |
|---|---|
| Sales | Prices of gold and copper |
| Cost of sales | |
| Consumption of diesel fuel, propane and natural gas | Prices of diesel fuel, propane and natural gas |
| Non-US dollar expenditures | Currency exchange rates US dollar versus A$, C$, CLP, ARS, PGK and TZS |
| By-product credits | Prices of silver and copper |
| Corporate administration, exploration and business development costs | Currency exchange rates US dollar versus A$, ZAR, CLP, ARS, PGK and C$ |
| Non-US dollar capital expenditures | Currency exchange rates US dollar versus A$, C$, CLP, ARS, PGK and EUR |
| Interest earned on cash | US dollar interest rates |
| Fair value of fixed rate debt | US dollar interest rates |

Under our risk management policy, we seek to mitigate the impact of these risks to provide certainty for a portion of our revenues and to control costs and enable us to plan our business with greater certainty. The timeframe and manner in which we manage these risks varies for each item based upon our assessment of the risk and available alternatives for mitigating risk. For these particular risks, we believe that derivatives are an appropriate way of managing the risk.

The primary objective of the hedging elements of our derivative instrument positions is that changes in the values of hedged items are offset by changes in the values of derivatives. Many of the derivatives we use meet the FAS 133 hedge effectiveness criteria and are designated in a hedge accounting relationship. Some of the derivative instruments are effective in achieving our risk management objectives, but they do not meet the strict FAS 133 hedge effectiveness criteria, and they are classified as economic hedges . The change in fair value of these economic hedges is recorded in current period earnings, classified with the income statement line item that is consistent with the derivative instruments intended risk objective.

**Summary of Derivatives at Mar. 31, 2008**[1]

| | Notional Amount by Term to Maturity | | | | Accounting Classification by Notional Amount | | | |
|---|---|---|---|---|---|---|---|---|
| | **Within 1 year** | **2 to 5 years** | **Over 5 years** | **Total** | **Cash flow hedge** | **Fair value hedge** | **Economic Hedge** | **Fair value** |
| **US dollar interest rate contracts** | | | | | | | | |
| Receive-fixed swaps (millions) | $ | $ 50 | $ | $ 50 | $ | $ | $ 50 | $ 2 |
| Pay-fixed swaps (millions) | | (125) | | (125) | | | (125) | (14) |
| Net swap position | $ | $ (75) | $ | $ (75) | $ | $ | $ (75) | $ 12) |
| **Currency contracts** | | | | | | | | |
| C$:US$ contracts (C$ millions) | C$ 238 | C$ 220 | C$ | C$ 458 | C$ 455 | C$ | C$ 3 | $ 24 |
| A$:US$ contracts (A$ millions) | A$ 1,414 | A$ 3,064 | A$ | A$ 4,478 | A$ 4,408 | A$ | A$ 70 | 295 |
| EUR:US$ contracts ( millions) | 3 | | | 3 | | | 3 | |
| TZS:US$ contracts (TZS millions) | TZS 7,212 | TZS | TZS | TZS 7,212 | TZS 7,212 | TZS | TZS | |
| CLP:US$ contracts (CLP millions) | CLP 31,719 | CLP | CLP | CLP 1,719 | CLP 31,719 | CLP | CLP | 9 |
| **Commodity contracts** | | | | | | | | |
| Copper call option spread contracts (millions of pounds) | 98 | 33 | | 131 | | | 131 | $ 39 |
| Copper sold forward contracts (millions of pounds) | 115 | 69 | | 184 | 184 | | | (122) |
| Copper collar contracts (millions of pounds) | 277 | 252 | | 529 | 490 | | 39 | (114) |
| Diesel forward contracts (thousands of barrels)[2] | 2,017 | 3,153 | 320 | 5,490 | 4,776 | | 714 | 129 |
| Natural Gas (thousands of btus) | 910 | | | 910 | 605 | | 305 | 1 |

1 Excludes gold and silver sales contracts (see notes 5 and 6), refer to note 16 for further information on fair value measurements.

2 Diesel commodity contracts represent a combination of WTI, WTB, MOPS and JET hedge contracts and diesel price contracts based on the price of WTI, WTB, MOPS, and JET, respectively, plus a spread. WTI represents West Texas Intermediate, WTB represents Waterborne, MOPS represents Mean of Platts Singapore, JET represents Jet Fuel.

**US Dollar Interest Rate Contracts**

*Non-hedge Contracts*

We have a net $75 million US dollar pay-fixed interest-rate swap position outstanding that was used to economically hedge the US dollar interest-rate risk implicit in a prior gold lease rate swap position. Changes in the fair value of these interest rate swaps are recognized in current period earnings through interest expense.

**Currency Contracts**

*Cash Flow Hedges*

Currency contracts totaling C$455 million, A$4,408 million, 7,212 million TZS and CLP 31,719 million have been designated against forecasted non-US dollar denominated expenditures as a hedge of the variability of the US dollar amount of those expenditures caused by changes in currency exchange rates over the next four years. Hedged items are identified as the first stated quantity of dollars of forecasted expenditures in a future month. For C$371 million, A$4,230 million, 7,212 million TZS and CLP 31,719 million portions of the contracts, we have concluded that the hedges are 100% effective under FAS 133 because the critical terms (including notional amount and maturity date) of the hedged items and currency contracts are the same. For the remaining C$84 million and A$178 million, prospective and retrospective hedge effectiveness is assessed using the hypothetical derivative method under FAS 133. For details of how we apply the hypothetical derivative method refer to note 20C of our 2007 Year End Financial Statements.

