

C
TARA



Annual Report
1984

Five Year Review 1980 - 1984

	1984	1983	1982*	1981*	1980
Income	\$000	\$000	\$000	\$000	\$000
Revenues	118,724	94,229	75,144	48,025	93,341
Operating expenses	56,695	56,126	47,858	34,632	62,232
Income before interest, taxes and minority interest	49,809	23,432	19,470	6,508	21,250
Interest and other costs of servicing long term debt	10,204	13,174	19,400	19,194	19,679
Income (loss) before taxes, minority interest and extraordinary item	39,605	10,258	70	(12,686)	1,571
Taxes	21,526	5,457	—	1,416	1,863
Extraordinary item — credits	—	4,181	3,151	—	—
Net Income (loss) after extraordinary item	13,637	7,421	3,871	(9,972)	108
Earnings (loss) per share after extraordinary item	\$2.07	\$1.13	\$0.59	\$(1.52)	\$0.09
Average Metal Price	¢	¢	¢	¢	¢
Zinc ¢/lb	44.22	38.10	36.92	40.55	36.36
Lead ¢/lb	19.88	19.11	23.65	31.98	37.88

Financial Position

	\$000	\$000	\$000	\$000	\$000
Working capital deficiency	4,261	11,713	12,024	15,088	14,667
Long term debt	42,106	82,280	105,311	112,975	106,623
Shareholders equity	38,635	24,858	17,437	13,566	23,538
Common shares issued ('000)	6,576	6,559	6,559	6,559	6,559
TSE quoted share price (Can \$)					
—High	21.25	14.25	11.38	15.88	18.00
—Low	14.00	6.75	5.50	12.50	11.00

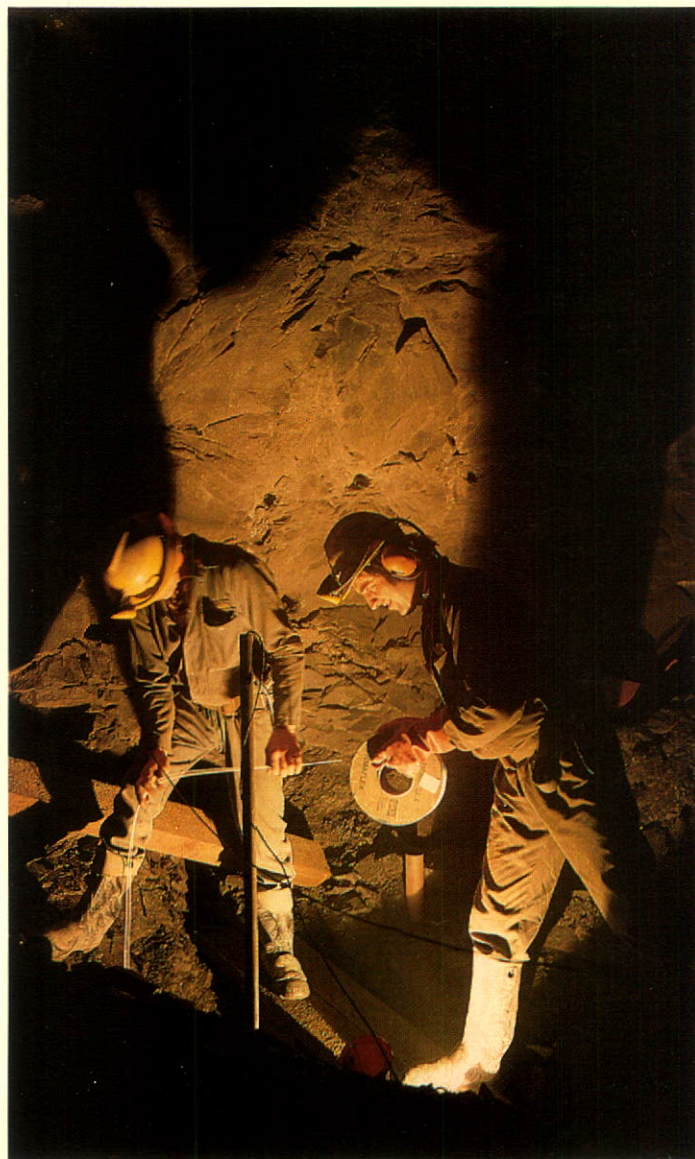
*Mine shutdown due to labour dispute — July 1981 to February 1982.

**TARA EXPLORATION AND
DEVELOPMENT COMPANY LIMITED**

TARA

31st ANNUAL REPORT 1984

Loading a drop raise with explosives.



Contents

Corporate Information	2
Report to Shareholders	3
The Year in Review	4
Auditors' Report	17
Accounting Policies	18
Consolidated Financial Statements	19
Notes to Financial Statements	22

CORPORATE INFORMATION

Board of Directors

Sylvester P. Boland
Charles Carvill
J. N. Clarke
E. Kendall Cork
Matthew Gilroy
John A. Hall
James Hanratty
Keith Hendrick
Francis Holford
Patrick J. Hughes
Brendan Hynes
Michael McCarthy
Joseph V. McParland
Murrough V. O'Brien
Alfred Powis
John J. Tully

Officers

Michael McCarthy
President

Matthew Gilroy
Vice-President

Brendan Hynes
Vice-President

Peter McAleer
Vice-President

Joseph V. McParland
Secretary-Treasurer

Auditors

Clarkson Gordon
Chartered Accountants
Toronto, Canada.

Griffin Lynch & Co.
Chartered Accountants
Dublin, Ireland.

Solicitors

Fasken & Calvin, Toronto, Canada.

McCann FitzGerald Sutton Dudley,
Dublin, Ireland.

Registrar and Transfer Agent

Central Trust Company,
Toronto, Canada.

Charter Consolidated P.L.C.,
Ashford, Kent, England.

Executive Office

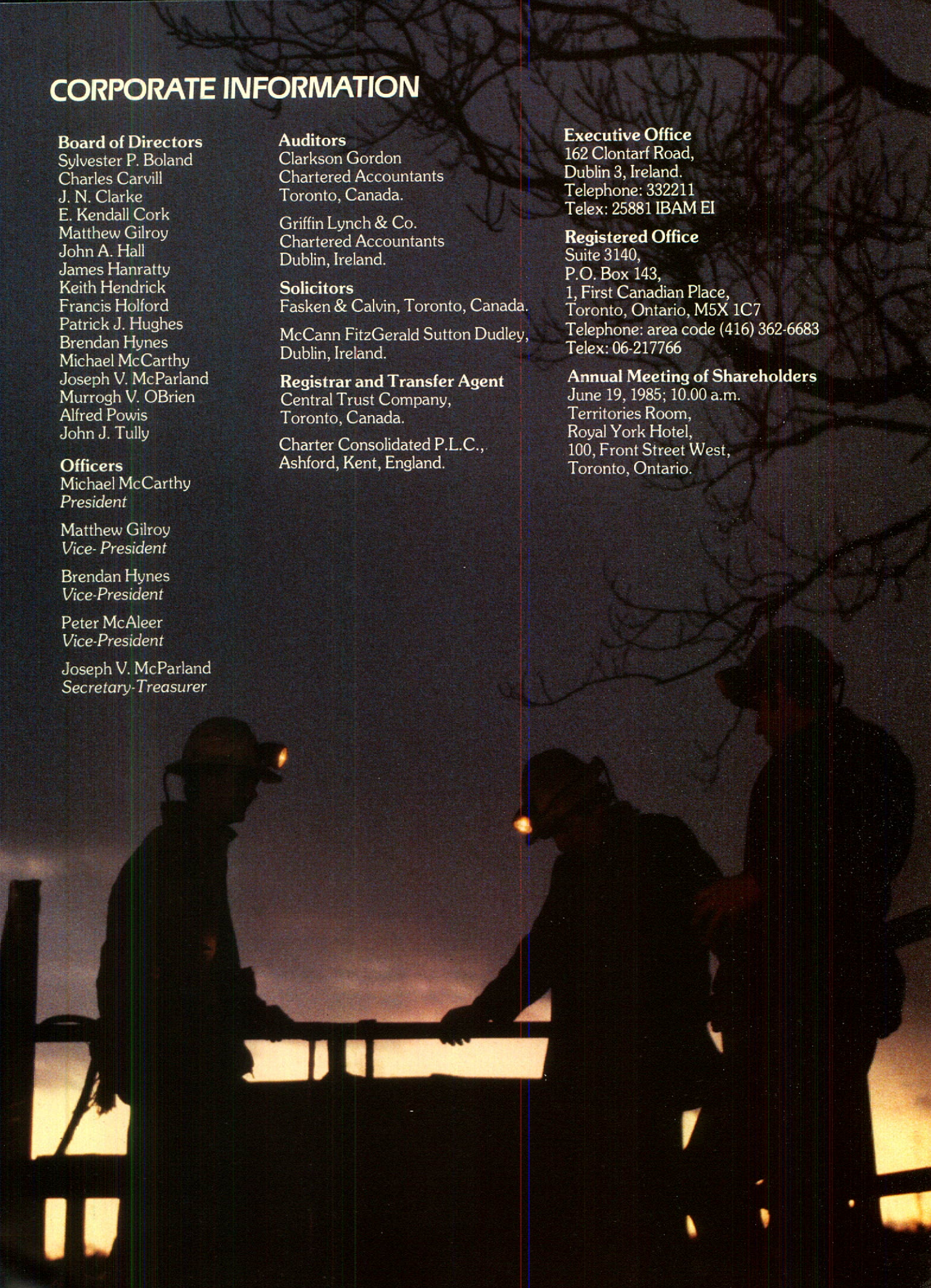
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Dublin 3, Ireland.
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Registered Office

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P.O. Box 143,
1, First Canadian Place,
Toronto, Ontario, M5X 1C7
Telephone: area code (416) 362-6683
Telex: 06-217766

Annual Meeting of Shareholders

June 19, 1985; 10.00 a.m.
Territories Room,
Royal York Hotel,
100, Front Street West,
Toronto, Ontario.



