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Corporate Information

BOARD OF DIRECTORS	OFFICERS	REGISTRAR AND TRANSFER AGENT
MYLES N. ANDERSON	MICHAEL McCARTHY	
	President	Crown Trust Company,
SYLVESTER P. BOLAND		Toronto, Canada
	MURROGH V. OBRIEN	
CHARLES CARVILL	Executive Vice-President	Charter Consolidated Limited,
	and General Manager	Ashford, Kent, England
J. N. CLARKE		
	MATTHEW GILROY	EXECUTIVE OFFICE
E. KENDALL CORK	Vice-President	
		162 Clontarf Road,
MATTHEW GILROY	BRENDAN HYNES	Dublin, Ireland
	Vice-President	Telephone: 332211
JAMES HANRATTY	DOWN A ALDER	Telex: 25881 IBAM-EI
	PETER McALEER	
PATRICK J. HUGHES	Vice-President	REGISTERED OFFICE
DD DAN HANDER	JOSEPH V. McPARLAND	0.11.01.10
BRENDAN HYNES	Secretary-Treasurer	Suite 3140,
WILLIAM LAMES	Secretary Treasurer	P.O. Box 143,
WILLIAM JAMES	AUDITORS	1, First Canadian Place,
MICHAEL MCCADTHY	AUDITORS	Toronto, Ontario, M5X 1C7
MICHAEL McCARTHY	Thorne Riddell,	Telephone: area code (416) 362-6683 Telex: 06-217766
JOSEPH V. McPARLAND	Chartered Accountants,	Telex: 00-217700
JOSEPH V. MCPARLAND	Toronto, Canada.	ANNUAL MEETING
HUGH MURPHY	Toronto, canada.	OF SHAREHOLDERS
Hedi wetti iii	Griffin, Lynch & Co.	OF SHAREHOEDERG
MURROGH V. OBRIEN	Chartered Accountants,	May 29, 1981, 10.00 a.m.
Metallodii V. obiabi.	Dublin, Ireland.	May 20, 1001, 10.00 a.m.
ALFRED POWIS		Manitoba Room,
	SOLICITORS	Royal York Hotel,
JOHN J. TULLY		Toronto, Canada
	Fasken & Calvin, Toronto, Canada	
	McCann, Fitzgerald, Roche & Dudley,	

Dublin, Ireland

Tara Exploration and Development Company Limited

TARA

27th Annual Report 1980



Report to Shareholders

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Operations during the year continued to show improvements with the production of 354,349 tonnes of zinc concentrate and 52,416 tonnes of lead concentrate, yielding 191,641 tonnes of zinc metal and 30,006 tonnes of lead metal in concentrates. Sales of metal in concentrates were 20% above 1979 levels. A marked improvement in the industrial relations climate was evident during the year. Total number of employees at the Navan mine at year end was 944. Inflation continued at a high rate -18% - and contributed to the difficulties experienced by the mining industry during the year.

Despite increased production levels and the improved industrial relations climate, lower metal prices, together with increased costs, resulted in a sharp fall in net earnings from \$9.05 million to \$0.11 million during 1980. Although 1980 sales of metal in concentrates were 20% above 1979 levels, revenues increased by only 8% over 1979 revenues. The prices received for lead and silver were substantially lower than during 1979 and the reduction in lead and silver revenues more than offset the effect of a modest zinc price increase during 1980. As a result of lower metal prices and a 15% increase in unit operating costs, only minimal profits were realised during 1980.

The company's continuing program to reduce operating costs met with some success, although the cost of energy and certain operating supplies rose dramatically and remain a cause for concern.

The zinc price rose to \$825/tonne in early 1980, declined during April to \$780/tonne, and recovered to \$825/tonne by year end; this was a slight rise over 1979 prices, but was well below the price levels required to cover 1980 cost increases. The lead price displayed a dramatic decline, falling from an L.M.E. price of £500/tonne at the start of 1980 to £335/tonne at the end of June and further declining

by year end to £310/tonne. The fall in the lead price had a very adverse impact on earnings during 1980, particularly when account is taken of inflation.

Although difficulties were experienced with mine production during the second quarter, these were overcome and production was as planned for the year.