*Economic Hedge Contracts*

We have C$3 million, A$70 million and 3 million contracts that were not designated as hedges were outstanding as of March 31, 2008. Changes in the fair value of economic hedge currency contracts were recorded in cost of sales, corporate administration or interest income/expense.

**Commodity Contracts**

*Cash Flow Hedges*

*Diesel Fuel*

Commodity contracts totaling 4,776 thousand barrels of diesel fuel have been designated against forecasted purchases of the commodities for expected consumption at our mining operations. The contracts act as a hedge of the impact of variability in market prices on the cost of future commodity purchases over the next six years. Hedged items are identified as the first stated quantity in thousands of barrels of forecasted purchases in a future month. Prospective and retrospective hedge effectiveness is assessed using the hypothetical derivative method under FAS 133. For details of how we apply the hypothetical method refer to note 20C of our 2007 Year End Financial Statements.

*Copper*

The terms of a series of copper-linked notes resulted in an embedded fixed-price forward copper sales contract (for 324 million pounds) that met the definition of a derivative and must be separately accounted for. At March 31, 2008, embedded fixed-price forward copper sales contracts for 131 million pounds were outstanding after deliveries of copper totaling 193 million pounds. The resulting copper derivative has been designated against future copper cathode at the Zaldívar mine as a cash flow hedge of the variability in market prices of those future sales. Hedged items are identified as the first stated quantity of pounds of forecasted sales in a future month. Prospective hedge effectiveness is assessed on these hedges using a dollar offset method. For details of how we apply the dollar offset method refer to note 20C of our 2007 Year End Financial Statements.

During first quarter 2008 we added 338 million pounds of copper collar contracts which provide a floor price and a cap price for copper sales. 257 million pounds of the collars were designated against copper cathode sales at our Zaldívar mine and 66 million pounds are designated against copper concentrate sales at our Osborne mine. At March 31, 2008 we had 372 million pounds of copper collar contracts remaining at Zaldívar and 117 million pounds at Osborne.

For collars designated against copper cathode production, the hedged items are identified as the first stated quantity of pounds of forecasted sales in a future month. Prospective hedge effectiveness is assessed on these hedges using a dollar offset method. For details of how we apply the dollar offset method refer to note 20C of our 2007 Year End Financial Statements.

Concentrate sales at our Osborne mine contain both gold and copper, and as a result, are exposed to price changes of both commodities. Prospective hedge effectiveness is assessed using a regression method. For details of how we apply the regression method refer to note 20C of our 2007 Year End Financial Statements. During first quarter 2008, we recorded ineffectiveness of $5 million on these hedges. The ineffectiveness was caused by changes in the price of gold impacting the hypothetical derivative, but not the hedging derivative. Prospective effectiveness tests indicate that these hedges are expected to be highly effective in the future.

*Economic hedge Contracts*

*Diesel Fuel*

Economic hedge fuel contracts are used to mitigate the risk of oil price changes on fuel consumption at various mines. On completion of regression analysis, we concluded that contracts totaling 714 thousand barrels do not meet the highly effective criterion in FAS 133 due to currency and basis differences between derivative contract prices and the prices charged to the mines by oil suppliers. Although not qualifying as an accounting hedge, the contracts protect the Company to a significant extent from the effects of oil price changes. Changes in the fair value of economic hedge fuel contracts are recorded in current period cost of sales.

*Copper*

In first quarter 2007, we purchased and sold call options on 274 million pounds of copper over the next 2 1/2 years. These options, when combined with the aforementioned fixed-price forward copper sales contracts, economically lock in copper sales prices between $3.08/lb and $3.58/lb over a period of 2 1/2 years. At March 31, 2008, the notional amount of options outstanding had decreased to 131 million pounds due to expiry of options totaling 25 million pounds in first quarter 2008. These contracts do not meet the highly effective criterion for hedge accounting under FAS 133. We paid option premiums of $23 million at the inception of these contracts in first quarter 2007 that was included under investing activities in the cash flow statement in first quarter 2007. Changes in the fair value of these copper options are recorded in current period revenue.

We entered into a series of copper collar contracts for a notional 39 million pounds of copper that were not designated as hedges and were outstanding as of March 31, 2008.

**Economic Hedge Gains (Losses)**

| For the three months ended Mar.31 | 2008 | 2007 | Income statement classification |
|---|---|---|---|
| Commodity contracts | | | |
| Copper | **$ 12** | $ 10 | Revenue |
| Gold | **3** | (3) | Revenue |
| Fuel | **5** | 1 | Cost of sales |
| Currency contracts | **11** | (1) | Cost of sales/corporate administration/other income/expense |
| Interest rate contracts | **(3)** | 1 | Interest income/expense |
| | **28** | 8 | |
| Hedge ineffectiveness | **(4)** | | Various |
| | **$ 24** | $ 8 | |

**Cash Flow Hedge Gains (Losses) in OCI**

| | Commodity price hedges | | | | Currency hedges | | Interest rate hedges | | |
|---|---|---|---|---|---|---|---|---|---|
| | Gold | Copper | Diesel Fuel | Operating costs | Corporate Administration | Capital expenditures | Cash balances | Long-term debt | Total |
| At Dec.31, 2007 | $ 15 | $ 14 | $ 79 | $ 238 | $ 27 | $ (1) | $ | $ (17) | $ 355 |
| Effective portion of change in fair value of hedging instruments | | (269) | 51 | 116 | (11) | 1 | | | (112) |
| Transfers to earnings: | | | | | | | | | |
| On recording hedged items in earnings | (1) | 28 | (8) | (43) | (3) | 1 | | 1 | (25) |
| At Mar.31, 2008 | $ 14 | $ (227) | $ 122 | $ 311 | $ 13 | $ 1 | $ | $ (16) | $ 218 |

| Hedge gains/losses classified within | Gold sales | Copper sales | Cost of sales | Cost of sales | Corporate Administration | Amortization | Interest income | Interest expense | |
|---|---|---|---|---|---|---|---|---|---|
| Portion of hedge gain (loss) expected to affect earnings over the next 12 months[1] | $ 2 | $ (155) | $ 41 | $ 170 | $ 11 | $ | $ | $ (1) | $ 68 |