Report to Shareholders

The results for 1984 involve considerable progress in the development of Tara's financial resources and exploration activities. Capital repayments of US\$46 million were made during the year with bank debt reduced to US\$57 million by year end. Discussions with the Irish Government's Department of Energy began during October 1984 on the acquisition by Tara of Bula Limited — a company owning mining rights to a part of the Navan orebody.

The 1984 results represent further progress over those reported in the 1983 Annual Report. These improved results were due to increased production of zinc and lead concentrates, a favourable zinc metal market and favourable foreign exchange conditions. Revenues during 1984 totalled US\$118.7 million compared with US\$94.2 million during 1983 and operating costs were held to US\$56.7 million compared with US\$56.1 million during 1983. The improved results enabled Tara to make capital repayments totalling US\$46 million to the Toronto-Dominion Bank consortium and the Export Development Corporation of Canada. It is expected that the balances due to the Toronto-Dominion Bank and Export Development Corporation at year end, totalling US\$30 million, will be repaid by mid-1985.

Tara's remaining loan — a standby loan from a consortium of banks led by the Bank of Nova Scotia — will be refinanced during the year at a significantly lower margin than the margin on existing loans.

Production

Production during 1984 was satisfactory and increased zinc and lead concentrate production levels, compared with 1983, were achieved due to improved grades and increased milling tonnages. Increased rates of both main development and stope development were also achieved during 1984.

Efforts to improve productivity and metallurgical efficiency continued during 1984. The 1984 capital expenditures amounted to US\$3 million and the planned capital expenditures for 1985 are US\$4.8 million. The increased level of planned expenditure is due to an expansion of Tara's tailings dam system and underground facilities.

Marketing

The market for zinc and lead concentrates was good during 1984 and zinc metal prices were attractive during the second quarter. Since mid-year, zinc metal prices declined and the terms for

zinc concentrates became less attractive for miners as demand for concentrates slackened. Although zinc metal prices improved during the first quarter of 1985, zinc concentrate demand did not recover. Tara has experienced no difficulties in selling its concentrate production at satisfactory terms under long-term contracts because of its position as a reliable European supplier with the ability to supply concentrates to its customers as and where they require delivery. Prospects are that zinc metal prices will decline in the short term from US\$960/tonne due to slow economic growth rates in the U.S. and an uncertain outlook for zinc demand compared with supply. We anticipate that with increased zinc demand, metal prices will increase.

Exploration

Tara's exploration activities expanded during 1984, with the range of its Irish exploration activities increasing and initial exploration activities beginning in Europe. Irish exploration activity has resulted in the identification of an exploration property with interesting lead/zinc potential. Two exploration properties outside Ireland are of interest, one with lead/zinc potential, the other with potential for tin/tungsten. We believe that Tara's exploration activities will result in the identification of a commercial orebody.

Outlook

Following on the successful results in 1984, we look forward to making further progress during 1985. Exploration activities will continue and further progress is expected with the development of the Navan orebody. It is a measure of the confidence with which we view the future that the Directors will consider the declaration of Tara's first dividend at their June 1985 meeting.

Discussions on the acquisition of Bula Limited by Tara are continuing. These negotiations have proven difficult and it is anticipated that a satisfactory conclusion of these negotiations could take some time to reach.

On behalf of the Directors, I wish to express the Board's appreciation of the efforts made by all Tara's employees in contributing to the success achieved during the year.

17th May, 1985
Dublin, Ireland

M. McCarthy,
President.

The Year in Review

EXPLORATION

The exploration activities of Tara were increased during 1984. While Tara's exploration activity in recent times has been confined to Ireland, the Company has begun to broaden its areas of interest and range of commodities sought by undertaking exploration projects elsewhere in Europe and by intensifying its exploration efforts within Ireland.

The main effort in Ireland has continued to be the search for further carbonate hosted lead/zinc ore, particularly in the East Leinster region. Diamond drilling of geophysical and geochemical targets has intersected sections of massive pyrite and the drilling has also disclosed that rocks similar to the sediments which host the Navan orebody occur at relatively shallow depths in the area explored. In view of favourable lithology at reasonable depths, favourable structural settings and the location of copper, lead, zinc and barite mineralisation within the older basement rocks, the area will be subject to a major exploration programme during 1985. The regional setting is analogous to that of the Navan orebody.

Exploration programmes covering another area, involving dalradian metasediments in the North West of Ireland have located zinc intersections.

In North West Ireland alluvial gold has also been located in streams covering an area in excess of 170 square miles overlying upper dalradian rocks. Diamond drilling based on gold anomalies within the overburden has encountered trace amounts of gold. In the West of Ireland an extensive reconnaissance exploration programme has located alluvial gold in superior amounts to that located in the North West. Preliminary prospecting has located economic grades in float and outcrop. Due to these encouraging results, prospecting licences have been applied for and a major exploration programme is planned.

On the Westport talc-magnesite deposit,

Right: Diamond drilling underground.

Below: Miners in the cage at the beginning of a shift.

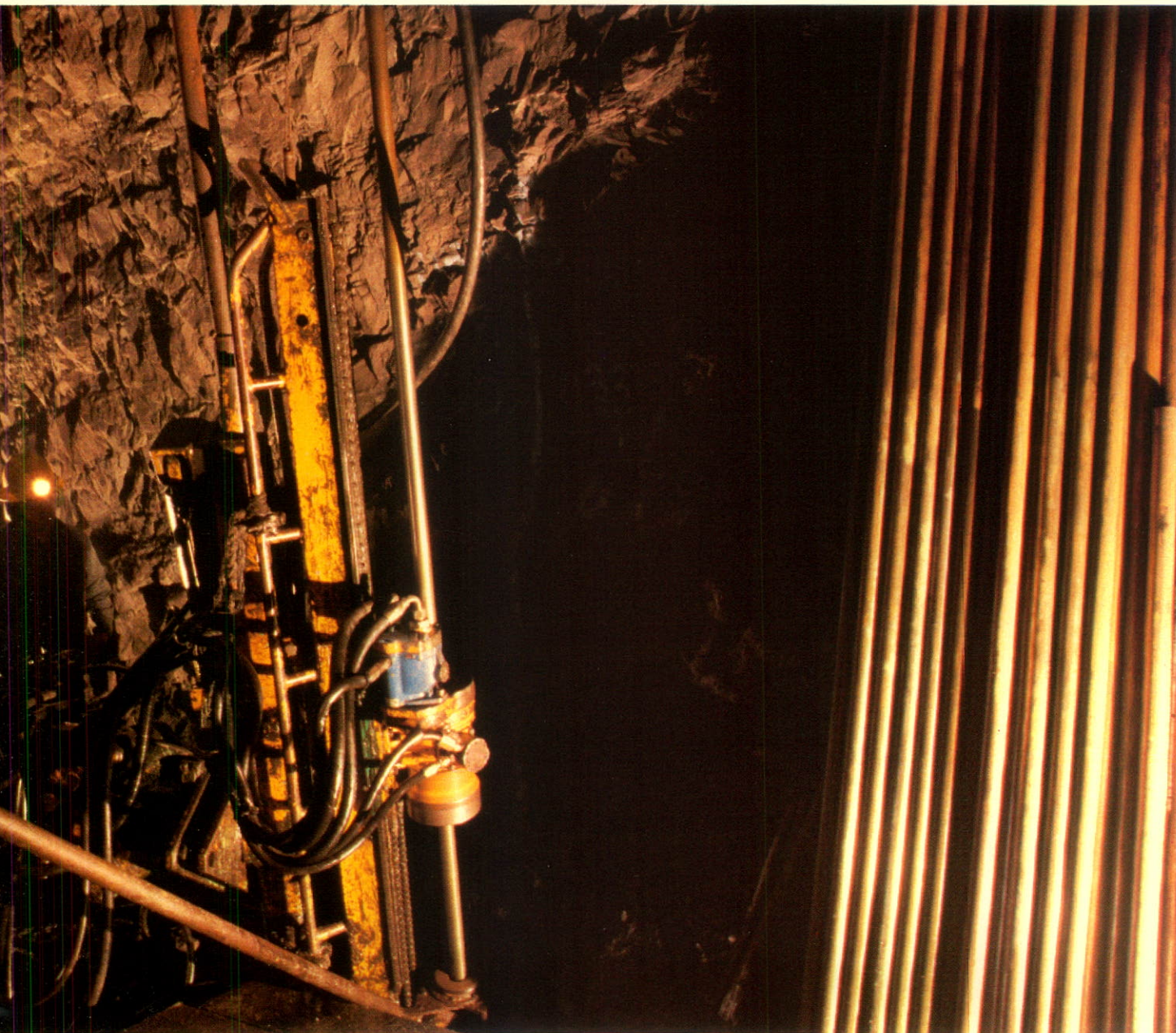


favourably located close to road, rail and sea transport, a total of 1800 metres of diamond drilling on regularly spaced sections has demonstrated the continuity of grade and tonnage. Before the application for a State Mining Lease, a further bulk sample is necessary for submission to potential customers, and a joint marketing arrangement with a major European talc producer is being considered. An independent feasibility study on the project will be completed during summer 1985.