Capital expenditure for 1980 amounted to \$3.4 million, of which some \$1.8 million was expended on the completion of an expansion to the tailings pond system. Other than capital expenditures necessary for the maintenance of long term production, capital expenditures are being limited to projects which will ensure the recovery of each investment within a period of two years. Capital expenditures of \$3.0 million are planned for 1981.

The future profitability of the Navan mine is dependent on the maintenance of production rates at capacity, on efficient operations and on increases in metal prices. Higher metal prices are essential if an adequate return is to be achieved.

Since 1974 zinc prices after adjusting for inflation have fallen sharply. Operating cost inflation in the mining industry has been particularly high because of the mining industry's relatively energy intensive nature; refineries have also suffered from similar cost increases. As a result the zinc industry has generally suffered from low profitability during the last five years.

During 1981 lead prices are not expected to improve over 1980 levels in view of the static nature of total world demand. However, because of the improved outlook for the zinc industry, the zinc price is expected to show further improvement by year end. The

likely price increases will not provide an adequate return on the investment of \$151.4 million which was required to develop the Navan mine. It is estimated that it would cost \$310 million to bring the Navan mine into production at to-day's costs. It is obvious that, in view of such capital costs for new zinc mines, higher zinc prices will be required if the West is to secure adequate supplies of zinc.

During 1980 a total of \$8.5 million was repaid to the Toronto Dominion Bank Consortium and to Export Development Corporation of Canada. A drawdown of \$2.0 million was made on the standby loan facility during the year to meet working capital requirements. As a result of the difficulties experienced during 1980 due to the metal price weakness and increased Euro-dollar interest rates, it was decided that a re-scheduling of the bank loan repayment pattern should be sought with a view to eliminating accelerating principal repayments. It is anticipated that agreement will be reached with the Bank Consortium led by the Toronto Dominion Bank on a revised debt repayment schedule involving quarterly repayments of \$3.0 million. The loan from Export Development Corporation of Canada, which provides for quarterly repayments of \$1.25 million, is not being restructured.

Tara Prospecting Limited continued an active exploration program although at a reduced level. The program is presently concerned with exploration for base metals, industrial minerals and precious metals. A vigorous exploration effort is essential for the development of the Company and a greater commitment to exploration will be made during the 1980's.

The future of the Company depends on the ability and efforts of those associated with it. On behalf of the Board of Directors, I wish to record the Board's appreciation of the employees' contribution to the results achieved during 1980.

May 3, 1981 MICHAEL McCARTHY Dublin, Ireland President.



The Year in Review

EXPLORATION

The Company maintained an active exploration program during the year although exploration efforts were reduced. Thirteen base metal prospecting licences were relinquished and the funding of two uranium joint venture agreements, covering an additional fourteen prospecting licences, were suspended. Tara's interest in the joint venture properties will be diluted as exploration on the properties continues. Currently the Company holds twenty eight prospecting licences covering approximately 320 square miles.

The development of an exploration program covering base metals, precious metals and industrial minerals is continuing. This program is being conducted on a highly selective basis in view of the current limitation on the resources which can be allocated for exploration expenditures.

The base metal program continued during the year with the identification of encouraging geochemical and geophysical anomalies and the outlining of favourable geological structures.

On the industrial minerals front, a drilling and sampling program on a long-known showing on the island of Inishbofin, Co. Galway, has outlined a deposit of talc-magnesite. A similar deposit has been discovered near Westport, Co. Mayo. Further work will take place during 1981.



Blasthole Drilling.

PRODUCTION

Mining

Ore hoisted amounted to 1,843,176 tonnes. Main development totalled 2,472 metres and stope development 12,383 metres. Backfilling of mined out stopes involved the placing of 720,508 tonnes.

Extraction is by benching and drawpoint stoping methods. Stopes are usually parallel to the strike of the orebody. Stopes and pillars range from 12 to 36 metres in width, from 50 to 75 metres in length and in height from 10 to 65 metres. The multilenticular nature of the Navan orebody and the dip of the footwall and hanging wall demand careful stope design. Modified stope design and waste handling procedures are expected to minimise dilution.