1 Based on the fair value of hedge contracts at March 31, 2008.

**16 > FAIR VALUE MEASUREMENTS**

In first quarter 2008, we adopted FAS 157 for financial assets and liabilities that are measured at fair value on a recurring basis. FAS 157 defines fair value, establishes a framework for measuring fair value under US GAAP, and requires expanded disclosures about fair value measurements. The primary assets and liabilities affected were available-for-sale securities and derivative instruments. The adoption of FAS 157 did not change the valuation techniques that we use to value these assets and liabilities. We have also begun to provide the fair value information that is required to be disclosed under FAS 107, Disclosures about Fair Value of Financial Instruments, for our normal gold and silver sales contracts in this note. We have elected to present information for derivative instruments on a net basis. Beginning in 2009, we will also apply FAS 157 to non-financial assets and liabilities that we periodically measure at fair value under US GAAP. The principal assets and liabilities that will be affected are impaired long-lived tangible assets, impaired intangible assets, goodwill and asset retirement obligations.

The fair value hierarchy established by FAS 157 establishes three levels to classify the inputs to valuation techniques used to measure fair value. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability(for example, interest rate and yield curves observable at commonly quoted intervals, forward pricing curves used to value currency and commodity contracts and volatility measurements used to value option contracts), or inputs that are derived principally from or corroborated by observable market data or other means. Level 3 inputs are unobservable (supported by little or no market activity). The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

**Fair Value Measurements at March 31, 2008**

| | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Aggregate Fair Value |
|---|---|---|---|---|
| Available-for-sale securities | $ 89 | $ | $ | $ 89 |
| Held-to-maturity securities | | | 7 | 7 |
| Derivative Instruments | | 244 | | 244 |
| | $ 89 | $ 244 | $ 7 | $ 340 |

**Fair Value Measurements Using Significant Unobservable Inputs (Level 3)**

| For the three months ended Mar.31 | Held-to-maturity securities |
|---|---|
| At January 1, 2008 | $ 46 |
| Total gains or losses (realized/ unrealized) | |
| Recorded in earnings[1] | (39) |
| Recorded in OCI | |
| Purchases, issuances and settlements | |
| At March 31, 2008 | $ 7 |

1 The total loss of $39 million included in earnings for the period is reported in Impairment Charges on the Consolidated Statement of Income.

**Valuation Techniques**

*Available-for-sale securities*

The fair value of available-for-sale securities is determined based on a market approach reflecting the closing price of each particular security at the balance sheet date. The closing price is a quoted market price obtained from the exchange that is the principal active market for the particular security, and therefore available-for-sale securities are classified within Level 1 of the fair value hierarchy established by FAS 157.

*Derivative Instruments*

The fair value of derivative instruments is determined using either present value techniques or option pricing models that utilize a variety of inputs that are a combination of quoted prices and market-corroborated inputs. The fair value of US dollar interest rate and currency swap contracts is determined by discounting contracted cash flows using a discount rate derived from observed LIBOR and swap rate curves for comparable assets and liabilities. In the case of currency contracts, we convert non-US dollar cash flows into US dollars using an exchange rate derived from currency swap curves for comparable assets and liabilities. The fair value of commodity forward contracts is determined by discounting contractual cash flows using a discount rate derived from observed LIBOR and swap rate curves. Contractual cash flows are calculated using a forward pricing curve derived from observed forward prices for each commodity. The fair value of commodity options is determined using option-pricing models that utilize a combination of inputs including quoted market prices and market corroborated inputs. Derivative instruments are classified within Level 2 of the fair value hierarchy.

*Held-to-maturity-investments*

The fair value of our held-to-maturity investments (ABCP) is determined by our assessment of the risks associated with the underlying investments. Our assessment allocated an estimated impairment percentage to the various underlying asset classes within the ABCP using unobservable inputs. The impairment value was applied sequentially to the various tranches within the ABCP, resulting in an estimated fair value for each investment class. This value was supported by an indicative value obtained from a third party, which was facilitated by the Pan-Canadian Investors Committee for Third-Party Structured Asset-Backed Commercial Paper.

The indicative value was released publicly on March 14, 2008 as part of the Report on Restructuring. The indicative value from this report is consistent with the fair value calculated by Barrick. ABCP is classified within Level 3 of the fair value hierarchy, because there is currently no active market for these securities.

*Normal gold and silver sales contracts*

The fair value of normal gold and silver sales contracts is calculated by discounting expected cash flows using discount rates based on gold and silver contango rate curves. Gold and silver contango rates are market observable inputs, and therefore our normal gold and silver sales contracts would be classified within Level 2 of the fair value hierarchy.

**17 > CAPITAL STOCK**

**Exchangeable Shares**

In connection with a 1998 acquisition, Barrick Gold Inc. ( BGI ), issued 11.1 million BGI exchangeable shares, which are each exchangeable for 0.53 of a Barrick common share at any time at the option of the holder, and have essentially the same voting, dividend (payable in Canadian dollars), and other rights as 0.53 of a Barrick common share. BGI is a subsidiary that holds our interest in the Hemlo and Eskay Creek Mines.

