The article in question, "A Golden Opportunity," is basically an advocacy piece by a hired Tanzanian anti-mining activist which encourages the Government of Tanzania to extract much higher taxes, rents, and royalties from Tanzania's nascent gold mining industry irrespective of its impact on that industry, or the benefits that flow from it. It's not clear to us why it would be posted on a human rights website. While mining fiscal policy is certainly a fair issue for public debate in Tanzania it is hard to see how Tanzania's very conventional existing mineral investment laws, including its current mining tax regime, constitute a violation of human rights. Nevertheless, in accordance with your invitation, Barrick will respond briefly to the posted article:

The first premise of the article – that *"Tanzania is being plundered of its natural resources and wealth"* by multinational companies - is nonsense. Tanzania has a new and, by global standards, a relatively small commercial gold mining industry. It has no other commercial mining industry of scale. While Tanzania's fledgling commercial gold mining industry has generated jobs, taxes, royalties, training, health care, education, technology transfer, foreign exchange and a variety of other benefits on a level unprecedented in Tanzania, it has yet to generate virtually any profit for the companies involved when one takes into account the more than two-and-one-half billion dollars in capital that such companies have invested in the country in the last decade. Suffice it to say, that hardly equates to "plundering" the mineral wealth of Tanzania. The authors assert that Tanzania has suffered substantial "losses" over the short (i.e., ~10-year) history of Tanzania's commercial gold mining industry because the Tanzanian Government declined to impose on that industry abnormally high royalty rates or a dizzying array of other taxes favored by the authors. The authors simply ignore the fact that until the Tanzanian Government established a <u>competitive</u> investment and tax regime comparable to other successful mining jurisdictions there was <u>no</u> commercial gold mining industry in Tanzania**. The Tanzanian Government's investment and tax policies helped create a significant commercial gold mining industry where one did not otherwise exist**. The Government's policies, in turn, attracted approximately two-and-one-half billion dollars in new investment in Tanzania. The industry currently represents almost half of Tanzania's export earnings.

The second premise of the article – that "Tanzania … "*is sitting on a fortune of up to US$39 billion"* - is equally ludicrous. The authors' repeated references to a "fortune" of "$39 billion" ("*If ordinary Tanzanians are to start benefiting from this potential fortune, radical changes [in tax policy] are needed."*) has absolutely no apparent purpose other than to mislead the reader and create unwarranted expectations among those unfamiliar with the economics of mining. If the authors are going to publish articles on fiscal policy issues they might reasonably be expected to understand and acknowledge that the 45 million ounces of gold referenced as the basis for their calculation of a $39 billion "fortune" still reside <u>in the ground</u>. Mineralized rock in the ground has value only if, and to the extent, it can be <u>profitably</u> located, developed, extracted, processed and sold**. So far, based on the evidence that is available to the investors in the Tanzanian gold industry and Tanzanian Government policy makers, it is not at all clear whether the large gold deposits in remote parts of Tanzania can be extracted, processed and**

marketed at a profit on a sustained basis. The relatively few companies mining gold on a commercial scale in Tanzania - at the relatively few commercially-developable gold deposits identified to date in Tanzania - are not exactly prospering. Contrary to the assumptions of the authors, even the recent increase in the worldwide price of gold has not resulted in significant profits, as operating and capital costs of development and mining in Tanzania, and other costs specific to Tanzania (e.g., skills training, infrastructure development, health care, security, etc.), have all increased in step with the price of gold.

The authors simply disregard the fact that the companies in Tanzania's gold industry have had to invest more than two and one-half billion dollars into both the exploration for the deposits that host those 45 million ounces, as well as the development of the necessary mining and processing facilities necessary to extract that gold – all in hopes of <u>eventually</u> earning a profit from such production. The 45 million ounces of gold contained in rock <u>in the ground</u> had utterly no value until someone invested in its discovery and delineation, nor does it have any value now if it cannot be <u>profitably</u> extracted – <u>none</u>. It is not a "fortune" unless you can make a fortune developing and mining it. So far that has not been the experience of the companies - like Barrick - that have tried. If the tax and investment laws of Tanzania are changed to impose additional economic burdens that make further investment in the industry <u>uneconomic</u> the authors can be certain of one thing – they will not see any further investment – no new exploration, no new investors, no new discoveries, no new mines, no new associated infrastructure, no new production, no royalties, and no taxes.