Ore hoisting is via a 5 metre diameter concrete lined shaft with a hoisting capacity of 750 tonnes per hour.

Mine planning and development for the area to the west of the shaft pillar was started during the year. Pillar recovery also commenced during the year and is proceeding successfully. Initial pillar recovery was accompanied by careful monitoring of backfill performance and ground conditions, both of which proved satisfactory.

Processing

Tonnes of ore milled totalled 1,822,652 at a grade of 11.58% zinc and 2.24% lead, yielding 354,349 tonnes of zinc concentrate and 52,416 tonnes of lead concentrate.

The tonnage of zinc metal in concentrate increased from 161,525 tonnes during 1979 to 191,641 tonnes during 1980. Lower recoveries and head grades led to a reduction in the tonnes of lead metal produced, from 33,306 tonnes during 1979 to 30,006 tonnes during the year.

The mill continued to operate satisfactorily during the year. On stream analyses of eleven process streams provide basic information essential to the optimising of metallurgical performance. This is currently being improved by the addition of computer control which is expected to be in operation during the third quarter of 1981.

Shipping

Concentrates are transported by rail in 55 tonne capacity wagons to the Company's facilities at Alexandra Basin in Dublin Port. The shipment facility includes a wagon tippler, a 25,000 tonne fully enclosed storage building and an 800 tonne per hour enclosed ship loader. Tara is one of the largest bulk users of the national railway company and the largest volume exporter from Dublin Port. During the year 117 sailings took place and no abnormal delays were encountered. The typical ship size used by Tara was 5000 DWT.

Production Costs

The general inflation level during 1980 was of the order of 18% although increases greatly in excess of this level were recorded for many goods and services used in the Navan operation.

ш.	Change 1980 v 1979 (unit costs)
Oil	+53%
Electricity	+39%
Explosives	+30%
Cement	+26%

In the face of such continuing cost escalation, and of metal prices failing to keep pace with inflation, Tara faced many difficulties during 1980. Scrupulous monitoring of costs continued in an effort to reduce operating overheads; all employees were asked to assist in this exercise with a view to containing costs. As a result of these programs and the increased volume of production, the rate of increase in operating costs per unit of metal in concentrates was 15%.

Energy cost increases, as reflected above, have been well above other cost price increases during 1980. Intense efforts are continuing to find ways to reduce hydro-carbon and electric power consumption. Process modifications have been made to permit the use of lower priced hydrocarbons in certain applications. The electrical distribution system is undergoing progressive changes which will enable Tara to fully benefit from interruptable power supply tariffs only recently introduced by the Electricity Supply Board. In spite of these savings, studies are continuing with the objective of further reduction in total energy consumption. The total cost of energy during the year was \$9.8 million, well above the cost of such power in other European countries and in non-European countries with growing mining industries. The relatively high cost of fuel oil is exacerbated by policies of

high taxation on fuel oil. Heavy power consumers have high power costs as the Electricity Supply Board's tariffs do not reflect the economic advantages of steady base loads which are usually reflected in the tariff offered to continuous large scale users in other countries. As a result of these fuel tax and power tariff policies, heavy energy consumers, usually capital intensive in nature, suffer significantly higher costs than competitors in other countries and face greater difficulties during recession. The 1980 results of all Irish mining operations have been poor due in part to these pricing policies.

1980 PRODUCTION STATISTICS

Mine:

Ore Hoisted	Tonnes:	1,843,176
Main Development	Metres:	2,472
Stope Development	Metres:	12,383
Backfill Placed	Tonnes:	720,508
Mill:		
Ore Milled	Tonnes	1,822,652
Head Grade	% Zn:	11.58
	% Pb:	2.24
Metal in concentrates		
Zinc	Tonnes:	191,641
Lead	Tonnes:	30,006

RESERVES

As reported in earlier Annual Reports of the Company, Tara's consulting geologist, the late Dr. B. S. W. Buffam, calculated that the ore reserves for the Navan orebody, both north and south of the River Blackwater were 69.9 million tonnes grading 10.1% zinc and 2.6% lead.