At March 31, 2008, 1.3 million BGI exchangeable shares were outstanding, which are equivalent to 0.7 million Barrick common shares (2007 0.7 million common shares), and are reflected in the number of common shares outstanding. We have the right to require the exchange of each outstanding BGI exchangeable share for 0.53 of a Barrick common share. While there are exchangeable shares outstanding, we are required to present summary consolidated financial information relating to BGI.

**Summarized Financial Information for BGI**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Total revenues and other income | **$ 46** | $ 43 |
| Less: costs and expenses | **(51)** | (47) |
| Loss before taxes | **$ (5)** | $ (4) |
| Net Loss | **$ (5)** | $ (3) |

| | At Mar.31 2008 | At Dec.31 2007 |
|---|---|---|
| Assets | | |
| Current assets | **$ 135** | $ 123 |
| Non-current assets | **46** | 47 |
| | **$ 181** | $ 170 |
| Liabilities and shareholders equity | | |
| Liabilities | | |
| Other current liabilities | **29** | 22 |
| Intercompany notes payable | **368** | 409 |
| Other long-term liabilities | **109** | 109 |
| Shareholders equity | **(325)** | (370) |
| | **$ 181** | $ 170 |

**18 > OTHER COMPREHENSIVE INCOME (LOSS) ( OCI )**

| For the three months ended Mar.31 | 2008 | 2007 |
|---|---|---|
| Accumulated OCI at Jan.1 | | |
| Cash flow hedge gains, net of tax of $105, $60 | **$ 250** | $ 223 |
| Investments, net of tax of $4, $7 | **37** | 46 |
| Currency translation adjustments, net of tax of $nil, $nil | **(143)** | (143) |
| Pension plans and other post-retirement benefits, net of tax of $2, $4 | **7** | (7) |
| | **$ 151** | $ 119 |
| Other comprehensive income (loss) for the period: | | |
| Changes in fair value of cash flow hedges | **(112)** | 24 |
| Changes in fair value of investments | **(18)** | 36 |
| Less: reclassification adjustments for gains/losses recorded in earnings: | | |
| Transfers of cash flow hedge gains to earnings: | | |
| On recording hedged items in earnings | **(25)** | (43) |
| Investments: | | |
| Gains realized on sale | **(1)** | 2 |
| Other comprehensive income, before tax | **(156)** | 19 |
| Income tax expense related to OCI | **22** | (12) |
| Other comprehensive income, net of tax | **$ (134)** | $ 7 |

| | | |
|---|---|---|
| Accumulated OCI at Mar.31 | | |
| Cash flow hedge gains, net of tax of $84, $66 | **134** | 198 |
| Investments, net of tax of $3, $13 | **19** | 78 |
| Currency translation adjustments, net of tax of $nil, $nil | **(143)** | (143) |
| Pension plans and other post-retirement benefits, net of tax of $2, $4 | **7** | (7) |
| | **$ 17** | $ 126 |

**19 > STOCK-BASED COMPENSATION**

**Employee Share Purchase Plan**

On April 1, 2008, Barrick launched an Employee Share Purchase Plan. This plan enables Barrick employees to purchase Company shares through payroll deduction. Each year, employees may contribute 1%-6% of their combined base salary and annual bonus, and Barrick will match 50% of the contribution, up to a maximum of $5,000 per year.

**20 > LITIGATION AND CLAIMS**

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Company but which will only be resolved when one or more future events occur or fail to occur. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, the Company and its legal counsel evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought.

If the assessment of a contingency suggests that a loss is probable, and the amount can be reliably estimated, then a loss is recorded. When a contingent loss is not probable but is reasonably possible, or is probable but the amount of loss cannot be reliably estimated, then details of the contingent loss are disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case we disclose the nature of the guarantee. Legal fees incurred in connection with pending legal proceedings are expensed as incurred.

**Wagner Complaint**

On June 12, 2003, a complaint was filed against Barrick and several of its current or former officers in the U.S. District Court for the Southern District of New York. The complaint is on behalf of Barrick shareholders who purchased Barrick shares between February 14, 2002 and September 26, 2002. It alleges that Barrick and the individual defendants violated U.S. securities laws by making false and misleading statements concerning Barrick s projected operating results and earnings in 2002. The complaint seeks an unspecified amount of damages. Other parties filed several other complaints, making the same basic allegations against the same defendants. In September 2003, the cases were consolidated into a single action in the Southern District of New York. The plaintiffs filed a Third Amended Complaint on January 6, 2005. On May 23, 2005, Barrick filed a motion to dismiss part of the Third Amended Complaint. On January 31, 2006, the Court issued an order granting in part and denying in part Barrick s motion to dismiss. Both parties moved for reconsideration of a portion of the Court s January 31, 2006 Order. On December 12, 2006, the Court issued its order denying both parties motions for reconsideration. On February 15, 2008, the Court issued an order granting the plaintiffs motion for class certification. Discovery is ongoing. We intend to defend the action vigorously. No amounts have been accrued for any potential loss under this complaint.

