BARRICK

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A New Champion for Long-Term Value Creation

John L. Thornton
Executive Chairman
Barrick

Good morning everyone and thank you for joining us. Today we announce an important step in taking Barrick back to the future as we combine with Randgold to create an industry-leading gold company through the recommended all-share merger of our two companies. Barrick and Randgold are cut from a single cloth. Mark has said Randgold was modelled on Barrick as it existed in its early years under the leadership of Peter Munk and Bob Smith, the very culture we at Barrick have spent the past four-and-a-half years working to recover. It is no accident then that I believe our two companies now think and act in the same way.

We share a deep commitment to a partnership culture, both within our companies and in our relationships with our external partners. We both employ a decentralized business model, a small, high-quality corporate office, focused on a disciplined allocation of human and financial capital. We are both obsessed with talent and relentless in pursuit of operational excellence. We are both committed to financial prudence, particularly in maintaining a strong balance sheet.

Perhaps most important, we are of one mind about the true source of shareholder value in the gold industry—per share returns over the long term as measured by growth in free cash flow per share.

While we share the same culture, we also combine different strengths that are perfectly complementary. Randgold has the agility and swift-footedness of a younger and smaller company, much like Barrick in its early years, while Barrick has the infrastructure and global reach of a large, public company.

Most important is this: Randgold has a proven ability to operate successfully in some of the most challenging environments in the world, while Barrick has been building relationships of depth and trust with China, which we believe offers financial and political risk mitigation.

In a world of declining gold reserves, the combination of these two strengths is a competitive advantage. There will be several other distinct advantages. The combined company will have five of the world's top-10 Tier One gold assets by total cash cost. We will have the lowest total cash cost position among the senior gold peers, and we have the potential to add to these Tier One assets with extensive land positions in many of the world's most prolific gold districts. Finally, we will be able to redeploy top talent across both organizations to create new value immediately in our most important regions.

At Barrick, our merger with Randgold fulfils our vision of becoming one of the leading companies in any industry or region. Today we graduate from taking Barrick back to the future, and together with Randgold, we begin to sprint into the twenty-first century.

I will now hand it over to Mark to go through the presentation, after which we will both take your questions.

Mark Bristow
Chief Executive Officer
Randgold

Thank you, John, and good morning everyone. I'll agree with John that today we create a new champion for value creation in the gold industry. It was quickly apparent to me back in 2015, when we had our first conversation, that we had similar visions for the industry's future. In the years since, John and his team have significantly restructured the Barrick balance sheet and reduced debt by several million. In the recent months, we realized the power of combining forces to drive additional financial and operational gains between our organizations.

Before I take you through the presentation, it's important that you familiarize yourself with the disclaimer, so I'll just give you a moment to read it.

So, if we move on, then. Just to reinforce what John said, the motivation for this deal is a powerful one, and you can see here why. Holding five out of the top-10 Tier One gold mines spanning several promising gold belts, Barrick will be the undisputed industry leader and have the lowest total cash cost position among senior gold peers. These higher-quality assets will be run by a management team that combines Barrick's efficient operational capabilities with Randgold's entrepreneurial skill and track record of successfully managing operations in complex regions.

All of these attributes underpin our common vision for long-term value creation.

Barrick already holds three of the world's 10 Tier One assets based on life of mine, cost, and production metrics, and Randgold will contribute two additional Tier One assets. The combined portfolio also includes several projects and recent discoveries that will support Barrick's market leadership far into the future. Beyond these holdings, the company has the opportunity to build on existing partnerships and support alternate value initiatives.

Likewise, the copper portfolio is rich in opportunities for investing in a high-demand metal, closely affiliated to gold.

To deliver a world-class business, as I've always said, you need world-class people. Barrick will have a proven management team with the track record of creating wealth for all stakeholders, and driving return on invested capital, reducing costs and driving efficiency throughout a compelling portfolio of assets. Barrick also includes outstanding exploration operations. As a geologist myself, I can personally attest to the quality of the combined team.

John will remain as Executive Chairman, providing leadership at the Board level and guiding business decisions on a macro level. As President and CEO, I will have day-to-day operational control of the business. Graham [Shuttleworth] will be the Chief Financial Officer, and Kevin [Thomson] will be head of strategic matters. Two thirds of the Board will initially be appointed by Barrick, and one third appointed by Randgold directors.

In these key metrics, Barrick is the new leader, with the highest EBITDA margin and lowest total cash cost position among senior gold peers, which means we will be able to invest in growing the business while at the same time returning capital to shareholders.