As a result of the resolution of a title dispute over mineral rights to the north of the River Blackwater, Dr. Buffam calculated that 8.87 million tonnes of ore grading 10.3% zinc and 1.9% lead, was no longer available to the Company. The undiluted ore reserves, subsequently available for development south of the River

Blackwater were calculated by Dr. Buffam to be as follows:

	Tonnes	% Zn	% Pb
Well established and indicated	22,083,000	12.0	2.5
Potential	39,009,000	9.0	2.9
Gross Total Reserves	61,092,000	10.1	2.7

These calculations were based on the data from 350 drillholes of which 156 were to the north and 194 were to the south of the River Blackwater.

Subsequent ore reserve estimates have been made by company geologists on an ongoing basis, utilizing data from over 500 surface drillholes, 1400 underground drillholes and extensive geological mapping of the geology and ore lenses as exposed in over 40 kilometres of underground development.

The latest estimate of undiluted ore reserves available at December 31, 1980 is as follows:

Proven and Probable	Tonnes 30,608,700	% Zn	% Pb 2.6
Possible	29,331,000	8.3	2.9
Gross Total Reserves	59,939,700	9.9	2.7

There is a very close correlation between the Company's estimate and Dr. Buffam's estimation. The slight differences are accounted for by additional drilling subsequent to 1973, and some re-interpretation of the goelogy in the area of possible ore.

Total tonnes of ore extracted to December 31, 1980 amounted to 4,894,500 tonnes at an average grade of 12.8% zinc and 2.9% lead,

Blasthole Drilling for Stoping.



MARKETING

Market Conditions

The world markets for lead and zinc are suffering from the general economic downturn and increased government regulations affecting demand. These government actions cover matters such as mandatory regulations to increase vehicle fuel efficiency and other regulations designed to meet concern over the health implications of lead.

Plastic and aluminium continue to be substituted for denser materials such as zinc, brass and iron castings in the design of cars in order to achieve lighter and more fuel effective vehicles. Zinc demand has also been adversely affected by reduced use of galvanised steel as general investment slowed due to recession. Continuing improvements in battery technology have led to smaller and longer lasting batteries. The recession in vehicle production and capital investment has also contributed to lower lead demand. The impact of emerging new regulations covering lead applications and production processes, particularly lead smelting, are difficult to assess, but will probably lead to a long-term decline in the use of lead in certain circumstances.

Zinc

Zinc metal consumption and production declined during the year. Refined zinc demand in the non-Communist world fell by 3.9% to 4.51 million tonnes; largely due to depressed demand in the U.S. and Canada, down 17.6% and 14.3% respectively. In contrast to North America modest increases in zinc demand occured in Europe and Africa. Non-Communist producer stocks fell by 9% to about 491,000 tonnes, but L.M.E. warehouse stocks increased by 40,000 tonnes to 86,000 tonnes. The commercial stock holdings, producer, L.M.E. and other stocks of zinc metal at year end are reflected in the accompanying graph.

World mine output, excluding Communist countries, fell 2.8% to 4.5 million tonnes, although European

PRODUCTION AND CONSUMPTION STATISTICS NON-COMMUNIST COUNTRIES

Zinc (000's Tonnes)	1980	1979	1978	1977
Metal Consumption	4514	4696	4607	4256
Producer Stocks	491	539	447	859
Metal Production	4461	4706	4293	4277
Mine Production (metal content)	4468	4597	4676	4839
Lead (000's Tonnes)				
Metal Consumption	3800	4151	4070	4053
Producer Stocks	213	179	148	178
Metal Production	4003	4276	4066	4031
Mine Production (metal content)	2517	2540	2535	2516
Source 1LZRO				

output rose by 4.8% to 1.1 million tonnes, largely due to Irish and Spanish production increases. World refined metal production, excluding Communist countries, fell by 5.2% to 4.5 million tonnes.