**Marinduque Complaint**

Placer Dome has been named the sole defendant in a Complaint filed on October 4, 2005, by the Provincial Government of Marinduque, an island province of the Philippines ( Province ), with the District Court in Clark County, Nevada. The action was removed to the Nevada Federal District Court on motion of Placer Dome. The Complaint asserts that Placer Dome is responsible for alleged environmental degradation with consequent economic damages and impacts to the environment in the vicinity of the Marcopper mine that was owned and operated by Marcopper Mining Corporation ( Marcopper ). Placer Dome indirectly owned a minority shareholding of 39.9% in Marcopper until the divestiture of its shareholding in 1997. The Province seeks to recover damages for injuries to the natural, ecological and wildlife resources within its territory , but does not seek to recover damages for individual injuries sustained by its citizens either to their persons or their property . In addition to damages for injury to natural resources, the Province seeks compensation for the costs of restoring the environment, an order directing Placer Dome to undertake and complete the remediation, environmental cleanup, and balancing of the ecology of the affected areas, and payment of the costs of environmental monitoring. The Complaint addresses the discharge of mine tailings into Calancan Bay, the 1993 Maguila-guila dam breach, the 1996 Boac river tailings spill, and alleged past and continuing damage from acid rock drainage.

At the time of the amalgamation of Placer Dome and Barrick Gold Corporation, a variety of motions were pending before the District Court, including motions to dismiss the action for lack of personal jurisdiction and for *forum non conveniens* (improper choice of forum). On June 29, 2006, the Province filed a Motion to join Barrick Gold Corporation as an additional named Defendant and for leave to file a Third Amended Complaint which the Court granted on March 2, 2007. On March 6, 2007, the Court issued an order setting a briefing schedule on the Company s motion to dismiss on grounds of forum non conveniens. On June 7, 2007, the Court issued an order granting the Company s motion to dismiss. On June 25, 2007, the Province filed a motion requesting the Court to reconsider its Order dismissing the action. On January 16, 2008, the district court issued an order denying the Province s motion for reconsideration. Following the district court s order, the Province filed Notice of Appeal to U.S. Court of Appeals for the Ninth Circuit. On March 19, 2008, the Court of Appeals issued a schedule for briefing of the appeal. We will challenge the claims of the Province on various grounds and otherwise vigorously defend the action. No amounts have been accrued for any potential loss under this complaint.

**Calancan Bay (Philippines) Complaint**

On July 23, 2004, a complaint was filed against Marcopper and Placer Dome Inc. ( PDI ) in the Regional Trial Court of Boac, on the Philippine island of Marinduque, on behalf of a putative class of fishermen who reside in the communities around Calancan Bay, in northern Marinduque. The complaint alleges injuries to health and economic damages to the local fisheries resulting from the disposal of mine tailings from the Marcopper mine. The total amount of damages claimed is approximately US$900 million.

On October 16, 2006, the court granted the plaintiffs application for indigent status, allowing the case to proceed without payment of filing fees. On January 17, 2007, the Court issued a summons to Marcopper and PDI. On March 25, 2008, an attempt was made to serve PDI by serving the summons and complaint on Placer Dome Technical Services (Philippines) Inc. ( PDTS ). PDTS has returned the summons and complaint with a manifestation stating that PDTS is not an agent of PDI for any purpose and is not authorized to accept service or to take any other action on behalf of PDI. On April 3, 2008, PDI made a special appearance by counsel to move to dismiss the complaint for lack of personal jurisdiction and on other grounds.

The Company intends to defend the action vigorously. No amounts have been accrued for any potential loss under this complaint.

**Pakistani Constitutional Litigation**

On November 28, 2006, a Constitutional Petition was filed in the High Court of Balochistan by three Pakistan citizens against: Barrick, the governments of Balochistan and Pakistan, the Balochistan Development Authority ( BDA ), Tethyan Copper Company ( TCC ), Antofagasta Plc ( Antofagasta ), Muslim Lakhani and BHP (Pakistan) Pvt Limited ( BHP ).

The Petition alleged, among other things, that the entry by the BDA into the 1993 Joint Venture Agreement ( JVA ) with BHP to facilitate the exploration of the Reko Diq area and the grant of related exploration licenses were illegal and that the subsequent transfer of the interests of BHP in the JVA and the licenses to TCC was also illegal and should therefore be set aside. Barrick currently indirectly holds 50% of the shares of TCC, with Antofagasta indirectly holding the other 50%.

On June 26, 2007, the High Court of Balochistan dismissed the Petition against Barrick and the other respondents in its entirety. On August 23, 2007, the petitioners filed a Civil Petition for Leave to Appeal in the

Supreme Court of Pakistan. The Supreme Court of Pakistan has not yet considered the Civil Petition for Leave to Appeal. Barrick intends to defend this action vigorously. No amounts have been accrued for any potential loss under this complaint.

**21 > FINANCE SUBSIDIARIES**

On May 9, 2008, we incorporated two wholly-owned finance subsidiaries, Barrick North America Finance LLC and Barrick Gold Financeco LLC, the sole purpose of which is to issue debt securities. On May 30, 2008, we filed a preliminary short form base shelf prospectus and registration statement in respect of the future offer and issuance of debt securities up to an aggregate principal amount of $2 billion by Barrick and the finance subsidiaries. Barrick will fully and unconditionally guarantee any debt securities issued by the finance subsidiaries.

**FORM F-9**

**PART II**

**INFORMATION NOT REQUIRED TO BE DELIVERED TO**

**OFFEREES OR PURCHASERS**

**Indemnification**

Under the *Business Corporations Act* (Ontario) (the OBCA ), Barrick Gold Corporation (the Form F-9 Registrant or the Corporation ) may indemnify a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation s request as a director or officer, or an individual acting in a similar capacity, of another entity:

(a) against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of the association with the Corporation or other entity; and

(b) with court approval, against all costs, charges and expenses reasonably incurred by the individual in connection with an action by or on behalf of the Corporation or another entity to obtain a judgment in its favor, to which the individual is made a party because of the individual s association with the Corporation or other entity;

*provided that*, (i) in each case, such individual acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation s request, and (ii) in the case of (a) above, if the matter is a criminal or administrative action or proceeding that is enforced by a monetary penalty, such individual had reasonable grounds for believing that the individual s conduct was lawful.