During 1984, Tara conducted a reconnaissance exploration programme for lead/zinc in the U.K. A number of promising

targets for follow-up exploration were identified and significant indications of lead/zinc mineralisation were located on one property. Discussions have been held with a company holding the neighbouring exploration rights with a view to concluding a joint venture agreement.

Discussions have also taken place with a view to Tara taking a majority interest in a tin/tungsten property. These negotiations are at an advanced stage and it is anticipated that negotiations will be concluded shortly.



Five Year Review — 1980-1984

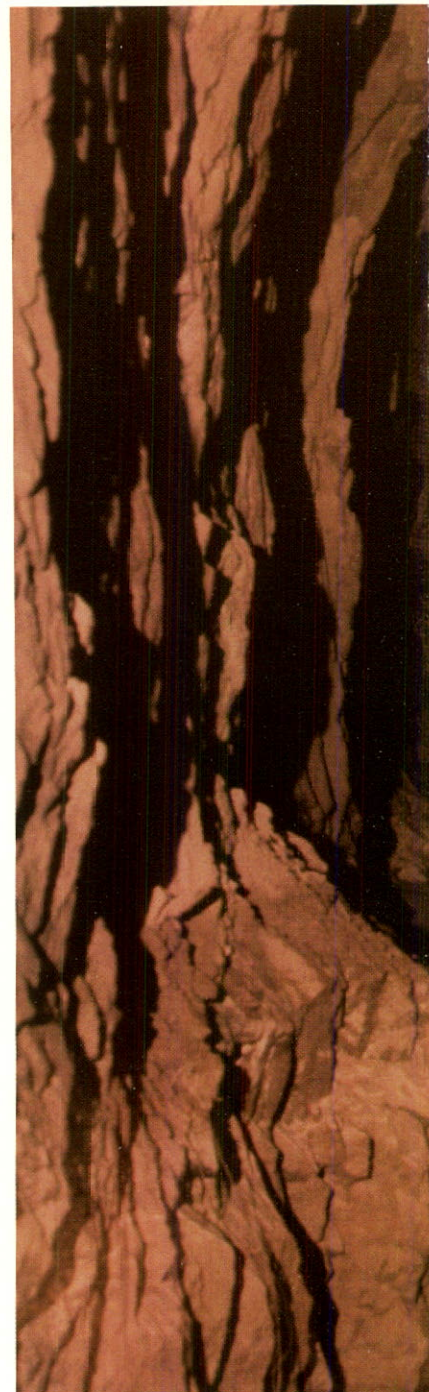
Production	1984	1983	1982	1981	1980
Milled Ore & Waste	2,424,831	2,360,350	1,779,800	1,073,325	2,135,476
Zinc %	9.32	8.71	9.41	10.0	10.11
Lead %	1.98	1.81	1.92	2.0	1.96
Milled Ore	2,104,545	1,989,005	1,497,267	830,557	1,822,652
Zinc %	10.45	10.2	11.30	13.5	11.68
Lead %	2.25	2.1	2.19	2.8	2.24
Concentrates Produced					
Zinc DMT	379,747	342,635	277,051	175,680	354,349
Zinc %	54.2	54.2	54.4	54.4	54.1
Lead DMT	58,355	53,603	44,335	27,555	52,416
Lead %	63.7	62.6	60.6	58.7	57.2
Metal Produced					
Zinc	205,943	185,708	150,716	95,570	191,703
Lead	37,158	33,555	26,867	16,175	29,982
Capital expenditure (\$'000)	\$3,105	\$1,521	\$887	\$1,476	\$3,206
Employees	1,014	959	908	966	962

PRODUCTION

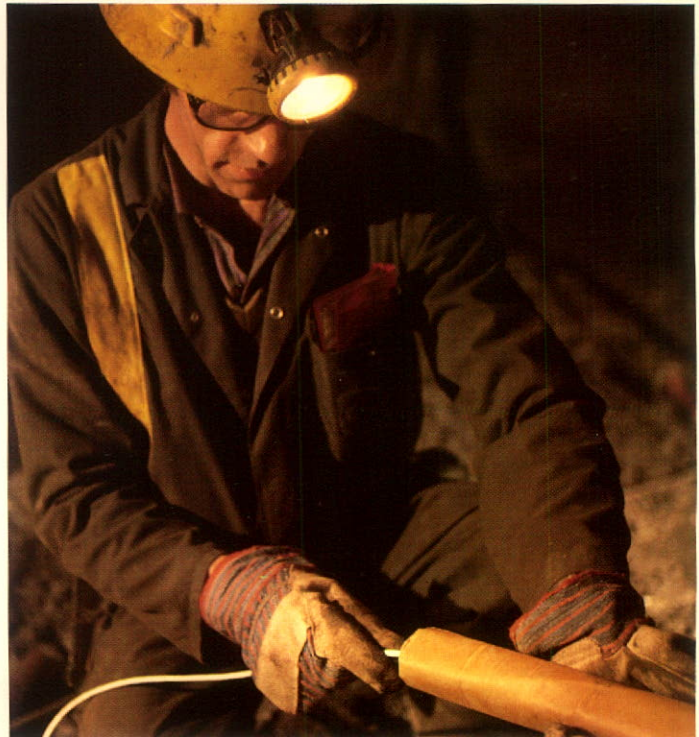
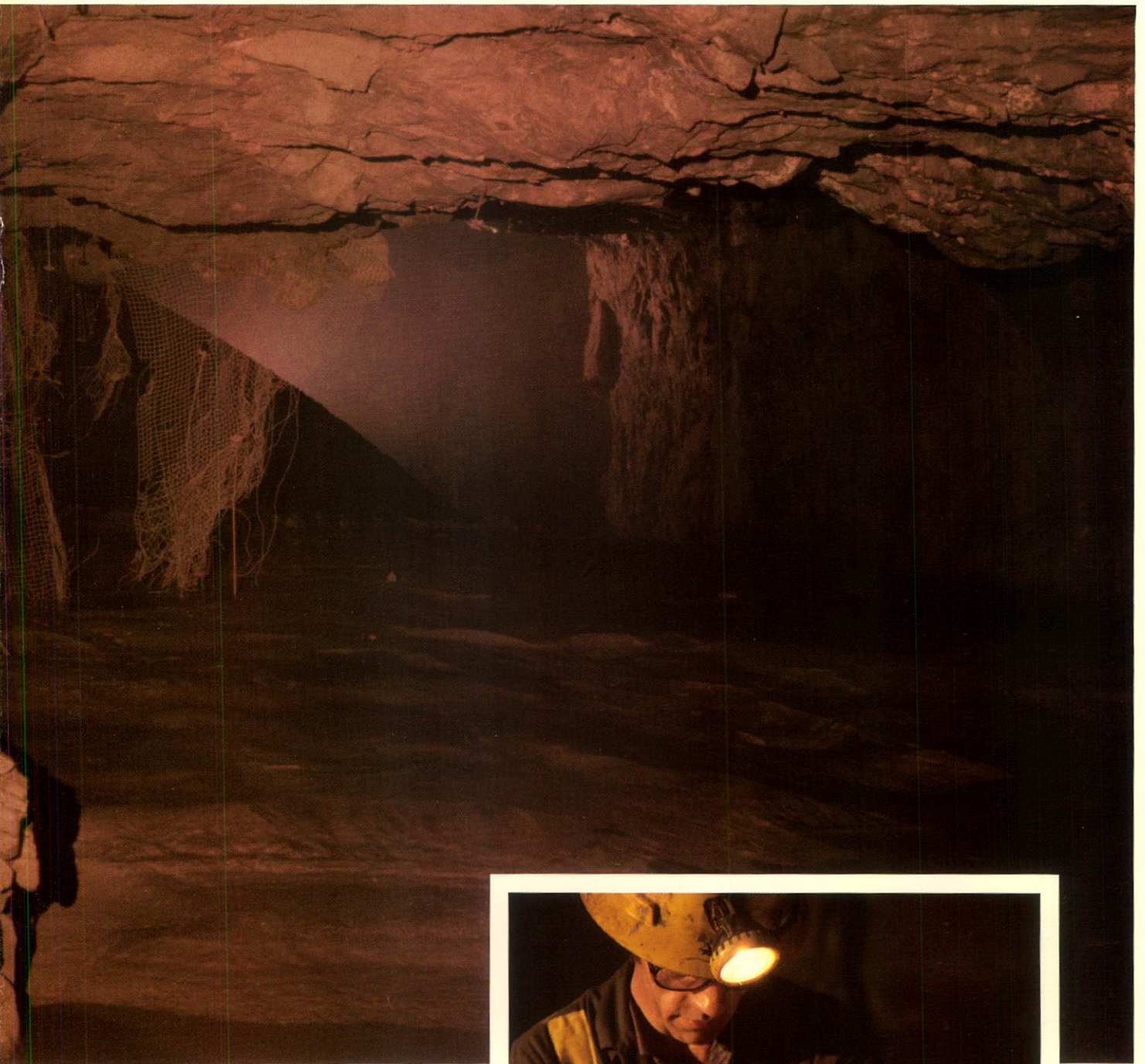
The development of the Navan orebody continued during 1984, with a combined metal production of 243,101 tonnes — an increase of 11% over 1983 production. Main development at 8,814 metres and stope development at 11,034 metres were 28% and 4% respectively more than achieved during 1983. Production from the mine increased and capacity constraints in processing were encountered during the year.