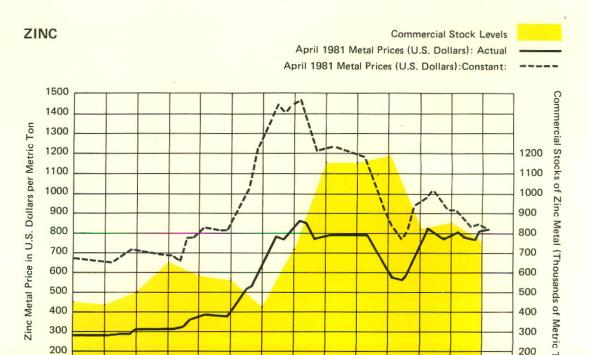
A short lived increase in the European zinc producer price to \$825 per tonne during February was reversed when the producer price fell back to \$780/tonne during April. During the fourth quarter as the zinc industry reacted to an improved supply/demand picture and a shortage of concentrates, producers again raised prices to \$825 per tonne. Although L.M.E. zinc prices were depressed during the first quarter, L.M.E. prices subsequently recovered. During April, 1981 the zinc producers increased the European producer price to \$875/tonne.

The pattern of the European zinc producer price between 1967 and 1981 is illustrated in the accompanying graph. Zinc prices have been weak since the effects of the 1973 oil price

100

increase by OPEC. This led to slower economic growth and substitution by lighter materials, both leading to lower zinc demand. The table also charts the movement in price of zinc over the last thirteen years, after allowing for inflation, and demonstrates the very dramatic drop in the European zinc producer price since 1974 in real terms. The zinc price levels of the mid to late 1970's have delayed the introduction of new zinc mine capacity. and led to a shortage of concentrates. This scarcity together with the expectation of a modest upturn in general economic activity may lead to improved zinc prices towards the end of 1981.

Demand for zinc concentrates was particularly strong during 1980 and the general scarcity of zinc concentrates is expected to continue. The custom zinc refiners' demands for zinc concentrates has been sharpened by the failure of several developing mines to meet contractual commitments.



1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 Year 100

Lead

The L.M.E. lead prices weakened during 1980 falling from £500/tonne at the start of the year to £335/tonne at the end of June, and subsequently falling to £310/tonne at year end. The mild winter, together with the recession in the U.S. and European motor industries brought a sharp drop in battery sales. These factors, together with reports of lower Russian purchases led to a sharp drop in lead prices. The history of lead price changes and the real level of lead prices since 1967 are reflected in the graphs below.

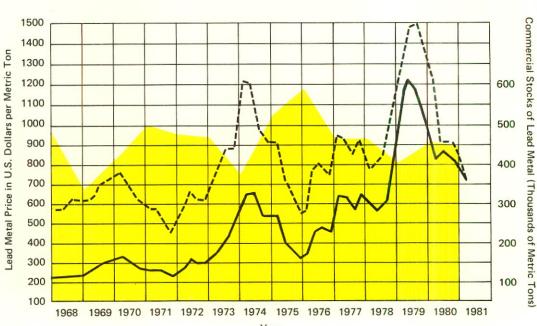
World mine production of lead, excluding Communist countries, was 2.52 million tonnes in 1980, unchanged from 1979. Refined lead production fell by 6.4% to 4 million tonnes. Refined lead consumption at 3.8 million tonnes fell by 8.4%, due prin-

cipally to slackening demand in the U.S. European consumption remained unchanged at 1.65 million tonnes. Total producers stocks increased by 19% to 213,000 tonnes, while L.M. E. warehouse stocks increased from 17,000 to 73,500 tonnes. The commercial holdings of lead metal at year end are reflected in the accompanying graph.

The demand for lead concentrates although less keen than during early 1979 continued firm during 1980. It is believed that the demand for lead concentrates will continue to be firm in anticipation of increased demand during 1982. Lead prices are not expected to increase significantly during 1981 as demand is expected to remain depressed reflecting general economic conditions.



Commercial Stock Levels
April 1981 Metal Prices (U.S. Dollars): Actual
April 1981 Metal Prices (U.S. Dollars): Constant:



Silver

During 1980 silver prices in London collapsed from a speculatively fuelled all-time peak of £21/oz. in January, to a low of £4.70/oz. in May, and recovered to £6.50/oz. at year end. Non-Communist world mine production fell by 5% to about 255 million ounces, but secondary silver production more than doubled to 288.5 million ounces.