In addition, the Corporation may advance money to a director, officer or other individual for the costs, charges and expenses of a proceeding referred to in (a) above but the individual is required to repay the money to the Corporation if the individual did not act honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation s request.

Notwithstanding the foregoing, a director or officer of the Corporation, a former director or officer of the Corporation or another individual who acts or acted at the Corporation s request as a director or officer, or an individual acting in a similar capacity, of another entity is entitled to be indemnified by the Corporation against all costs, charges and expenses reasonably incurred by the individual in connection with the defence of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of the individual s association with the Corporation or other entity if the individual seeking the indemnity (i) was not judged by a court or other competent authority to have committed any fault or omitted to do anything that the individual ought to have done, and (ii) acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation s request, and (iii) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, had reasonable grounds for believing that the individual s conduct was lawful.

Subject to the limitations contained in the OBCA, the by-law of the Corporation provides that the Corporation shall indemnify a director or officer of the Corporation, a former director or officer of the Corporation or an individual who acts or acted at the Corporation s request as a director or officer, or individual acting in a similar capacity, of another entity against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by the individual in respect of any civil, criminal, administrative, investigative or other proceeding in which the individual is involved because of that association with the

Corporation or other entity if the individual acted honestly and in good faith with a view to the best interests of the Corporation or, as the case may be, to the best interests of the other entity for which the individual acted as a director or officer or in a similar capacity at the Corporation s request.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Form F-9 Registrant pursuant to the foregoing provisions, the Form F-9 Registrant has been informed that in the opinion of the U.S. Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is therefore unenforceable.

**EXHIBITS TO FORM F-9**

The exhibits to this registration statement are listed in the exhibit index, which appears elsewhere herein.

**FORM F-9**

**PART III**

**UNDERTAKING AND CONSENT TO SERVICE OF PROCESS**

**Item 1.** ***Undertaking.***

The Form F-9 Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to the securities registered pursuant to this Form F-9 or to transactions in said securities.

**Item 2.** ***Consent to Service of Process.***

Concurrently with the filing of this Registration Statement on May 30, 2008, the Form F-9 Registrant filed with the Commission a written irrevocable consent and power of attorney on Form F-X.

Any change to the name or address of the agent for service of the Form F-9 Registrant shall be communicated promptly to the Commission by amendment to the applicable Form F-X referencing the file number of the relevant registration statement.

**FORM F-9**

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the Form F-9 Registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-9 and that it has reasonable grounds to believe that the Debt Securities will be rated investment grade by the time of sale of such Debt Securities pursuant to this registration statement, and has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Toronto, Province of Ontario, Canada, on this 12th day of June, 2008.

BARRICK GOLD CORPORATION

(the Form F-9 Registrant)

| | |
|---|---|
| By: | /s/ Sybil E. Veenman |
| Name: | Sybil E. Veenman |
| Title: | Vice President, Assistant General Counsel and Secretary |

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Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title with Form F-9 Registrant | Date |
|---|---|---|
| * <br> Peter Munk | Chairman and Director, Acting Chief Executive Officer (Principal Executive Officer) | June 12, 2008 |
| * <br> Jamie C. Sokalsky | Executive Vice President and Chief Financial Officer (Principal Financial Officer) | June 12, 2008 |
| * <br> Richard Ball | Vice President and Controller (Principal Accounting Officer) | June 12, 2008 |
| * <br> C. William D. Birchall | Vice Chairman and Director | June 12, 2008 |
| * <br> Howard L. Beck | Director | June 12, 2008 |
| * <br> Donald J. Carty | Director | June 12, 2008 |
| * <br> Gustavo Cisneros | Director | June 12, 2008 |
| * <br> Marshall A. Cohen | Director | June 12, 2008 |
| * <br> Peter A. Crossgrove | Director | June 12, 2008 |

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| | | |
|---|---|---|
| * Robert M. Franklin | Director | June 12, 2008 |
| * Peter C. Godsoe | Director | June 12, 2008 |
| * J. Brett Harvey | Director | June 12, 2008 |
| * The Right Honourable Brian Mulroney | Director | June 12, 2008 |
| * Anthony Munk | Director | June 12, 2008 |
| * Steven J. Shapiro | Director | June 12, 2008 |
| * Gregory C. Wilkins | Director | June 12, 2008 |

*By: /s/ Sybil E. Veenman
Sybil E. Veenman

*Attorney-in-fact*

F-9, III-4

**AUTHORIZED REPRESENTATIVE**

Pursuant to the requirements of Section 6(a) of the Securities Act of 1933, the undersigned has signed this Amendment No. 1 to the registration statement, solely in the capacity of the duly authorized representative of Barrick Gold Corporation in the United States, in the City of Toronto, Province of Ontario, Canada on this 12th day of June, 2008.

BARRICK GOLDSTRIKE MINES INC.

| | |
|---|---|
| By: | /s/ Sybil E. Veenman |
| Name: | Sybil E. Veenman |
| Title: | Secretary |

F-9, III-5

**FORM F-3**

**PART II**

**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 8. Indemnification of Directors and Officers**

Pursuant to the limited liability company agreement of each of Barrick North America Finance LLC and Barrick Gold Financeco LLC (collectively, the Form F-3 Registrants and each, a Form F-3 Registrant ), each Form F-3 Registrant shall indemnify a member manager, director, officer, employee or agent of the Form F-3 Registrant and certain other persons serving at the request of the Form F-3 Registrant in related capacities against amounts paid and expenses incurred in connection with an action or proceeding to which he or she is, or is threatened to be made, a party by reason of such position, if such person shall have acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Form F-3 Registrant, and, in any criminal proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful; provided that, in the case of actions brought by or in the right of the Form F-3 Registrant, no indemnification shall be made with respect to any matter as to which such person shall have been adjudged to be liable to the Form F-3 Registrant unless and only to the extent that the adjudicating court determines that such indemnification is proper under the circumstances.