This map shows the location of the combined Group's portfolio of projects and operations. As you can see, about half of these are in what might be called complex jurisdictions. We don't have a choice of places to build mines. To thrive, we must go where the gold is. Barrick's operational capabilities will be enhanced by combining with the Randgold team, which has a track record of developing and operating profitable gold mines in difficult environments.

Barrick contributes a further dimension in the form of its strategic relationship with China. Together, we are fully-equipped to manage and grow this portfolio, which offers the potential to deliver more Tier One assets.

Together, these two businesses will create a truly dynamic new force in an industry. Barrick will offer a core investment with deep liquidity, a combined track record of success in discovering, developing, and operating Tier One assets around the world. A diversified portfolio across terrains. Prudent and disciplined management with a strong entrepreneurial flair, and a significant re-rating potential.

Barrick will focus on four things. The development of core assets, and the sale of non-core assets. Continuing to decentralize management with mine-based decision-making. Streamlining all operations and maintaining a powerful balance sheet supported by continued investment.

There's going to be a significant potential to re-rate over time, given the quality of the combined asset base, and the proven management team. We will have the lowest total cash cost, and the highest adjusted EBITDA margin relative to other senior gold peers.

Barrick has been transformed in recent years with its focus on cost-cutting and the disposal of non-core assets. Barrick has reduced its debt quantum considerably, while also significantly improving its maturity profile. It is now positioned for a new growth phase, led by a strengthened executive team.

Randgold, on the other hand, is the industry leader in terms of operational delivery, returns, margins, and share price, delivering superior free cash flow. We will now be able to step beyond our African boundaries, onto the global stage.

I've talked you through the different elements on the slide, but the combination of our assets, our management teams, and our shared approach to investment and growth, gives shareholders ownership in what we believe to be the industry's leader. At the heart of this merger is the two companies' shared belief that a gold mining business must calibrate itself to a changing market that demands real value creation to attract new investment. It also must provide shareholders with a sustainable return base.

Barrick is starting from a solid asset base with clear plans for optimizing performance and finding new opportunities. The merger will deliver value based not only on a takeover premium, but on a proven—sorry, not on a takeover premium, but on a proven business methodology, guided by a long-term strategy, and implemented by a results-driven management team with strong leadership.

Thank you very much for your attention, and we'll be happy to take questions. We do have Graham Shuttleworth and Catherine Raw with us as well to pick up questions that John and I aren't able to answer.

Operator

Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, please press star one to ask a question.

We will take our first question from James Bell from RBC. Please go ahead, your line is open.

James Bell
RBC

Yeah, good evening, or good morning. I'm not really sure what time it is. So, just two questions. Firstly, there's obviously a lot of assets that look non-core given the framework you've outlined. I just wondered if you could talk a little bit about the timeline you might consider for disposals, and if you would look to do a spin-co for some of these assets, particularly the African assets.

Mark Bristow

So, James—how's it? So, we—the starting point on this is that, when you look at the combined business and what the NAV of the combined assets is today, that's going to be our guiding reference, and our intention is to create value from that point. John has already signaled non-core assets in the sense of the Australian investments and the Papua New Guinea investments, and both of those have strong partners. Both partners have indicated an interest to acquire those assets, and in Australia's case we've got many more people who would like to—who would have an interest in those assets.

So, you know, don't read into non-core as being neglect. We are still going to run those assets. Our job is to make sure that we bring them to account, and don't damage the NAV.

On the African side, we see, certainly within the Randgold portfolio—as you know, I've always talked about a set number of assets. Running a small mine and running a big mine takes the same amount of management time, so we will certainly look to trade some of the smaller assets within the portfolio of Randgold Resources. At the same time, we see a huge opportunity to work with Acacia and see how we can bring that to account, which has become a bit of an orphan in the portfolio.

We do have two copper assets that will be managed by the African team, and those assets will be—we believe there's an opportunity to really lift them up, bring them—you know, really understand them, and then we'll take that from there. I'll come back to the copper point in a bit.

As far as North America goes, Nevada has huge opportunity. We've spent a lot of time in Nevada with the Barrick team. We feel that the Barrick team has really progressed that portfolio, and certainly highlighted the potential. Therein lies not only the current Tier One asset project, or operations, but the opportunity to potentially deliver another two.