In a similar vein, the authors appear to be largely unaware of - or unhinged from - the global economic picture. An unfortunate reality as we approach the end of 2008 – again ignored by the authors – is that in today's economy there is little or no capital available to most mining companies to invest in new mineral exploration or development, particularly in developing countries. Not from the banks. Not from the stock markets. In the last four months alone scores of mining projects all over the world have been cancelled or delayed, or mines closed, in view of low global mineral prices, the scarcity of credit and the global economy generally. *See e.g.*, "Mines and Plans Hurt by Low Prices, High Costs." Reuters, October 29, 2008 (listing more than 60 such projects). *See also* "Giant Mines Scramble to Cut Output," The Wall Street Journal, November 17, 2008. **The authors' proposed changes in law to make the Tanzanian investment climate vastly less attractive for new investment couldn't possibly be any more insensitive to global economic reality.** Such changes would only aggravate an already desperate economic picture for new investment in the sector and cast an even larger cloud over the long-term future of the gold mining industry in Tanzania.

The third premise of the article is that Tanzania's current tax and investment laws are somehow out of step with, and collectively more generous than, other gold producing countries. The authors either do not know what they are talking about or are intentionally misrepresenting the current situation globally – perhaps both. **Those countries around the world with a healthy gold mining industry routinely provide the same sort of investment incentives presently found in Tanzania.** Indeed, Tanzania's royalty rate for gold is already higher than those imposed by the Governments of Australia, Canada, the United States, South Africa and China, the five largest gold producing nations in the world. The 15% compounding capital allowance that is of such great concern to the authors was repealed seven years ago.

The authors' state that "*African governments must together push to increase royalties and other taxes*" so that they will not be "*… victims of the 'international competitiveness' argument.*" The authors may think that "international competitiveness" is irrelevant. It is not. The economy is a global economy and Tanzania does not exist in isolation. And, experience has taught us that Tanzania is not an easy place to establish large billion dollar-plus capital- and technology-intensive industrial operations. Under <u>existing</u> law, based on the results of the last decade, the long-term success of Tanzania's efforts to establish a commercial gold industry which will continue to generate capital investment, jobs, royalties, taxes and export earnings on a sustainable basis, is unclear at best.

"A Golden Opportunity" is a paid advocacy piece written largely by a Tanzanian lawyer who has made a career out of similar attacks on virtually very aspect of the modern Tanzanian commercial gold mining industry (and associated policies of the Government of Tanzania) since the industry's inception a decade or so ago. The article – ostensibly a study of the economics of mining investment in Tanzania - is nicely presented. It is replete with fancy photography and lots of footnotes calculated to give the impression that it is an objective - even scholarly - economic analysis based on factual information. But, in substance, it is simply more anti-mining, anti-globalization political advocacy – political advocacy which totally fails to acknowledge either the state of the global economy or the fact that the existing commercial gold mining industry in Tanzania is already very challenged.

The author is consistent if nothing else – he clearly wants foreign investment out of Tanzania. Barrick absolutely respects the right of the author to engage in such advocacy, but, as explained above, the article should not be confused with a serious examination of the important fiscal and investment issues it purports to address. Nor should it be presented as a Tanzanian "human rights" issue. The Government of Tanzania has been diligent in addressing the fiscal issues associated with mining, through the Presidential Review Commission and otherwise. The Government can, and we believe should, be able to provide a stable commercial environment that is sufficient to encourage the development of the country's economy and natural resources without being accused of human rights violations.