The directors and officers of the Form F-3 Registrants are insured under policies maintained by the Form F-9 Registrant, within the limits and subject to the limitations of the policies, against certain liabilities incurred by them in their capacities as such, including, among other things, certain liabilities under the Securities Act of 1933.

**Item 9. Exhibits**

The exhibits to this registration statement are listed in the exhibit index, which appears elsewhere herein.

**Item 10. Undertakings**

Each of the undersigned Form F-3 Registrants hereby undertakes:

(a)(1) To file, during any period in which offers or sales of the registered securities are being made, a post-effective amendment to this Registration Statement:

(i) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(ii) to reflect in the prospectus any facts or events arising after the effective date of the Registration Statement (or the most recent post-effective amendment thereof) that, individually or in the aggregate, represent a fundamental change in the information set forth in the Registration Statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 percent change in the maximum aggregate offering price set forth in the Calculation of Registration Fee table in the effective Registration Statement; and

(iii) to include any material information with respect to the plan of distribution not previously disclosed in the Registration Statement or any material change to such information in the Registration Statement;

*Provided, however*, that:

Paragraphs (a)(1)(i), (a)(1)(ii) and (a)(1)(iii) of this section do not apply if the information required to be included in a post-effective amendment by those paragraphs is contained in reports filed with or furnished to the Commission by the Form F-3 Registrant or the Form F-9 Registrant pursuant to Section 13 or 15(d) of the Exchange Act that are incorporated by reference in the Registration Statement or is contained in a form of prospectus filed pursuant to Rule 424(b) that is part of the Registration Statement.

(2) That, for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability under the Securities Act of 1933 to any purchaser:

(A) Each prospectus filed by the Form F-3 Registrant pursuant to Rule 424(b)(3) shall be deemed to be part of the Registration Statement as of the date the filed prospectus was deemed part of and included in the Registration Statement; and

(B) Each prospectus required to be filed pursuant to Rule 424(b)(2), (b)(5), or (b)(7) as part of a registration statement in reliance on Rule 430B relating to an offering made pursuant to Rule 415(a)(1)(i), (vii), or (x) for the purpose of providing the information required by section 10(a) of the Securities Act of 1933 shall be deemed to be part of and included in the Registration Statement as of the earlier of the date such form of prospectus is first used after effectiveness or the date of the first contract of sale of securities in the offering described in the prospectus. As provided in Rule 430B, for liability purposes of the issuer and any person that is at that date an underwriter, such date shall be deemed to be a new effective date of the Registration Statement relating to the securities in the Registration Statement to which that prospectus relates, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof. *Provided*, *however*, that no statement made in a registration statement or prospectus that is part of the Registration Statement or made in a document incorporated or deemed incorporated by reference into the Registration Statement or prospectus that is part of the Registration Statement will, as to a purchaser with a time of contract of sale prior to such effective date, supersede or modify any statement that was made in the Registration Statement or prospectus that was part of the Registration Statement or made in any such document immediately prior to such effective date; or

(5) That, for the purpose of determining liability of the Form F-3 Registrant under the Securities Act of 1933 to any purchaser in the initial distribution of the securities, in a primary offering of securities of the Form F-3 Registrant pursuant to this Registration Statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the Form F-3 Registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the Form F-3 Registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the Form F-3 Registrant or used or referred to by the Form F-3 Registrant:

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the Form F-3 Registrant or its securities provided by or on behalf of the Form F-3 Registrant; and

(iv) Any other communication that is an offer in the offering made by the Form F-3 Registrant to the purchaser.

(b) That, for purposes of determining any liability under the Securities Act of 1933, each filing of the Form F-3 Registrant s or the Form F-9 Registrant s annual report pursuant to Section 13(a) or Section 15(d) of the Exchange Act that is incorporated by reference in the Registration Statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of a Form F-3 Registrant pursuant to the foregoing provisions set forth in Item 8 above, or otherwise, such Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by such Registrant of expenses incurred or paid by a director, officer or controlling person of such Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, such Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

**Form F-3**

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, each of the Form F-3 Registrants certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on this Form F-3 and that it has reasonable grounds to believe that the Debt Securities will be rated investment grade by the time of sale of such Debt Securities pursuant to this registration statement, and has duly caused this Amendment No. 1 to the registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Toronto, Province of Ontario, Canada, on this 12th day of June, 2008.