You know that there's been ongoing debate about unification of Nevada, and both John and I are very clear. We both are committed to driving this business to create value for the owners, and so, you know, one of the things that John has tried many times is to bring everyone to the party, and see how we can unlock that value, and it's definitely a clear—an opportunity that we will again explore, and repeatedly explore, because as is with the gold industry, Nevada sort of emulates it. Great assets, not necessarily all in the right hands, and definitely not optimum when it comes to infrastructure and processing facilities.

You know, there are other assets throughout the American portfolio which we'll be working on, and then in South America we have the joint venture with Shandong in Veladero. That in itself has an opportunity to deliver a significant asset. It's certainly a different asset today than it was a few years ago, and then one of the things that we are really excited about as a geo-centric business is the whole [inaudible] trend.

So, we will be, again, putting together a North American-focused team to run the North American business. The South American team will be focused not only on bringing to account and dealing with the challenges around Pascua-Lama and Veladero but seeing how we can either build on or bring in partnerships into the Peru assets, and more importantly, we'll have a dedicated team focused on building new opportunities throughout South America.

Both Barrick in its current shape and Randgold have been actively chasing the South American opportunities, and we see that as a really important destination, which has enormous opportunity for both primary discoveries and also early-stage projects.

Does that answer your question, James?

James Bell

Yeah, no, that's some really useful color. Thanks for that, Mark. Then, one more, which is maybe slightly selfish given it's focusing on the London side, but just in terms of cancelling the London listing, are you able to give any guidance on what percentage of your shareholder base may be forced selling, forced sellers, just because they can't hold North American paper?

Graham Shuttleworth
Finance Director and Chief Financial Officer, Randgold

James, it's Graham here. We've obviously done some work on—you know, we've done some analysis on that, and as you probably imagined it's not an exact science. We understand that there will be some plusses and some minuses on this in terms of some of the benefits that we'll get from the large capitalization in the North American markets, so it's difficult to put a number on it, but we don't expect it will be significant.

James Bell

That's perfect, thanks very much, guys.

Mark Bristow

Just as well as that, you know, the majority of trading in the combined business by a long way is U.S.-based, so—and we've done, as Graham says, we've done the studies. There's always an option to go back into the London Stock Exchange, but when you really look at it, and our consultation with our big shareholders, I think everyone's clear that the right place, the most efficient markets, are in the markets that Barrick actually is in at the moment.

James Bell

Okay, makes sense. Sad to lose you, but thanks for the answers.

Mark Bristow

We'll pop by every three months, give you a cuddle.

James Bell

Okay, thanks Mark.

Operator

We will now take our next question from Lorenz Heller, from JP Morgan. Please go ahead, your line is open.

Luke Nelson
JP Morgan

Hi, it's Luke here. Morning from London. Just for you, Mark. You've historically seen your area of expertise as predominantly African-based, so can we read into this as any change in your perceived risk profile around the continent, and maybe your focus on how future investments in the combined entity may stack up?

Then, secondly on cash return—should I ask the second question, or let you go for it?

Mark Bristow No, go ahead on the second question. I've got it.

Luke Nelson It's just on cash returns. Obviously, you guys have a pretty—in Randgold, a clear cash returns policy. This morning, you've said that your dividends going forward, you expect to grow from the 2018 base over time. Just any ideas of how you're thinking about shareholder returns over and above that comment going forward would be of interest. Thank you.

Mark Bristow How's it, Luke? So, risk profile. We have this conversation every time we meet. This is about Tier One assets, and what we've always said, what I've always said, high-quality assets, no matter where they are, deliver returns, and they support the host country or partnership requirements, and both John and I believe that's the right approach. You've seen his engagement in an attempt to deal with Acacia in Tanzania, and I've always been absolutely clear that one thing the industry doesn't do is, when you can't deliver profitable businesses in emerging markets, it means you don't pay tax. That means you become an unwelcome partner to your host country.

So, we have Tier One assets, and we believe that—I've always said, asset quality overrides jurisdiction, and we don't see any reason to change that approach to building up a global business. What the portfolio will have, we'll have still a majority value derived in more developed countries like the Americas, and if you look at all the big companies in our peer group, they've all had to migrate to some of the more challenging geopolitical regions of the world. We would point out that, in our opinion, we have the best skills to be able to manage those when we do find them in countries other than America, Australia, and Canada.

So, I hope that answers your question.

Luke Nelson Yeah, that's fine. Then just on the case return, shareholder…

Graham Shuttleworth Graham here. So, on the dividend, what we've announced today is that as part of this transaction, Barrick is effectively going to be increasing their 2018 dividend from $0.12 to $0.14, assuming the transaction closes, and what we've stated is that we want to continue to grow that dividend over time. Obviously, we will be assessing that as we get into the transaction, taking into account all of the variables in terms of commodity prices, as well as the strategic initiatives around the sale of non-core assets and any other growth projects. So, that will all be factored in.