The development of improved skills at all employee levels continued. Programmes to improve motivation and safety consciousness showed encouraging results. Emphasis continued to be placed on improving communications between managers, supervisors and employees.

Particular emphasis was placed on improved safety performance. The establishment and activities of a Safety Review Committee appear to have contributed to a sharp improvement in safety performance towards the year end.



Cemented hydraulic backfill being placed in a mined out stope.



Priming a stick of Frangex prior to blasting.

Mining

Mine production for 1984 amounted to 2,432,831 tonnes, of which 750,771 tonnes of ore was provided from development activities. Pillar mining activities resulted in the mining of 941,246 tonnes while stope mining provided 740,814 tonnes. Backfill dilution was maintained at satisfactory levels. Backfill placed into mined-out areas totalled 1,390,445

Top: Maintenance work on the hub of an 8 yd. scoop tram in the underground workshop.

Bottom: Operating the overhead travelling crane in the underground workshop.



Production Statistics

	1984	1983
Tonnes hoisted	2,432,831	2,382,350
Main development metres	8,814	6,864
Stope development metres	11,034	10,633
Backfill placed tonnes	1,390,445	1,067,919

tonnes of which 239,486 tonnes was waste rock.

Main and stope development completed was 8,814 metres and 11,034 metres respectively at an overall average 0.78 metres per manshift.

Non-electric blasting was introduced during the year in both production and development mining activities. The non-electric blasting system provided improved production blasting control and made additional efficiencies possible in development.

Training of additional development crews continued throughout the year in order to meet the increasing demand on development advances. The new crews continued to increase their productivity as experience was gained.

The availability of the fixed and mobile equipment improved significantly over previous years and was a major contributing factor in the additional tonnage processed.

Reserves

The geological ore reserves at December 31, 1984 were 51.5 million tonnes at a grade of 9.20% zinc and 2.63% lead, classified as follows:

Reserves

	December 31, 1984		
	Tonnes	Zinc %	Lead %
Proven	11,948,500	11.12	2.38
Probable	14,551,800	8.67	2.25
Possible	24,986,800	8.59	2.97
	<u>51,487,100</u>	<u>9.20</u>	<u>2.63</u>

Movement in Geological Ore Reserves

Reported reserves at December 31, 1983

Revised reserves:

At December 31, 1983

Additions from drilling

Production

At December 31, 1984

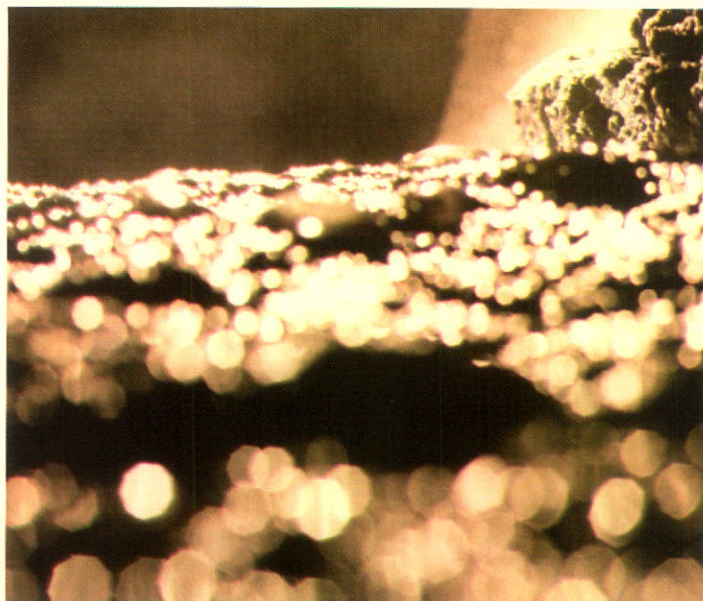


Steam cleaning in the flotation area.

December 31, 1983

Tonnes	Zinc %	Lead %
9,624,800	11.83	2.60
17,709,500	8.95	2.17
26,161,800	8.63	2.89
<u>53,496,100</u>	<u>9.31</u>	<u>2.60</u>

Tonnes	Zinc %	Lead %
<u>53,496,100</u>	<u>9.31</u>	<u>2.60</u>
52,588,480	9.24	2.60
1,010,300	9.59	3.52
(2,111,680)	(10.47)	(2.21)
<u>51,487,100</u>	<u>9.20</u>	<u>2.63</u>



Processing

Ore milled during 1984 totalled 2,104,545 tonnes at a grade of 10.45% zinc and 2.25% lead, yielding 379,747 tonnes of zinc concentrate containing 205,943 tonnes of zinc metal and 58,355 tonnes of lead concentrate containing 37,158 tonnes of lead metal.

The mill continued to operate satisfactorily throughout the year at treatment rates well in excess of target and new records were achieved in the amount of tonnage treated. An additional leaching tank was installed during the year and this will ensure the mill's ability to maintain the proportion of magnesium oxide below commercially acceptable levels.

Considerable work has been carried out in improving efficiencies in the backfill section and the quality of the fill being sent underground.

Tests were started on the use of alternative flotation mechanisms with a view to increasing recoveries and reducing power consumption. While initial results show that considerable power savings can be achieved in the flotation

section, no decision has yet been made to proceed with the necessary investment.

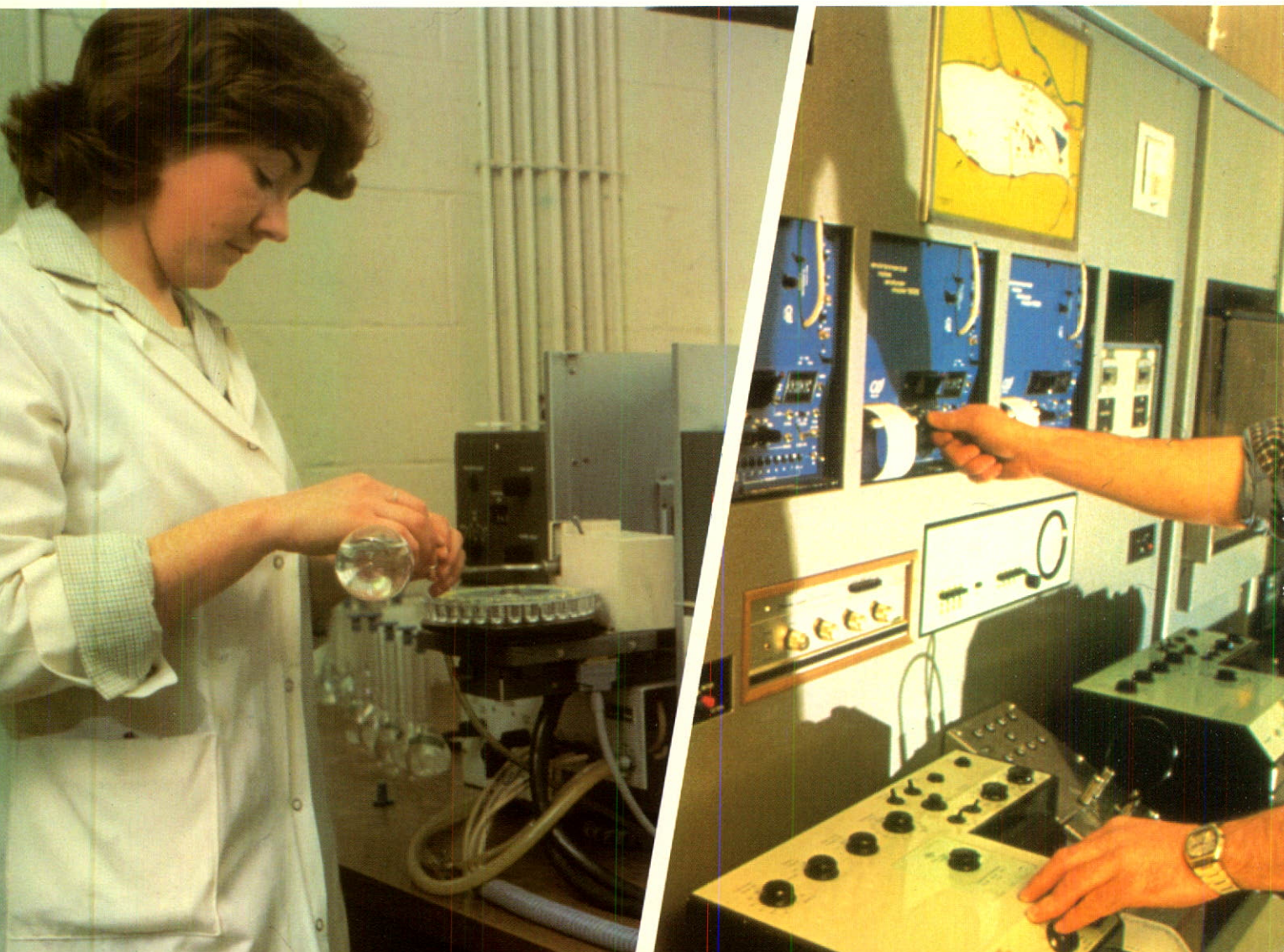
MARKETING

The market for zinc metal was strong during 1984 and this resulted in good market conditions for zinc concentrates. Tara's location, using Dublin or Drogheda, permits it to ship material to any location which its customers select in optimising their total supplies of zinc and lead concentrates.