Silver demand and supply are expected to be in balance during 1981. The Federal Emergency Management Agency in the United States plans to sell some 139 million ounces of silver at a rate of 15 million ounces per annum from the G.S.A. stockpile. These sales, together with the increase in private holdings of bullion during 1980 may limit speculative interest in silver during 1981.

Deliveries

Deliveries of zinc concentrates during 1980 totalled 363,345 tonnes, compared to 287,568 tonnes in 1979, while deliveries of lead concentrates totalled 54,441 tonnes, compared to 51,769 tonnes in 1979. Silver contained in lead concentrates amounted to 6,414 kilos compared to 9,881 kilos during 1979.

Concentrates are sold under long term contracts to Asturiana de Zinc S.A., A.M. & S. (Europe) Limited, Billiton International Metals B.V., Compagnie Royale Asturienne des Mines, Societe Generale des Minerais S.A., Metallgesellschaft A.G., Societe Miniere & Metallurgique de Penarroya and Preussag A.G.



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, 1980 and the consolidated statements of income, 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, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

THORNE RIDDELL

Chartered Accountants Toronto, Canada.

February 6, 1981

Accounting Policies

Summary of Significant Accounting Policies

- (a) 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.
- (b) 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.

(c) Inventories
Inventories of concentrates and metals
are stated at the lower of cost and net
realizable value. Inventories of supplies
are stated at the lower of cost and replacement cost.

- (d) Depreciation and amortization
 - (i) Fixed assets, other than land not used for mining, are depreciated over the shorter of the expected useful lives of the assets and the life of the mine. 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 the life of the mine.
 - (ii) Development and preproduction expenditures deferred, together with lease acquisition costs, are amortized on the unit of production method as described above.
- (e) Exploration Exploration expenditures are charged to income in the period in which incurred.
- (f) 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. Taxes and royalties are deferred because of timing differences in the recognition of certain revenue and expense items for tax and financial statement purposes.

Tara Exploration and Development Company Limited

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

Consolidated Balance Sheet

at December 31, 1980 Expressed in thousands of U.S. dollars	1980	1979
ASSETS Current Assets		
Cash and short term investments. Smelter settlements receivable, at estimated net realizable value. Accounts receivable and prepaid expenses. Inventories (note 2).	\$4,692 11,174 2,485 6,386	\$2,524 9,174 3,401 8,164
	24,737	23,263
Investment (note 3)	3,362	3,362
Fixed Assets Land, buildings, equipment and construction in progress, at cost. Less accumulated depreciation	102,168 19,724	99,157 13,862
	82,444	85,295
Other Assets and Deferred Charges (note 4)	66,693	70,313
	\$177,236	\$182,233 ======
LIABILITIES Current Liabilities		
Accounts payable and accrued liabilities	\$15,026 219 1,159	\$15,872 226 759
Long term debt maturing within one year	$\frac{23,000}{39,404}$	8,500 25,357
Other Liabilities		
Long term debt (note 5)	106,623 6,475 1,196	127,066 4,784 1,596
	114,294	133,446
SHAREHOLDERS' EQUITY Capital Stock (note 7)		
Authorized — 7,000,000 shares of Cdn. \$1 each Issued — 6,559,360 shares	6,308 20,310	6,308 20,310
Deficit	26,618 3,080	26,618 3,188
	23,538	23,430
	\$177,236	\$182,233
Commitments (note 10)		

Approved by the Board MICHAEL McCARTHY, Director BRENDAN HYNES, Director

Consolidated Statement of Income

Year ended December 31, 1980

Expressed in thousands of U.S. dollars		
Revenue	1980	1979
Concentrate sales	\$93,341	\$86,420
Expenses		
Operating expenses	62,220	44,839
Mining royalties. Depreciation and amortization	$\frac{12}{9,724}$	424 9,021
Interest and other costs of servicing long term debt	19,679	19,878
	91,635	74,162
	1,706	12,258
Other income (expenses)		
Exploration	(706)	(475)
Sundry income	616	1,025
	(45)	(123)
	(135)	427
Income before undernoted items	1,571	12,685
Income taxes	1,863	6,353
Income (loss) after income taxes	(292)	6,332
Minority interest in subsidiary	(400)	1,048
Income before extraordinary item	108	5,284
Extraordinary item Reduction of income taxes due to application of		
prior year's loss		3,763
Net income	\$108	\$9,047
Earnings per share		
Before extraordinary item	\$0.02	\$0.81
After extraordinary item	\$0.02	\$1.38
Consolidated Statement of Deficit		
Year ended December 31, 1980 Expressed in thousands of U.S. dollars		
Deficit at beginning of year	\$3,188	\$12,235
Net income	108	9,047
Deficit at end of year	\$3,080	\$3,188