But as has been our past preference, we'd like to grow that dividend, and that's our strong intention.

Mark Bristow

So, just to build on that, Luke, one of the things—as you know, I'm a big investor in Randgold, and I'll be rolling that up—in fact, just a point, between John and I, we'll be certainly the leaders in investment, investing in our own companies compared to our colleagues in the industry. We see, and I see, and certainly the Randgold Board sees, that this opportunity really does create a long-term business that will deliver much more than our dividend strategy that we had, because we believe we wouldn't have done it if we didn't think that, if we're wrapping up the companies as we have, we wouldn't at the end of the day deliver real value.

It's a non-premium merger, and in there lies the very basis of what I've always talked about, and that is that we want to deliver value for our owners fundamentally, not because we get bought or we buy something at a premium.

Again, over time, we've convinced our Boards that that is the right approach to take, that this business will, you know, position us uniquely in the gold industry as a company not only with great management, you know, the most of—most of the top-10 assets—in fact, anybody else doesn't have more than one—and what's more, immediate opportunities to develop new Tier One assets as well as to bring the efficiencies to bear, and that's my focus, is, as we've shown in Randgold, cost-cutting never saves money. It's—you've got to have a different way of doing business, in a way where you can deliver efficiencies and you have motivated people that make the decisions on the ground, and then you really do deliver sustainable profitability.

That's really what attracts me into this partnership.

Luke Nelson

Great, thank you.

Operator

We will now take our next question from Jason Fairclough from Bank of America. Please go ahead.

Jason Fairclough
Bank of America

Good morning, gents. Thanks for the call. Mark, your approach to running Randgold historically has been quite decentralized, and I'm just wondering to what extent you see this model working within a business like Barrick. I think the word infrastructure was used, and I guess you can see the potential for your assets to get plugged in to Barrick to be managed, and I guess that the concern there is that the value of the assets gets consumed.

I guess, more generally, isn't Barrick the exact sort of big gold company you've historically railed against in terms of how not to create value in the gold industry? How do you think you can manage that culture clash?

Mark Bristow

I'm not sure whether I'll follow you, but I'll try and answer your questions. So, we have no intention to changing the way we run the company at Randgold, and if there's anything that John and I are completely aligned on, it's that model. If you go back to the early Barrick, as he alluded in his introduction, that's exactly what they were about. Very thin head office that held the investments to account. Singular focus on only investing in things that make returns.

If you look at the—I've been talking about succession, and Jason, not everyone's been believing me, but one of the things we do have is succession, and we're going to affect that. It allows us to, for me and some of the core executives, to step away from, or up from, Randgold, and leave a competent management team to run the—to continue to run Africa and take on the additional assets, and we don't see ourselves employing anybody extra to do that.

Then, with the Group that we move to the center, we will partner with the core executives that we've all agreed will be part of this team to run the greater Group, and we'll decentralize, continue—and if you haven't noticed, Barrick has made a lot of progress in decentralizing their businesses, and so we'll have a North American team like we will have an African team and a South American team, and our intention is to implement the Randgold way. With it comes not just a flat structure, but efficient systems, real-time ability to make decisions. John's done a lot of work on cleaning up the baggage, and that's always the challenging part.

There is no culture clash amongst the senior executives between Randgold and Barrick. We've already had a couple of workshops together, debating what we think we can do with these assets, where we think we are weak, and what we have to plug. I've got no doubt that—and again, we'll deal with the non-core assets, and we'll focus down to a high-quality portfolio that—and the one thing about Tier One assets is, they generate cash. When you've got a number of them, like five of them, maybe seven or even more than that, you generate a lot of cash.

So, you know, when you look at the presentation I've just given you, and you look at the metrics—and these are just metrics of today. That's before we've really got into effecting our plan. I would add, too, that—you know, this is not any rescue job. The Barrick team is already affecting these drives to improve efficiency, decentralize, flatten, hold account, and if you've listened to John speak, there's no difference in his outlook and philosophy to mine. The difference is, I've done it. So, I'm intending to come and help get this one up and running as well.

Jason Fairclough Mark, just to follow up, if I might—I mean, I've had a couple of investors ask me this morning, you know, fine, but really, would I rather own NewCo, or would I rather just continue owning the old Randgold? What's really in this deal for Randgold shareholders?