Deliveries of zinc concentrates during 1984 totalled 376,138 tonnes compared to 348,409 tonnes during 1983, while deliveries of lead concentrates totalled 57,155 tonnes compared to 56,763 tonnes during 1983. Silver contained in lead concentrates amounted to 8,712 kilos compared to 10,092 kilos during 1983.

Zinc

Western world refined zinc metal consumption rose to 4.7 million tonnes, or 2% higher than 1983 consumption. Although growth was concentrated in the U.S. and



Europe — up 2.89% or 27,000 tonnes to 960,000 tonnes and 4.31% or 71,000 tonnes to 1.72 million tonnes respectively, consumption in the less developed countries remained depressed.

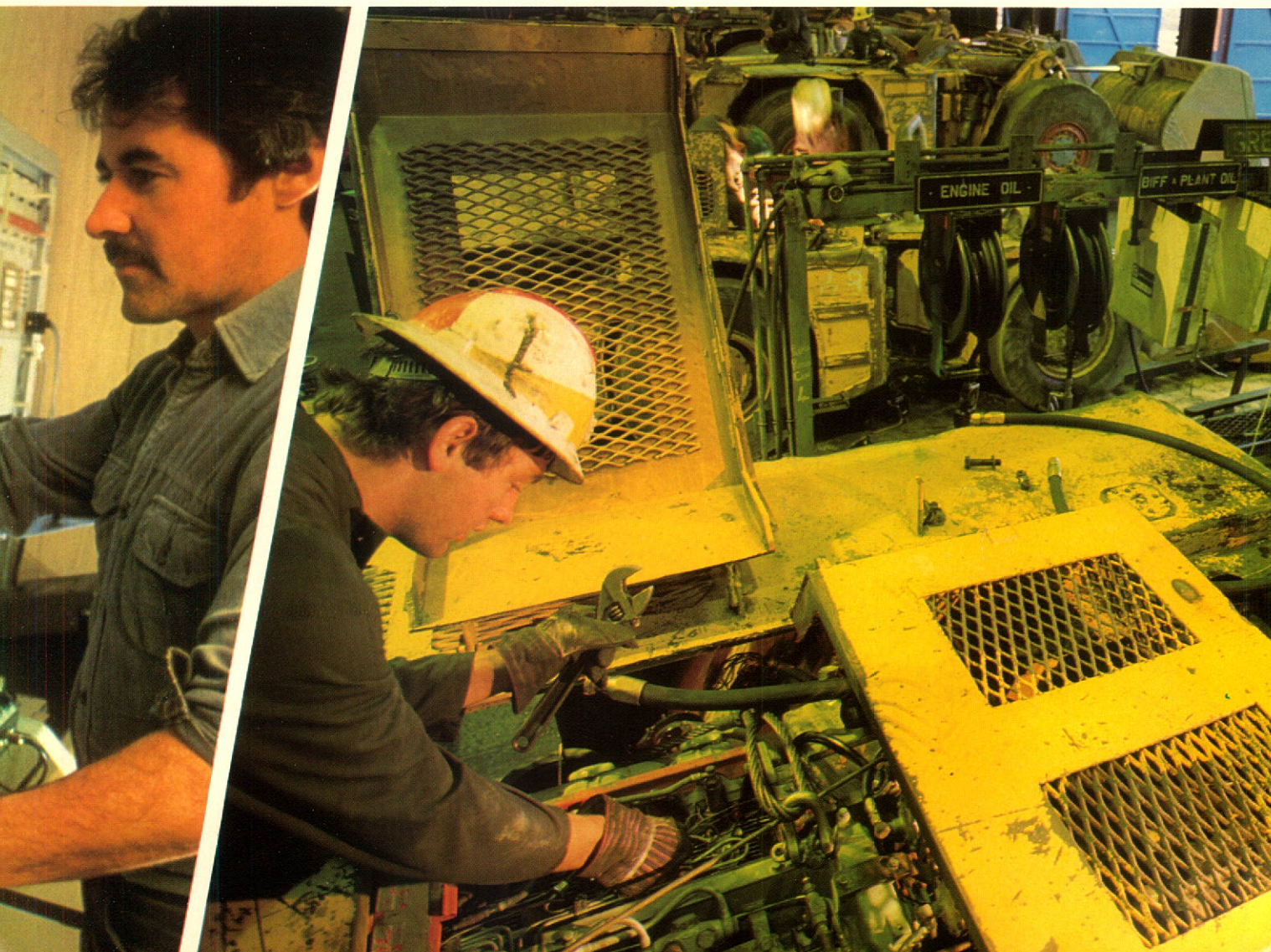
Exports to the Eastern Bloc and China were again substantial, estimated at 280,000 tonnes but were less than the 326,000 tonnes exported in 1983. Western imports from socialist countries are expected to total around 83,000 tonnes, giving a net export trade of 197,000 tonnes.

Production of refined metal in the western world was maintained at a high level throughout the year, despite the fact that some companies, mainly in Europe, announced cutbacks during the latter part of the year. Production totalled 4.84 million tonnes, a rise of 4.22% or 196,000 tonnes over last year. The principal increases were in Europe, up by 54,000 tonnes to 1.92 million tonnes, in Canada, up by 66,000 tonnes to 683,000 tonnes, and in Japan, up by 53,000 tonnes to 754,000 tonnes.

Left: Metallurgical testing in the Assay Laboratory.

Centre: The mine site noise and vibration monitoring centre.

Right: Carrying out repairs to the fuel system on a 26 tonne truck in the surface workshop.

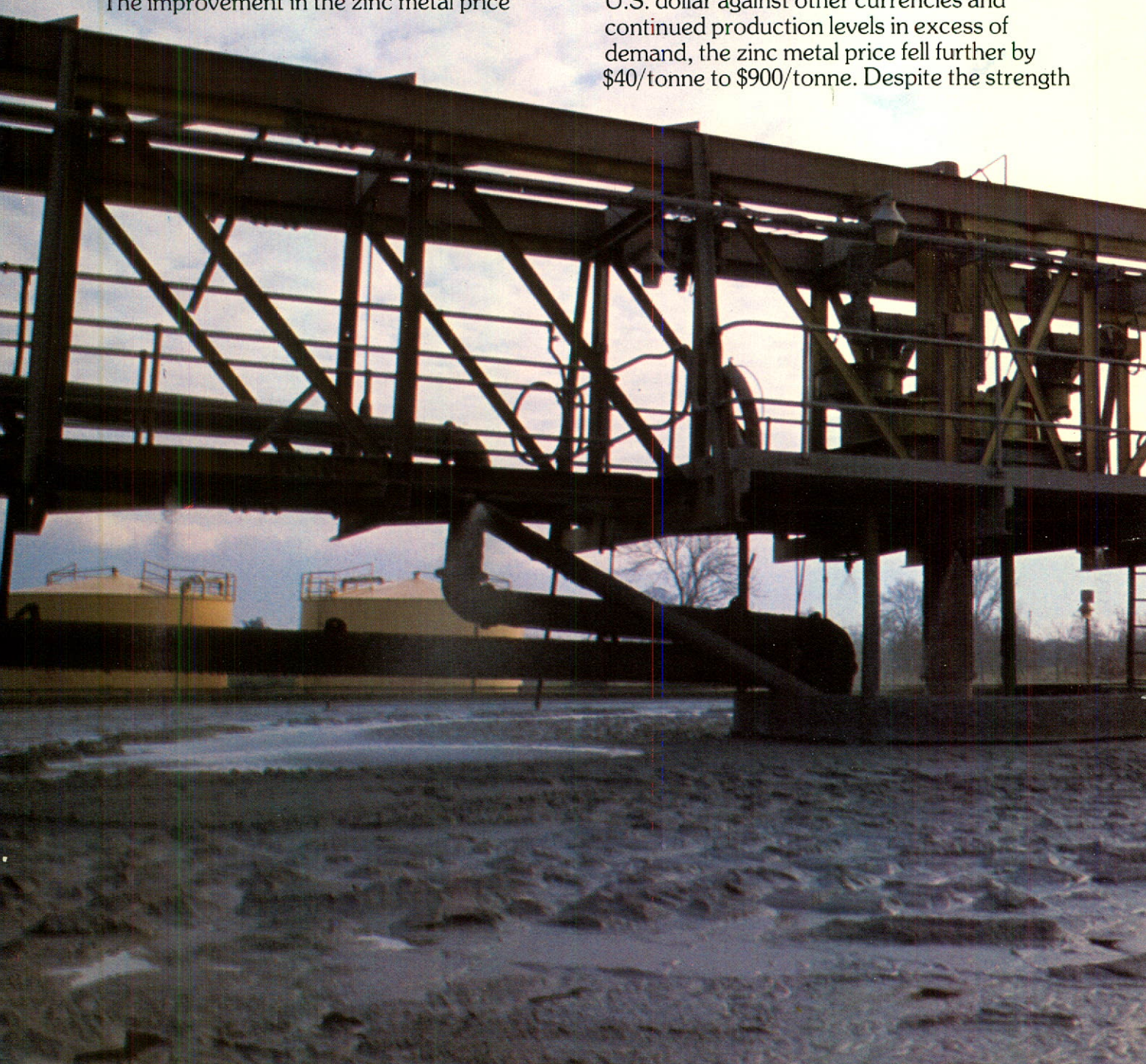


Western world mine production continued to increase despite labour disputes. Total 1984 zinc metal in concentrate was 5 million tonnes — 4.34% above 1983 production. The increase was attributable to a partial recovery of Canadian output, up by 145,000 tonnes to 1.21 million tonnes and a rise of 36,000 tonnes in Thai mine production due to the new Pa Daeng mine. In Europe, mine production rose to 1.11 million tonnes due to increases of 53,000 tonnes in Spanish mine production and 20,000 tonnes in Irish mine production.