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980 Expressed in thousands of U.S. dollars

	1980	1979
Working capital derived from Operations. Bank loans. Issue of shares. Reclassification of deferred charges.	\$11,680 2,000	\$23,003 2,000 1,331 68
	13,680	26,402
Working capital applied to Repayment of bank loans Additions to fixed assets Reduction in non-current portion of long term debt Additions to deferred charges	8,500 3,206 14,500 47	15,214 7,968 8,500
	26,253	31,682
Decrease in working capital position	12,573	5,280
Working capital (deficiency) at beginning of year	(2,094)	3,186
Working capital deficiency at end of year	\$14,667	\$2,094
Working capital derived from (applied to) operations Net income Items not affecting working capital Minority interest Depreciation and amortization Interest on long term debt deferred Currency translation adjustment Deferred income taxes Deferred royalties.	\$108 (400) 9,724 687 (238) 1,799	\$9,047 2,302 9,021 577 135 1,497 424
	\$11,680	\$23,003

Notes to Consolidated Financial Statements

December 31, 1980 Expressed in U.S. dollars

1. Accounting Policies

The principle accounting policies followed by the company are summarized under the caption "Accounting Policies".

2 Inventories

2. Hivehitories		
	1980	1979
	'000	,000
Inventories consist of		
the following:		
Concentrates and metal		
on hand	\$931	\$2,434
Supplies	5,455	5,730
	#C 20C	00104
	\$6,386	\$8,164
	And the second second second second	

3. Investment

The investment consists of 501,714 shares in Northgate Exploration Limited stated at \$3,362,000. The quoted market value of these shares at December 31, 1980 was \$4,100,000 (1979—\$5,074,000). This value is not necessarily indicative of their realizable value because of the number of shares held.

Under the terms of an option, the optionee has the right to acquire these shares at any time up to November 17, 1981 at a price of Cdn. \$8.50 per share for a total of Cdn. \$4,265,000.

4. Other Assets and Deferred Charges

Exploration, develop- ment and preproduc- tion expenditures	1980 '000	1979 '000
deferred	\$70,133	\$70,086
State mining lease	6,069	6,069
Less accumulated	76,202	76,155
amortization	9,509	5,842
	\$66,693	\$70,313

5. Long Term Debt.

Bank consortium loans due 1981 to 1984 with interest at 2% above the London inter-bank rate for Euro-dollar loans. \$93,986 \$99,986 \$934% Vendor credit loan due 1981 to 1985 24,286 26,786 Standby facility loan due in 1988 with interest at 1% above the London inter-bank rate for Euro-dollar loans. 6,000 4,000 Subordinated loan of Cdn. \$6,404,000 (1979—Cdn. \$5,599,000) due 1985 to 1987 as to principal and interest, with interest at the rate applicable to the bank consortium loans. 5,351 4,794 129,623 135,566 Less amounts due within one year 23,000 8,500 \$106,623 \$127,066).	Long Term Debt		
due 1981 to 1984 with interest at 2% above the London inter-bank rate for Euro-dollar loans. \$93,986 \$99,986 \$93%% Vendor credit loan due 1981 to 1985 24,286 26,786 Standby facility loan due in 1988 with interest at 1% above the London inter-bank rate for Euro-dollar loans. 6,000 4,000 Subordinated loan of Cdn. \$6,404,000 (1979—Cdn. \$5,599,000) due 1985 to 1987 as to principal and interest, with interest at the rate applicable to the bank consortium loans. 5,351 4,794 129,623 135,566 Less amounts due within one year 23,000 8,500				
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due in 1988 with interest at 1% above the London inter-bank rate for Euro-dollar loans 6,000 4,000 Subordinated loan of Cdn. \$6,404,000 (1979—Cdn. \$5,599,000) due 1985 to 1987 as to principal and interest, with interest at the rate applicable to the bank consortium loans 5,351 4,794 129,623 135,566 Less amounts due within one year 23,000 8,500			24,286	26,786
Cdn. \$6,404,000 (1979 —Cdn. \$5,599,000) due 1985 to 1987 as to principal and interest, with interest at the rate applicable to the bank consortium loans 5,351 4,794 129,623 135,566 Less amounts due within one year 23,000 8,500		due in 1988 with intere at 1% above the Londor inter-bank rate for	1	4,000
sortium loans 5,351 4,794 129,623 135,566 Less amounts due within one year 23,000 8,500		Cdn. \$6,404,000 (1979—Cdn. \$5,599,000) due 1985 to 1987 as to prin cipal and interest, with interest at the rate appli	-	
Less amounts due within one year 23,000 8,500			5,351	4,794
one year 23,000 8,500			129,623	135,566
\$106,623 <u>\$127,066</u>			23,000	8,500
			\$106,623	\$127,066