Mark Bristow So, Jason, I've got a very big investment in Randgold, and I'm wrapping this into the deal. So, I can see the opportunities. I've just explained them to you, and I think it's important, you know? Again, the industry often is held ransom by investors and particularly analysts and opinion-makers to keep the optionality apart. So, but for management to have to manage these assets without, you know, the ability to actually get investments, the equity support has become non-existent, everyone of—or, many fund managers are managing on a quarterly basis, because they don't have an opportunity to invest long-term.

We believe this asset brings a long-term opportunity, and whichever way you cut it, at any foreseeable gold price, whether it's even $1,000, we can get this business delivered and really have something that is completely unique in this industry. That's our intention.

Graham Shuttleworth Jason, I would really just add to that, as we've alluded to in the presentation, when you look at the metrics compared to the peer group there's a significant re-rating opportunity. So, the numbers speak for themselves, as well what Mark's talking about in terms of the bigger picture and longer-term vision.

Jason Fairclough Okay, alright. Looks like an interesting vehicle. Thanks for the answers, folks.

Mark Bristow Pleasure.

Operator We will take our next question from Josh Wolfson from Desjardins Capital Markets. Please go ahead, your line is open.

Josh Wolfson
Desjardins

Thank you. I had a question related to capital allocation in the new company. Obviously, this is still [inaudible] be the same between yourself and what John Thornton has talked about. When you look at the numbers, Barrick has struggled to advance projects in its portfolio that meet 15% IRR at $1,200 an ounce, and if you incorporate the historical Randgold approach of a 20% IRR at $1,000, you know, it looks like nothing would ever meet the filter.

So, in the context of new Barrick, how does this disciplined approach actually get instituted?

Mark Bristow

Okay, how's it, Josh? How are you?

Josh Wolfson

I'm a little tired, but I'm up.

Mark Bristow

Right. Oh, you're up early are you, in Canada? Are you?

Josh Wolfson

I'm in Denver, yeah.

Mark Bristow

Thank you for staying up.

Josh Wolfson

I'm on Australian time.

Mark Bristow

Josh, the capital allocation is—you know how we work, and again we've got, you know, complete allies in the other side, and the way to do it is, first of all, Tier One assets have long-life, 500,000-ounce producers producing 15% IRR is a very good investment, because the long-life assets, you not only get higher returns, but you also get—you have the optionality of being in the gold business, and the cyclicality of gold itself. So, we're comfortable with that, and if you do it right and you've got long enough life, and you're disciplined about baking those assets properly, you will deliver more than 15%.

As you have smaller and smaller assets, you require, in my mind, higher returns, because your risk profile moves from—well, the opportunity moves from a combination of, you are benefitting from the cycle and the optionality in the gold price, and just straight returns. So, as you reduce the quantum of production and the life of the mine, then you should lift the returns higher. So, we would see—you know, there's a spread between world-class assets, plus-3 million-ounces, that can deliver 20% returns at $1,000, and Tier One, you know, assets which are—which are, you know short of, in this industry. We will have five of those 10 to 12 top Tier One assets.

So, there—you know, we'll start with the 15%, but we've got lots of opportunity which we've identified, both collectively and as part of our due diligence, and if you've talked to the Barrick team, the opportunity to drive down the underground mining costs, get the cut-off grade down to manageable levels, pick up the efficiencies as far as development rates, development costs—the whole capital approach, there's a disciplined approach now, but we believe that bringing in the Randgold ownership of projects and not putting as much out to consultants is a much more efficient and effective way of building fit-for-purpose operations, rather than these over-engineered mines.

When I say over-engineered, I don't mean fit-for-purpose means that it doesn't last, because we build lasting investments.

So, I have absolute confidence that you'll see us, certainly, enhance the focus that John has spoken about and start to implement when it comes to capital allocation and, more importantly, as we've shown, it's not only that. It's the discipline of working capital, how you manage that. It's the logistics and procurement, and the whole commercial base of the organization, and again, to do that effectively you've got to have good management systems that allow the management teams to make real-time decisions. Again, the data collection and all that is there. It's not as if we have to go and re-invent the entire wheel, but we definitely have systems that would make the whole effectiveness of management better than it is today.

Catherine Raw
Executive Vice President and Chief Financial Officer, Barrick

Josh, I'd just like to add, I think you've characterized Barrick's existing portfolio incorrectly. We've got three projects under execution in Nevada that deliver well over 15%. We've identified two further projects that we feel deliver—have a significant potential to deliver over 15%. One is extra processing in Nevada. Really, with the benefit of the geologically-focused management team now, properly understanding the true potential of understanding Nevada, I think, is a huge opportunity in front of us, as well as obviously the plant expansion at PV [Pueblo Viejo].