BARRICK NORTH AMERICA FINANCE LLC
(Form F-3 Registrant)

By: /s/ Gregory A. Lang
Name: Gregory A. Lang
Title: Chief Executive Officer, President and Director

BARRICK GOLD FINANCECO LLC
(Form F-3 Registrant)

By: /s/ Gregory A. Lang
Name: Gregory A. Lang
Title: Chief Executive Officer, President and Director

F-3, II-4

**SIGNATURES WITH RESPECT TO BARRICK NORTH AMERICA FINANCE LLC**

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities and on the dates indicated.

| Signature | Title with Form F-3 Registrant | Date |
|---|---|---|
| * <br> Gregory Anthony Lang | Chief Executive Officer, President and Director (Principal Executive Officer) | June 12, 2008 |
| * <br> Blake Lawrence Measom | Chief Financial Officer and Director (Principal Financial and Accounting Officer) | June 12, 2008 |
| * <br> Paul Judd | Director | June 12, 2008 |
| * <br> Jamie Calvin Sokalsky | Director | June 12, 2008 |

*By: /s/ Sybil E. Veenman
Sybil E. Veenman

*Attorney-in-fact*

F-3, II-5

**SIGNATURES WITH RESPECT TO BARRICK GOLD FINANCECO LLC**

Pursuant to the requirements of the Securities Act, this Amendment No. 1 to the registration statement has been signed by the following persons in the capacities indicated.

| Signature | Title with Form F-3 Registrant | Date |
|---|---|---|
| * Gregory Anthony Lang | Chief Executive Officer, President and Director (Principal Executive Officer) | June 12, 2008 |
| * Blake Lawrence Measom | Chief Financial Officer and Director (Principal Financial and Accounting Officer) | June 12, 2008 |
| * Paul Judd | Director | June 12, 2008 |
| * Jamie Calvin Sokalsky | Director | June 12, 2008 |

*By: /s/ Sybil E. Veenman
Sybil E. Veenman

*Attorney-in-fact*

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## INDEX TO EXHIBITS

**Exhibits to Form F-9**

| **Exhibit No.** | |
|---|---|
| 4.1 | The annual information form of Barrick Gold Corporation dated March 27, 2008 for the year ended December 31, 2007 (incorporated by reference to Exhibit 99.1 to Barrick Gold Corporation s Form 40-F, (Commission File No. 1-9059) filed with the Commission on March 28, 2008 (the Form 40-F )). |
| 4.2 | The comparative audited consolidated financial statements of Barrick Gold Corporation and the notes thereto for the year ended December 31, 2007 prepared in accordance with U.S. GAAP, together with the report of the auditors thereon (incorporated by reference to Exhibit 99.3 to Barrick Gold Corporation s Form 40-F (Commission File No. 1-9059) filed with the Commission on March 28, 2008) and Management s Discussion and Analysis for the year ended December 31, 2007 (incorporated by reference to Exhibit 99.4 to Barrick Gold Corporation s Form 40-F (Commission File No. 1-9059) filed with the Commission on March 28, 2008), found on pages 25 through 76 of Barrick Gold Corporation s 2007 annual report. |
| 4.3 | The comparative unaudited interim consolidated financial statements of Barrick Gold Corporation and the notes thereto for the three months ended March 31, 2008 prepared in accordance with U.S. GAAP, together with Management s Discussion and Analysis of financial and operating results for the three months ended March 31, 2008 (incorporated by reference to Exhibit 99.1 to Barrick Gold Corporation s Form 6-K (Commission File No. 1-9059) furnished to the Commission on May 9, 2008), found on pages 8 through 28 of Barrick Gold Corporation s first quarter report. |
| 4.4 | The management information circular of Barrick Gold Corporation dated March 27, 2008 prepared for the annual and special meeting of Barrick Gold Corporation s shareholders held on May 6, 2008, other than the sections entitled Report on Executive Compensation and Performance Graph (incorporated by reference to Exhibit 99.1 to Barrick Gold Corporation s Form 6-K (Commission File No. 1-9059), excluding such sections, furnished to the Commission on April 8, 2008). |
| 4.5 | The material change report of Barrick Gold Corporation dated March 3, 2008 regarding Barrick Gold Corporation s agreement with Kennecott Explorations (Australia) Ltd., a subsidiary of Rio Tinto PLC, to purchase its 40% interest in the Cortez Joint Venture in Nevada (incorporated by reference to Exhibit 99.1 to Barrick Gold Corporation s Form 6-K (Commission File No. 1-9059) furnished to the Commission on March 4, 2008). |
| 4.6 | The material change report of Barrick Gold Corporation dated April 2, 2008 regarding Barrick Gold Corporation s Chief Executive Officer taking a leave of absence (incorporated by reference to Exhibit 99.1 to Barrick Gold Corporation s Form 6-K (Commission File No. 1-9059) furnished to the Commission on April 2, 2008). |
| 5.1** | Consent of PricewaterhouseCoopers LLP. |
| 5.2* | Consent of Davies Ward Phillips & Vineberg LLP. |
| 6.1* | Powers of Attorney. |
| 7.1* | Form of Indenture. |
| 7.2* | Statement of Eligibility of the Trustee on Form T-1. |

* Previously filed.
** Filed herewith.

**Exhibits to Form F-3**

| **Exhibit No.** | |
|---|---|
| 1.1± | Form of Underwriting Agreement. |
| 4.1 | Form of Indenture (included as Exhibit 7.1 of Exhibits to Form F-9). |
| 4.2 | Form of Security (included as Exhibit A to Exhibit 4.1). |
| 5.3* | Opinion of Shearman & Sterling LLP. |
| 23.1 | Consent of Shearman & Sterling LLP (included in Exhibit 5.3). |
| 23.2 | Consent of PricewaterhouseCoopers LLP (included as Exhibit 5.1 of Exhibits to Form F-9). |
| 23.3 | Consent of Davies Ward Phillips & Vineberg LLP (included as Exhibit 5.2 of Exhibits to Form F-9). |
| 24.1* | Powers of Attorney. |
| 25.1* | Form T-1 Statement of Eligibility of Trustee. |
| 25.2* | Form T-1 Statement of Eligibility of Trustee. |

± To be filed as an exhibit to a report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.
* Previously filed.