

IN THE COMPETITION TRIBUNAL SOUTH AFRICA

Case no: 118/LM/Dec05

In The Large Merger Between:

Barrick Gold Corporation

Acquiring Firm

And

Placer Dome Incorporated

Target Firm

Reasons for Decision

Approval

1. On 11 January 2006 the Competition Tribunal issued a Merger Clearance Certificate approving the transaction between Barrick Gold Corporation and Placer Dome Incorporated. The reasons for this decision follow.

The Transaction

- 1.1.1. The acquiring firm is Barrick Gold Corporation ("Barrick Gold"), a global entity operating through subsidiaries in each country in which it is engaged in commercial activity.¹ Barrick Gold does not own any subsidiaries or assets in the Republic of South Africa.
 - 1.1.2. The target firm is Placer Dome Incorporated ("Placer Dome"), a public company incorporated in Canada. Placer Dome has the following interests in South Africa:
 - 1.1.3. An indirect shareholding in Placer Dome South Africa (Pty) Ltd;²
 - 1.1.4. A 50% interest in the South Deep Joint Venture, a joint venture with Western Areas Limited;
 - 1.2. A contingent interest in the Sedibelo Platinum Project, located in the Bushveld Igneous Complex;³

1 Barrick Gold's common shares are listed on the Toronto Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the Euronext-Paris Stock Bourse and the Swiss Stock Exchange.

2 See page 21 of the Record for the shareholding structure of the Placer Dome group.

3 Through a joint venture agreement (signed in November 2004) with the Bakgatla Ba Kgafela community, Placer Dome has the right to earn a 10% interest in the Project by completing a feasibility study to support the development of a mine and has the right to earn an additional 40% interest upon making a decision to develop a mine on the property. At the time of the merger filing, Placer Dome was undertaking prospecting activities on the property and had not earned any ownership rights in the Project.

2. The transaction is essentially an offer by Barrick Gold to acquire the entire issued share capital of Placer Dome, inclusive of its interests in Placer Dome's South African operations.⁴ According to Barrick Gold the transaction is expected to create significant cost savings in operating and capital efficiencies, general administrative expenses, exploration, tax efficiencies, debt optimization and procurement practices.⁵ Placer Dome initially opposed the transaction and had advised its shareholders to reject the Barrick Gold's offer. However, before the hearing held on the 11 January 2006, the Tribunal was informed that the merging parties had reached agreement on the terms of the transaction and that the acquisition would proceed on a "friendly" basis.⁶

The Relevant Market

3. Barrick Gold is a global gold producer. Placer Dome is primarily involved in the production and supply of gold, silver and copper. Even though Barrick Gold does not have any operations in South Africa, the merging parties activities overlap in the production and supply of gold. We have previously accepted this market as being global in nature.
4. The Commission provided the following market shares for the top 15 global gold producers for 2004:

Company	Market share %
Newmont	8.60
AngloGold Ashanti	7.64
Barrick Gold	6.26
Gold Fields Limited	5.22
Placer Dome	4.61
Harmony	4.11
Navoi Metals and Mining	2.37
Kinross	2.00
Rio Tinto	1.96
Freeport-McMoran	1.84
Norilsk	1.51
China National Gold Group	1.30
DRD Gold	1.15
Shandong Zhaojin	1.15
Others	50.3
Total	100

Original Source: GFMS Limited Gold Survey 2005.

⁴ The public announcement was made on 31 October 2005. At the time the merger was filed with the Tribunal, the transaction had already been notified and cleared by the relevant authorities in the USA, Switzerland, Canada, Germany and Australia. See page 4 of the Commission's Report.

⁵ Barrick Gold admits however that it was not contemplated that any of these synergies would be directly derived through its acquisition of control over Placer Dome's South African operations. See page 31 of the Record.

⁶ Correspondence with Tribunal dated 9 January 2006.

5. The merged entity's market share post merger will be 10.87%, making it the largest gold producer in the world.⁷ While Placer Dome, in its submission to the Commission, did not dispute the accuracy of the above market shares, it did note that the table referred only to production and did not deal with *inter alia* the "capacity of the various producers which is determined by, among other things, their reserves."⁸
6. During the hearing, the Tribunal requested more information on the parties' position with regard to reserves. According to the parties,⁹ in December 2004, Barrick's estimated gold reserves amounted to 2769.95 tons of gold and Placer Dome's amounted to 1863.62 tons of gold. The combined gold reserves of the merging parties, expressed as a percentage of the total estimated world gold reserves at the end of 2004, amounted to 11.03%.¹⁰ This is not dissimilar to their combined share of world gold production.

Impact on Competition

7. We have observed in our previous decisions, that no single gold producer has the ability to influence the gold price, and that gold producers are essentially "price takers" with the price being determined by reference to the daily price fixings of the London Bullion Association. The international gold price is influenced by factors such as the sale of new production by worldwide producers, global economic trends, currency exchange fluctuations, expectations of investors and the sale of reserves by financial institutions such as international central banks, the World Bank and the IMF.¹¹
8. Although the transaction will lead to the creation of the largest gold producer in the world, given the international character of the gold market, we are of the view that the transaction is unlikely to substantially prevent or lessen competition.

Conclusion

9. There are no significant public interest issues and we accordingly approve the transaction for the above reasons.

⁷ This is in fact Barrick Gold's stated intention for the transaction. At page 300 of the Record, Barrick identifies a rationale for the transaction as being the creation of the "*largest gold company on all metrics*".

⁸ Page 898-899 of the Record.

⁹ Correspondence with Tribunal dated 11 January 2006.

¹⁰ On an individual basis, Barrick Gold's share of gold reserves amounted to 6.59% and Placer Dome's share amounted to 4.43% of total estimated worldwide gold reserves.

¹¹ See *Harmony Gold Mining Company Limited/Randfontein Estates Limited* 16/LM/Feb00, *Harmony Gold Mining Company Ltd and African Rainbow Minerals Gold Ltd* Case Number: 25/LM/May03, *Randfontein Estates Ltd and AngloGold Ltd* Case Number: 03/LM/Jan01, *Franco-Nevada Mining Corporation Ltd and Gold Fields Ltd* Case Number: 77/LM/Jul00 and *AngloGold Limited and Driefontein Consolidated (Pty) Limited* Case Number: 66/LM/Nov03.

D Lewis

24 March 2006
Date

Concurring: N Manoim and M Mokuena

For the merging parties: S Langbridge (Bell Dewar & Hall Inc) and R Legh (Bowman Gilfillan Attorneys)

For the Commission: T Kekana and J Theron (Mergers and Acquisitions)