So, what you're characterizing is our decision to prioritize high-quality, low-risk operations in excellent geological and political jurisdictions versus greenfield, high-CapEx projects, such as Pascua-Lama and Donlin. Even those, we continue to understand whether we can look at them in a different way, and that's the benefit. That's the upside opportunity. With fresh eyes, with that expertise, we can actually unlock value that, to date, we're not being given credit for.

Josh Wolfson Yeah, that's fair, and I would say, I guess, if you were to look at the Randgold existing target returns for that 20% on $1,000, it may even affect some of those high-priority targets which would be developed under Barrick's return, so it's in my view trying to understand what the new real filters are, and it sounds like that 15% is what it's going to be going forward. I have one other question.

Mark Bristow No, it's a range. Josh, it's a range. I mean, I just point out that, when we started out in Kibali, we didn't have it through our 20% hurdle rate at $1,000, but it will get there. It's a lot better than it was when we started the mine, and the gold price is a lot lower. The thing about long-life mines is, because of the cyclicality of gold, and if you use that discipline, it [builds] out, and so, you know, we've—whereas is you look at Morila, or Tongon, or Massawa, it's important on these smaller operations to be able to be more disciplined on the—on that hurdle rate.

So, it all comes with the size. When you—we've got five really top-quality Tier One assets. That doesn't say that the other non-Tier One assets aren't good cash producers, like Tongon. Tongon produces great cash flow. So—and it's really, where do we put that—the dollars as we realize the non-core assets? How do we deploy that value? Do we—we will—just coming to your next question, the whole thing is that part of that is the commitment both from John and I, because you know me about dividends. That's the core of my business. If you can't run a business with the intention of delivering dividends, then you shouldn't start.

So—and John has exactly the same view. So—and we've had lots of debate between the four of us, Catherine and Graham and John and I, on exactly what that number is. You will see that we are definitely signaling a constructive dividend payment and policy going forward. Otherwise, then your point is valid, then we shouldn't be doing this transaction. If we can't deliver something that's bigger and better than we have, we wouldn't have done the—why would I do it? Why would I do it at my age with where Randgold is? It doesn't make sense.

Josh Wolfson Yeah, so that, I guess, takes me to my next question, and I agree with you, those are very reasonable things to point out. Earlier in the call, there was a focus on things like adjusted EBITDA for the company. Historically, I would say Randgold really has focused on profits which, on a relative basis, are much stronger for Randgold today and going forward, and also free cash flow, which is much stronger for Randgold today than going forward. So, when looking at the combined entity, and looking at the sacrifice that you make up-front for that profitability and free cash flow, you know, there needs to be a commensurate significant long-term improvement for the combined entity. Am I looking at thigs correctly like that, or does it just require a leap of faith on my part?

Mark Bristow

So, you're looking at it correctly. I don't know whether it's the definition of long-term to deliver. I mean, I think we'll be—you know, I believe that the team will—you will start seeing those deliveries even before we close this transaction, and we've set ourselves on a course, and the point is, the combination of these—these two companies boilerplates the delivery of a significant, world-class gold business, which we haven't seen in our industry for three decades. You know, every other company apart from Randgold, if you look back, of significance, if you look back to 2008, 10 years ago, are trading at share prices at, or about, or below, the share prices of that time.

So, if you take—once you wrap it in with the strength, cash flow strength, of Randgold, we can still deliver on our plans, even at a $1,000 gold price, which no one else can talk about. So, that is, you know, a meaningful product of this combination.

Josh Wolfson

Thank you very much for answering my questions.

Operator

We will now take our next question from Richard Hatch from Berenberg. Please go ahead, your line is open.

Richard Hatch
Berenberg

Thank you very much, and thanks very much for making time for a call. First question is on Massawa, just off the back of that, Mark. Does your view on Massawa change with this transaction? I know you've been struggling to get to that 20% IRR at $1,000, but if you adjust those targets, what's your view on Massawa here?

Mark Bristow

So, you know, we—there's no doubt that we will continue to progress the feasibility study and deliver a bankable project, and secure the mining license, because we're in the gold mining business and, as I've said in Massawa all the time, our single biggest test is, this is the best undeveloped gold asset in West Africa, probably in the whole of Africa as we speak today, that's underdeveloped. We test—every dollar we spend, do we add value to that asset, or do we not? The team has done a great job. It's still working on it. We're out on tender, we're busy with the licensing and the permitting. We will have that project ready and banked by the end of the year.