Western world producers' zinc metal stocks increased by 75,000 tonnes at the end of last year to approximately 420,000 tonnes.

The improvement in the zinc metal price

during the second half of 1983 was maintained during the first six months of 1984. Prompt metal deliveries were in short supply resulting in some turbulent conditions on the London market. The European Producer Price rose steadily from \$980/tonne to \$1,090/tonne in April but then came under pressure from increasing production due to both the rise in the value of the U.S. dollar against other major currencies and expectation of an easing of the squeeze on prompt metal supplies. The price suffered three reductions of \$50/tonne during June, July and September to leave it at \$940/tonne. During October, in response to renewed pressure from the strength of the U.S. dollar against other currencies and continued production levels in excess of demand, the zinc metal price fell further by \$40/tonne to \$900/tonne. Despite the strength



of the U.S. dollar, the producer price for zinc moved upwards during the first quarter of 1985 and reached \$960/tonne in early April. However, the expectation of lower growth rates in the U.S. led to lower zinc metal demand and the uncertain demand has highlighted concern on the outlook for zinc metal prices.

Lead

Western world lead consumption was 3.91 million tonnes during 1984, 2.76% above 1983 levels. This increase was the first significant growth in five years, 1983 having seen only a modest beginning of a revival in demand for lead metal. In the course of 1984, a broadly based recovery in demand spread to Europe, Canada and Japan. In Europe, consumption was up by 70,000 tonnes to 1.63 million tonnes, with Germany showing the largest increase, up by 39,000 to 357,000 tonnes. In Canada, demand increased by 23,000 tonnes to 119,000 tonnes and in Japan, consumption increased

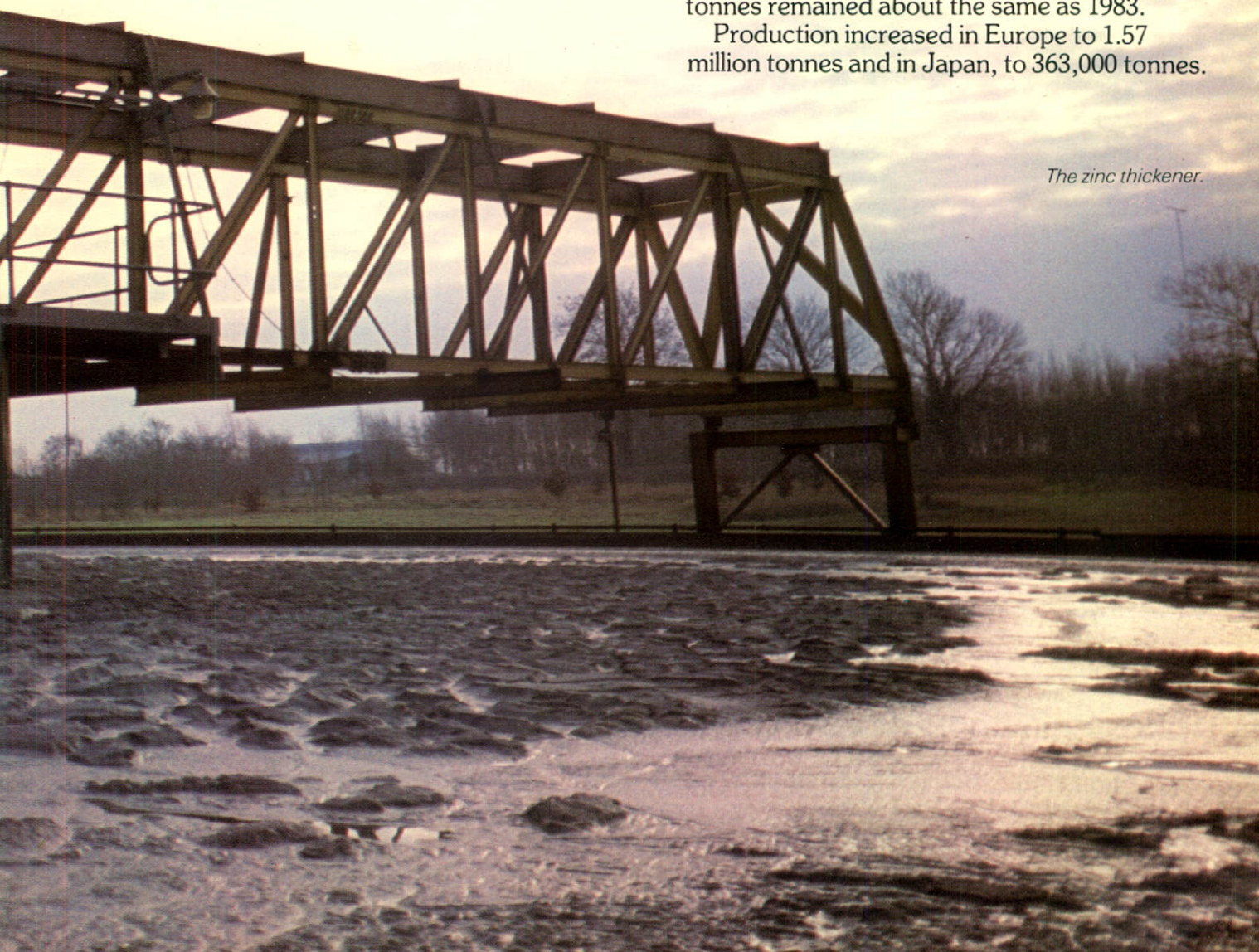
by 32,000 tonnes to 391,000 tonnes. Though a slowing of U.S. economic growth was evident for some time during the second six months of 1984, confidence was somewhat restored by reasonably buoyant trends at the end of 1984. While housing starts declined slightly, car sales held up at the end of the year.

Notwithstanding the general economic recovery in 1984, consumption remained below 4 million tonnes. To some extent, this resulted from the lack of growth in many of the important developing countries; it also highlighted the increasing impact on battery manufacturing requirements of new battery technology. These technological changes have reduced the quantity of lead used in the average automobile battery and similarly resulted in steady increases in average battery life. The use of lead additives in petrol continued to decline, especially in the U.S.; a similar decline in European demand for lead additives is well established.

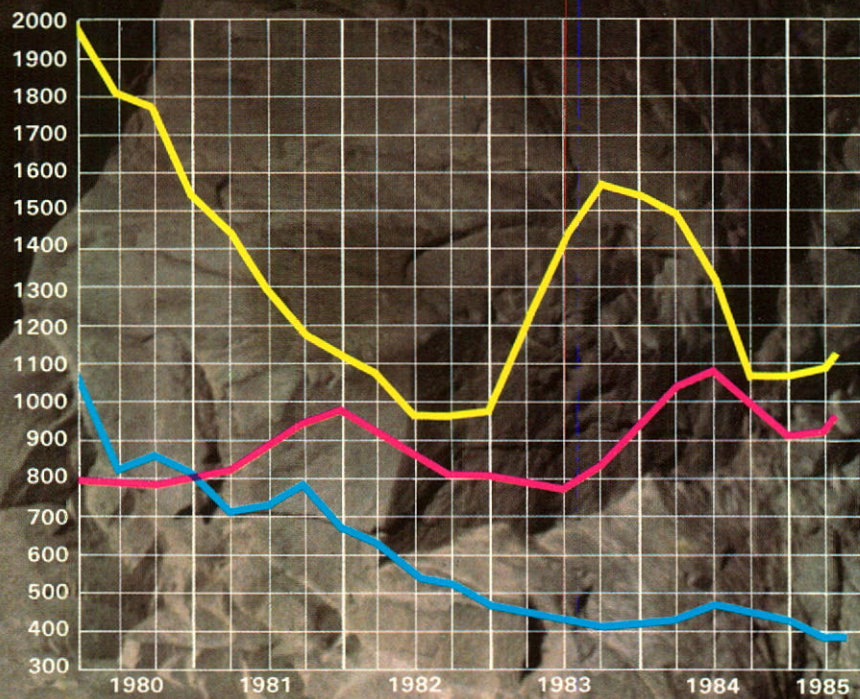
Production of refined lead at 3.93 million tonnes remained about the same as 1983.

Production increased in Europe to 1.57 million tonnes and in Japan, to 363,000 tonnes.