Tara Mines Limited is liable to the guarantors of the standby facility for 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.

Maturities of long term debt during the next five years are: 1981 - \$23m; 1982 - \$33m; 1983 - \$37m; 1984 - \$21m; 1985 - \$4m.

The bank consortium, vendor credit and standby facility loans are secured by a first and fixed specific charge on certain property and assets of Tara Mines Limited and a floating charge on its remaining property and assets. The company has also given an unconditional guarantee for the full amount of these loans and has pledged all of its shares in Tara Mines Limited.

Among other covenants, the loan agreements contain certain restrictions relating to working capital and the payment of dividends.

6. Deferred Income Taxes and Royalties

	1979	1980
Deferred income taxes Deferred royalties	\$6,106 369	\$4,360 424
	\$6,475	\$4,784

7. Capital Stock

Pursuant to the employees' stock option plan, options may be granted on up to 176,500 shares of the company's capital stock at prices not less than 90% of the market value of the shares on the date the options are granted.

At December 31, 1980 options were outstanding as follows:

No. of shares	Option price per share	Expiry date
48,000	Cdn. \$13.05	Oct 30, 1983
10,000	Cdn. \$11.81	Sept 23, 1984

No stock options were exercised during the year ended December 31, 1980.

8. Income Taxes

At December 31, 1980, the company's subsidiary, Tara Mines Limited, has losses carried forward for tax purposes of \$24,300,000, which includes capital cost allowances claimed for tax purposes in excess of amounts booked in the accounts. The effect of the losses has not been recorded in the accounts.

9. State Mining Lease

The company's subsidiary, Tara Mines Limited, holds a state mining lease which extends for twenty-five years from September 1, 1975. A royalty based on profits derived from the rights under lease is payable annually to the lessor.

10. Commitments

The company's subsidiary, Tara Mines Limited, is committed to capital expenditure in the amount of \$692,000 (1979 – \$2,490,000).

11. Segmented Information

The company operates exclusively in the mining industry. Concentrate sales are 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. Comparative Figures

Certain 1979 comparative figures have been reclassified to conform with the financial statement presentation adopted in 1980.

TARA MINES LIMITED

DIRECTORS

N. B. DHONAU
D. S. FLYNN
MATTHEW GILROY
BRENDAN HYNES
WILLIAM JAMES
MICHAEL McCARTHY
JOSEPH V. McPARLAND
HUGH MURPHY
PATRICK J. MURPHY
MURROGH V. OBRIEN
A. A. PAKENHAM-WALSH
JOHN J. TULLY

Alternate Directors

SYDNEY FILER
JOHN A. HALL
PATRICK J. HUGHES
PETER McALEER

OFFICERS

MICHAEL McCARTHY, Chairman

FRANK 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 LIMITED

MICHAEL McCARTHY, Director

MURROGH V. OBRIEN, Director

DEREK M. ROMER, General Manager

JOHN J. TULLY, Secretary

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