It will definitely be part of the portfolio that we look at, and how best we can bring it to account, just like I said earlier, whether it's Kalgoorlie or Porgera, you know, these assets, it's all about in which hands do they deliver the best returns? How do we maximize and optimize our capital allocation that Josh asked? That—capital allocation means, you know, not only just taking the money you're making and investing it. It's realizing your assets and re-arranging it into better assets with better returns.

While you're at it—and I know you didn't ask the question, but I'll give you an answer anyway—Nevada in itself is an opportunity, which everyone's talked on. You know, John has tried multiple times to get to look at the unification, and again, both of us have had conversations. I know John has had a number of conversations with the various operators in that region, and again our philosophy is that if we—and you know we have a very strong joint venture philosophy—thank you, Catherine. We'll—we think that, you know, as long as we can, in any project, demonstrate that we create better value by making a different decision for our owners, we will do it. I think we are completely aligned on that.

Richard Hatch Okay, thanks, Mark. Then the second one is, following up on an earlier question asked, just thinking about the portfolio side itself. Do you consider an optimum number of assets in that portfolio as the sweet-spot, or do you think that, as you talk to the regional heads, that the number of assets within the portfolio becomes less of an issue, because you're letting those regional heads focus on the business?

Mark Bristow Well, I think what we see in the first instance is the ability to scale up because of Randgold's succession plan. So, you know, we've been working at this very hard. You've seen Randgold has been managing multi-faceted challenges over the last six months, and we've managed them extremely well. We are very confident that we'll continue to add value and to rectify some of those situations over the next couple of quarters.

So—and then, the way—and again, this is an opportunity for me to demonstrate that the Randgold model, which I've always said—because if you build, you know, competent, accountable, focused management that are able to run—like Randgold's team in Kibali, runs a Tier One asset in an independent fashion, and with the support of the corporate experts, and likewise with Loulo-Gounkoto, and we see, you know, we see the North American opportunities as very significant, and it's all about quality.

So, right now we are going to embark with—set out with six core assets that we've pointed to the potential for additional opportunities to add to that sort of—you know, the ice cream portion of the company. I've always said six or seven assets is important. We've got a much bigger platform now to play on, and we've got some excellent skills, very competent people in the different jurisdictions, and we've always said that for us to migrate out of Africa, we've got to join with people who have in-continent cultural understandings and knowledge. We definitely come with that.

So, what I'm bringing is the philosophy, discipline, and the systems that one needs to be able to affect efficient and profitable businesses. As far as the competent people are, we've got them. We've met them, we've talked, we've agreed. So, in the executive team, it will be split pretty much 50/50, and we're very happy that, on a DNA cultural basis, we are very aligned already. We've already had a number of workshops, and we really do see—and that's—the fact that John cleaned up a lot of the old, sort of, baggage—I've got to be careful what I say—you know, he had to implement a change, because we don't have to go and clean up.

Richard Hatch Fair enough. Alright. Well, good luck, Mark. I'm sure that some of the execs will see the whites of your eyes, so enjoy that and good luck with it. Cheers.

Mark Bristow Thank you.

Male Operator, as we're nearing the end of our time, the next question will need to be our last question.

Operator No problem. So, we will now take our last question from Grant Sporre from Macquarie. Please note for any further questions there will be a call later this afternoon. Please go ahead.

Grant Sporre
Macquarie Good morning, everyone. Thanks for taking my questions. Just two quick ones, and I suspect I know the answer to the first, but I'll ask it anyway. It is, have you given any thought to any sort of synergies that you may extract out of the business? I understand through the discussion it's more about the longer term, but some investors that I've spoken to would like to know.

Then, the second one is, I'm just a little bit perplexed as to why you need regulator clearance from South Africa in this transaction. It seems a little bit odd to me.

Mark Bristow Who's speaking there?

Grant Sporre It's Grant.

Mark Bristow Grant, is it Grant? Okay. Hello, Grant. How are you?

Grant Sporre I'm well, thanks. Yourself, Mark? Well done, by the way.

Mark Bristow Very good, thanks. Thanks. So, synergies. There are synergies, very clear synergies, in Africa particularly, because we can operate the entire portfolio that will be double the size with exactly the same structures, corporate infrastructure, everything else. So, there will be real synergies, and as we progress, collectively define a solution that really delivers better value and more transparency in Tanzania. We will unlock many synergies, we believe.