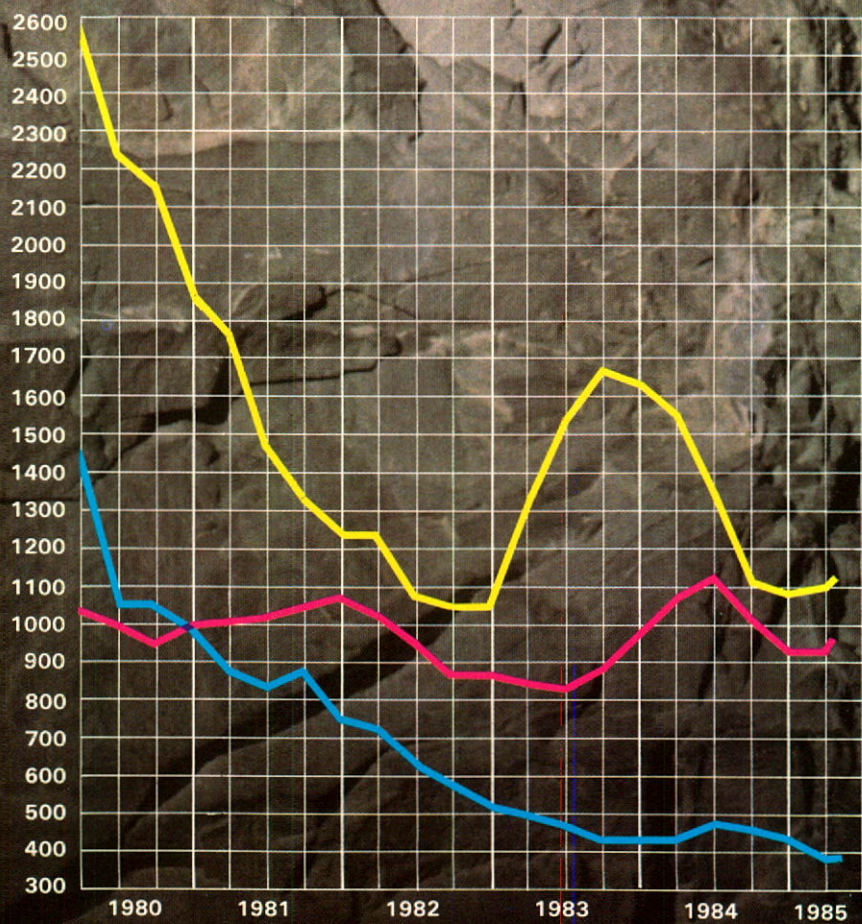
The zinc thickener.



Metal Prices (U.S. Dollars): Actual



Metal Prices (U.S. Dollars) Adjusted for Inflation to March 1985



— ZINC

— LEAD

— ALUMINIUM

PRODUCTION AND CONSUMPTION STATISTICS

Non-Communist Countries

ZINC (000's tonnes)	1984	1983	1982	1981	1980	1979	1978	1977
Metal Consumption	4,696	4,605	4,250	4,435	4,481	4,744	4,654	4,256
Producer Stocks	420	345	503	564	499	552	462	859
Metal Production	4,839	4,643	4,318	4,542	4,462	4,713	4,291	4,272
Mine Production (Metal Content)	5,005	4,797	4,804	4,459	4,513	4,611	4,693	4,839
LEAD (000's tonnes)								
Metal Consumption	3,910	3,805	3,796	3,899	3,952	4,192	4,153	4,108
Producer Stocks	208	186	242	247	221	182	148	180
Metal Production	3,926	3,907	3,918	4,034	4,107	4,324	4,159	4,095
Mine Production (Metal Content)	2,353	2,448	2,549	2,463	2,537	2,548	2,539	2,516

Source ILZRO

These increases were largely offset by decreased production in the U.S. to 918,000 tonnes and in Africa, to 122,000 tonnes. In the U.S., as elsewhere, the shortfall in mine output has been partially offset by the rundown of concentrate stocks and by the increase in secondary lead recovery. Secondary refined output in the western world is estimated to have risen 8.2% to 1.69 million tonnes during 1984. Much of the increase in secondary recovery was due to the increase in the recycling of lead batteries in the U.S.

Mine production of lead in concentrates declined in 1984 by 3.88% from 2.45 million tonnes to 2.53 million tonnes. The largest fall in production occurred in the U.S. where the strikes which affected all but one of the operations in Missouri resulted in U.S. production in 1984 being approximately 100,000 tonnes below the level of potential mine production. U.S. production was maintained at relatively high levels even at many strike-affected facilities. Production was also adversely affected by strikes in Australia (57,000 tonnes) and in Peru (6,000 tonnes). These mine production losses were offset by appreciable production increases in Canada (60,000 tonnes), Mexico (22,000 tonnes) and Spain (16,000 tonnes).

Total producers' lead metal closing stocks of 208,000 tonnes showed an increase of 22,000 tonnes over the opening position at the beginning of the year while L.M.E. warehouse stocks decreased from 172,000 tonnes to 40,500 tonnes.

Lead prices on the L.M.E. started the year at just over £280/tonne, advanced to an average of £374/tonne during July and then declined steadily to end the year at £333/tonne. The average L.M.E. price for the year was £332/tonne. Although L.M.E. stocks have fallen to relatively low levels, further reductions in metal stocks will be necessary before any substantial price rise occurs.

Silver

From a price of £6.40/oz. at the beginning of the year, the L.M.E. quotation remained within a range of £5.33/oz. to £6.62/oz. to average £6.07/oz. for the year and to end the year at £5.43/oz.

The determining factor which has restrained the silver price has been the strength of the U.S. dollar. Because of this and the continuing U.S. economic boom and high international interest rates, capital has been transferred from metal and reinvested in financial markets.

The graphs opposite illustrate actual and inflation adjusted price movements for zinc, lead and aluminium.

There is a discernible relationship between the prices for zinc and aluminium which regularly compete in the same markets.

Centre: A front-end loader moving concentrate in the load-out building.

Bottom: A vessel is loaded at Tara's shiploading facility at Dublin Port.



Auditors' Report

To the Shareholders of
Tara Exploration and Development
Company Limited:

We have examined the consolidated balance sheet of Tara Exploration and Development Company Limited as at December 31, 1984 and the consolidated statements of income, retained earnings/ (deficit) and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1984 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in Canada applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 14, 1985.

Clarkson Gordon
Chartered Accountants

Accounting Policies

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (a) The accounting policies used in the preparation of these consolidated financial statements are those which are generally accepted in Canada.

(b) Principles of consolidation

The consolidated financial statements include the financial statements of all subsidiary companies, the more significant of which are Tara Mines Limited and Tara Prospecting Limited.

(c) Currency translation

Currency balances, other than those in U.S. dollars, are translated as follows:

- (i) Current assets (other than inventories stated at cost) and liabilities at year end rates;
- (ii) All other assets, minority interest and shareholders' equity at historical rates;
- (iii) Revenue and expense transactions at the average rate of exchange prevailing during the year except for depreciation and amortization which are translated at rates applicable to the related assets.

Gains or losses resulting from translation of foreign currency balances are included in the statement of income except for exchange gains relating to non-U.S. dollar loans which are deferred and taken to exchange gains on the balance sheet and amortized to income over the remaining life of the loans.

(d) Inventories

Inventories of concentrates and metals on hand are stated at the lower of cost (determined on the first-in, first-out method) and net realizable value. Inventories of supplies are stated at the lower of average cost and replacement cost.

(e) Depreciation and amortization

- (i) Fixed assets, other than land not used for mining, are depreciated over the expected useful lives of the assets ranging from 4 to 25 years. The straight line method is used for mobile equipment at a rate of 25% per annum. All other fixed assets are depreciated on the unit of production method based on metallic content of the ore reserves estimated to be recoverable during their useful lives.
- (ii) Development and preproduction expenditures deferred, together with lease acquisition costs, are amortized on the unit of production method over the shorter of the life of the mine and 25 years.

(f) Exploration

Exploration expenditures are charged to income in the period in which incurred.

(g) Deferred income taxes and royalties

The company follows the tax allocation basis in accounting for income taxes and mining royalties payable under the State Mining Lease. Investment allowances are offset against taxable income. Deferred taxes and royalties arise because of timing differences in the recognition of certain revenue and expense items for tax and financial statement purposes.

(h) Pensions

The company has various funded pension plans, which cover substantially all eligible employees. Current service pension costs are charged to earnings as they accrue. Past service costs are charged to earnings at rates which, based on independent actuarial estimates will fully provide for the company's pension obligations.

Tara Exploration and Development Company Limited

(Incorporated under the laws of Ontario)
and its subsidiary companies

Consolidated Balance Sheet

at December 31, 1984

Expressed in thousands of U.S. dollars

	1984	1983
ASSETS		
Current assets		
Cash and short term investments	\$15,893	\$7,526
Smelter settlements receivable	6,897	9,968
Accounts receivable and prepaid expenses	1,765	2,253
Inventories (Note 2)	5,617	5,986
	<u>30,172</u>	<u>25,733</u>
Investment (Note 3)	3,362	3,362
Fixed assets (Note 4)	60,959	65,584
Other assets and deferred charges (Note 5)	50,617	54,709
	<u>\$145,110</u>	<u>\$149,388</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$10,897	\$10,913
Income taxes payable	1,079	85
Due to shareholders	3,957	3,448
Bank advances and current portion of long term debt	18,500	23,000
	<u>34,433</u>	<u>37,446</u>
Deferred taxation and royalty	20,515	—
Long term debt (Note 6)	42,106	82,280
Deferred exchange gains	838	663
Minority interest	8,583	4,141
Shareholders' equity		
Capital stock (Note 7)	6,448	6,308
Contributed surplus	20,310	20,310
	<u>26,758</u>	<u>26,618</u>
Retained earnings/(deficit)	11,877	(1,760)
	<u>38,635</u>	<u>24,858</u>
	<u>\$145,110</u>	<u>\$149,388</u>

Commitments (Note 9)

On behalf of the Board:

Michael McCarthy, Director

Brendan Hynes, Director

(See accompanying notes)