On the other side, we've got benefits—maybe not by definition synergies—and that is, you know, one of the things that we've found, and what we knew as well, is that Barrick's open cast skills, and the way they manage their despatch system, everything is leading in the industry in all aspects, and as you know, we've become very efficient underground miners, and—but we—and we have a contractor running our open cast mines. So, bringing the Barrick team in to have a look at our open cast business will be—I believe that there's real opportunity for benefits there.

Then, you know, the way we run our underground mines, the whole—the fact that we're a younger, more agile organization, and there's a very big component of the future in the Nevada assets of migrating to underground, and we believe with our geo-centric approach, the fact that—and a lot of the optimization in the last five years has been around free cash flow, and we optimize assets based on their geological potential. It's a different way.

So, there isn't a phase of investment required to really revitalize some of these assets, because they've been—not as much capital as should have has gone into them as the company has managed its debt down.

Talking about debt, you know, the whole—we both agree that we should be focusing in on the debt. It comes with benefits. It needs to be managed over the long term. Despite the long-term nature of the debt, we still think we should deal with it. So—then, when it comes to logistics, procurement, we think there's enormous synergies and benefits, because of our approach, because our business is all about logistics, because of our locations.

You know, there's many opportunities to do that. Our whole obsession with getting working capital down to as little as possible, and also our approach to project development, feasibility study, management, we prefer owning those processes rather than putting them out to consultants. So, I think—with that comes more accountability, projects that are, you know, easier to bring into account. If you know, all our mines we've ever bought have made real profits—that's bottom-line profits—in the first quarter that they've been commissioned. So, I think we're—there's lots to do. There's lots of opportunities. We wouldn't do this if there weren't opportunities.

We've had to work hard with the team, together, to make sure that this is the best opportunity, not only for Randgold, but also for Barrick.

Grant Sporre Mark, sorry, just on Africa, procurement and logistics. If I were to pencil in $200 million of synergies over the next year or so, would that be unreasonable?

Mark Bristow On logistics and procurement? Grant…

Grant Sporre And Africa as well.

Mark Bristow The one thing we're not allowed to do is promise you anything. So, Grant, [inaudible], you'll know that, in terms of the takeover code, there's very strict rules, and anything that we've put in our 2.7 announcement has to be verified. So, as much as we pointed to the fact that we will be eliminating non-essential costs, we can't say more than that.

John L. Thornton This is my corporate governance guy talking.

Grant Sporre Okay, fair enough. Then, sorry, just on the small point about needing regulatory clearance from South Africa, can you just explain why that is to me?

Mark Bristow Oh yeah, sorry Grant. It's very simple. Acacia processes its gold at Rand Refinery and so do we. So, it's often—it's a common trigger to go to the regulators to get that clearance, and it's for all intents and purposes a procedure.

Grant Sporre Got it, thank you very much.

John L. Thornton It's just a function of the fact that our gold is refined there.

Grant Sporre Okay, lovely. Thank you very much.

John L. Thornton Okay, thank you. Before we leave, I just want to leave you all with some quick bullet points to summarize how we see this transaction. First thing I want to remind you of is that this is a nil-premium deal. I've looked back over the last 10 years. There's no such thing. You can't find it in the gold industry. You know very well that the gold industry is specialized in paying big premiums and destroying shareholder value. This is one in a row.

Secondly, it's got the strongest management team. I was just looking this afternoon at the share price performance of Randgold over the last 10 years. Up 96%. The share price performance of the senior gold majors? Down 50%. The senior gold majors have destroyed upwards of $75 billion of value in the last 10 years—sorry, in write-downs in the last 10 years. Randgold's never written down a penny.

Third, we talked about the five Tier One mines, plus the two very high potentials in Nevada, plus the potential of Veladero, plus the potential of North Mara at Acacia. So, you can see a company here with nine Tier One mines in the not-too-distant future.

Fourth, this company will have the highest margins by a lot, 8 to 10 percentage points higher than all the other senior gold companies.

Fifth, it's going to have the least leverage.

Sixth, it'll have the best returns.

Seven, it's going to have the cash flow necessary to invest in these projects I mentioned a minute ago.

Eight, it's going to have the philosophy that Randgold's always had, and I've always believed in, of increasing dividends over time.

Then, finally, the point that Graham made earlier, the potential for re-rating is substantial. So, when you add all that together, it's very hard to see how this isn't the most compelling investment in this sector by a long way, any time soon.

So, thank you for joining us. Buy lots of shares and see you soon.