Consolidated Statement of Income

Year ended December 31, 1984

Expressed in thousands of U.S. dollars

	1984	1983
Revenue		
Net concentrate and metal sales	\$118,724	\$94,229
Expenses		
Operating expenses	56,695	56,126
Depreciation and amortization	11,823	14,248
Interest and other costs of servicing long-term debt	10,204	13,174
	<u>78,722</u>	<u>83,548</u>
Operating income	40,002	10,681
Other income (expense)		
Sundry income	1,435	490
Exploration	(751)	(421)
Currency translation adjustment	(1,081)	(492)
	<u>39,605</u>	<u>10,258</u>
Income before undernoted items		
Income taxes and mineral royalty (Note 10)	21,526	5,457
	<u>18,079</u>	<u>4,801</u>
Minority interest	4,442	1,561
	<u>13,637</u>	<u>3,240</u>
Net income before extraordinary item		
Extraordinary item	—	4,181
	<u>\$13,637</u>	<u>\$7,421</u>
Net income after extraordinary item		
Earnings per share		
Before extraordinary item	\$2.07	\$0.49
After extraordinary item	\$2.07	\$1.13

Consolidated Statement of Retained Earnings/(Deficit)

Year ended December 31, 1984

Expressed in thousands of U.S. dollars

	1984	1983
Retained earnings/(deficit) at beginning of year	\$(1,760)	\$(9,181)
Net income	13,637	7,421
Retained earnings/(deficit) at end of year	<u>\$11,877</u>	<u>\$(1,760)</u>

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1984

Expressed in thousands of U.S. dollars

	1984	1983
Cash provided from operating activities		
Net income before extraordinary item	\$13,637	\$3,240
Add items not requiring current cash payments		
Minority interest	4,442	1,561
Deferred income taxes and royalty	20,515	5,457
Depreciation and amortization	11,823	14,248
Currency translation adjustment	—	326
	<u>50,417</u>	<u>24,832</u>
Net change in non-cash working capital balances relating to operations	5,415	(4,174)
Cash provided by operating activities	<u>55,832</u>	<u>20,658</u>
Additions to fixed assets	<u>(3,105)</u>	<u>(1,521)</u>
Cash provided by (used in) financing activities		
Bank advances	1,500	—
Repayment of long term debt	(46,000)	(17,000)
Issue of shares	140	—
	<u>(44,360)</u>	<u>(17,000)</u>
Net increase in cash during year	<u>8,367</u>	<u>2,137</u>
Cash at beginning of year	<u>7,526</u>	<u>5,389</u>
Cash at end of year	<u><u>\$15,893</u></u>	<u><u>\$7,526</u></u>
Net change in non-cash working capital balances relating to operations		
Smelter settlements and accounts receivable	\$3,559	\$(4,980)
Inventories	369	849
Accounts payable and accrued liabilities	(16)	(895)
Income taxes payable	994	(22)
Due to shareholders	509	874
	<u>\$5,415</u>	<u>\$(4,174)</u>

(See accompanying notes)

Notes to Consolidated Financial Statements

December 31, 1984

Expressed in U.S. dollars

1. ACCOUNTING POLICIES

The principal accounting policies followed by the company are summarized under the caption 'Accounting Policies'.

2. INVENTORIES

	1984 '000	1983 '000
Inventories consist of the following:		
Concentrates	\$1,802	\$1,608
Supplies	3,815	4,378
	<u>\$5,617</u>	<u>\$5,986</u>

3. INVESTMENT

The investment which is carried at cost, \$3,362,000, consists of 501,714 shares in Northgate Exploration Limited. The quoted market value of these shares at December 31, 1984 was \$1,505,000 (1983 \$2,258,000) which is not necessarily indicative of their value.

4. FIXED ASSETS

	1984		1983	
	Cost	Accumulated Depreciation	Net	Net
	'000	'000	'000	'000
Mining land and buildings	\$12,593	\$3,930	\$8,663	\$9,090
Other land	1,766	—	1,766	1,464
Plant and machinery	78,068	30,834	47,234	52,386
Furniture and office equipment	839	499	340	434
Mobile equipment	14,150	12,567	1,583	1,592
Construction in progress	1,373	—	1,373	618
	<u>\$108,789</u>	<u>\$47,830</u>	<u>\$60,959</u>	<u>\$65,584</u>

5. OTHER ASSETS

	1984 \$'000	1983 \$'000
Exploration, development and preproduction expenditures deferred	\$67,624	\$67,624
State Mining Lease	6,069	6,069
	<u>73,693</u>	<u>73,693</u>
Less accumulated amortization	<u>23,076</u>	<u>18,984</u>
	<u>\$50,617</u>	<u>\$54,709</u>

6. LONG TERM DEBT

The long term debt is due by the company's subsidiary Tara Mines Limited.

	1984 '000	1983 '000
Bank consortium loans due 1985-1988 with interest at 2% above the London interbank offer rate for Eurodollar loans	\$22,986	\$63,986
Export Development Corporation of Canada loan due 1985-1986 with interest at 9¾% per annum	6,786	11,786
Standby facility bank loan due 1988 with interest at 2% above the London interbank offer rate for Eurodollar loans	26,500	26,500
Non-interest bearing loan of Can. \$3,742,800 (1983 Can. \$3,742,800) due 1989-1991.	2,834	3,008
	<u>59,106</u>	<u>105,280</u>
Less amounts due within one year	<u>17,000</u>	<u>23,000</u>
	<u>\$42,106</u>	<u>\$82,280</u>

The bank loans to Tara Mines Limited are secured by a first and fixed specific charge on certain property and assets of that entity and a floating charge on its remaining property and assets. The company has given an unconditional guarantee for the full amount of these loans and has pledged all of its shares in Tara Mines Limited in support of that guarantee.

Among other covenants, the bank loan agreements contain restrictions on Tara Mines Limited relating to working capital and the payment of dividends.

Scheduled maturities of long-term debt during the next five years are: 1985—\$17m; 1986—\$12.772m; 1988—\$26.5m; 1989—\$.945m.

7. CAPITAL STOCK

- (a) The authorised and issued capital stock consists of the following:

	1984 '000	1983 '000
Authorised		
50,000,000 common shares of no par value		
40,000,000 non-voting Class A preference shares		
Issued		
6,575,860 (1983—6,559,360) common shares of no par value	\$6,448	\$6,308

- (b) Employees' stock option

Pursuant to the Employees' Stock Option Plan, further options may be granted on up to 30,000 shares of the company's common shares at prices not less than 90% of the market value of the shares on the date the options were granted.

At December 31, 1984 options were outstanding as follows:

Number of Shares	Option Price	Expiry Date
106,000	Can.\$11.25	October 24, 1993
24,000	Can.\$16.20	May 7, 1994

16,500 shares were issued for Can. \$186,000 in exercise of employees' stock options during the year.

8. MINING LEASE

Tara Mines Limited holds a State Mining Lease from the Government of the Republic of Ireland for a term of thirty-five years from 1975. Under the terms of this Lease a royalty based on profits is payable to the Government. During the year, this Lease was extended for a period of ten years to 2010.

9. COMMITMENTS

- (a) Tara Mines Limited is committed to capital expenditure in the amount of \$1,071,000 (1983—\$211,000).
- (b) Tara Mines Limited have entered into a contract to sell U.S. \$42,609,000 for IR£43,000,000 covering the period January to October 1985. The contract is a hedge against future fluctuations in the exchange rate.

10. INCOME TAX AND MINERAL ROYALTY

	1984 '000	1983 '000
Current	\$1,011	\$ —
Deferred	20,515	5,457
	<u>\$21,526</u>	<u>\$5,457</u>

The provisions for Irish income tax and mineral royalty amount to \$21,526,000 which is an effective rate of 54.35%. The statutory Irish tax and royalty rate applicable to the company of 52.25% would have resulted in a charge of \$20,693,000. The difference amounting to \$833,000 is due mainly to the net effect of costs not recognised for tax purposes.

11. SEGMENTED INFORMATION

The company operates exclusively in the mining industry. Revenue is comprised entirely of export sales to European smelters by the company's principal operating subsidiary, Tara Mines Limited, which is located in the Republic of Ireland.

12. RELATED PARTY TRANSACTIONS

The standby facility bank loan of Tara Mines Limited was guaranteed to November 22, 1984 by certain of the company's shareholders on which date the terms were revised releasing the guarantees on the loans. Under the guarantee agreement, Tara Mines Limited was liable to pay commitment fees not exceeding:

- 2% per annum on a standby facility of \$15,000,000;
- 4% per annum on an additional standby facility of \$15,000,000.

The 1984 fees for the period to November 22, amounting to \$784,000 less payments of \$275,000 have been included in the balance sheet under the caption "Due to Shareholders".

13. COMPARATIVE FIGURES

Certain 1983 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1984.

14. SUBSEQUENT EVENTS

Tara Mines Limited is in discussions with the Government of the Republic of Ireland and other parties with a view to acquiring the share capital of Bula Limited and certain debts due by Bula Limited. Bula Limited owns private minerals in a part of the Navan orebody adjoining the Tara deposit.

TARA MINES LIMITED

Directors

J. N. Clarke
Tom Farrell
Matthew Gilroy
John A. Hall
Brendan Hynes
Michael McCarthy
Joseph V. McParland
Hugh Murphy
Patrick J. Murphy
Sean Murray
Yvonne Scannell
John J. Tully

Alternate Directors

John V. Cleasby
Patrick J. Hughes
David J. Libby
Peter McAleer
Murrough V. OBrien

Officers

Michael McCarthy
Chairman

Francis B. Donnellan
Treasurer

Brendan Hynes
Deputy Chairman and Chief Executive

David J. Libby
Vice-President
General Manager – Mining

Gerard J. Reynolds
Financial Controller

John J. Tully
Secretary

TARA PROSPECTING

Brendan Hynes
Director

Michael McCarthy
Director

Murrough V. OBrien
Director

Derek M. Romer
General Manager

John J. Tully
Director/Secretary

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