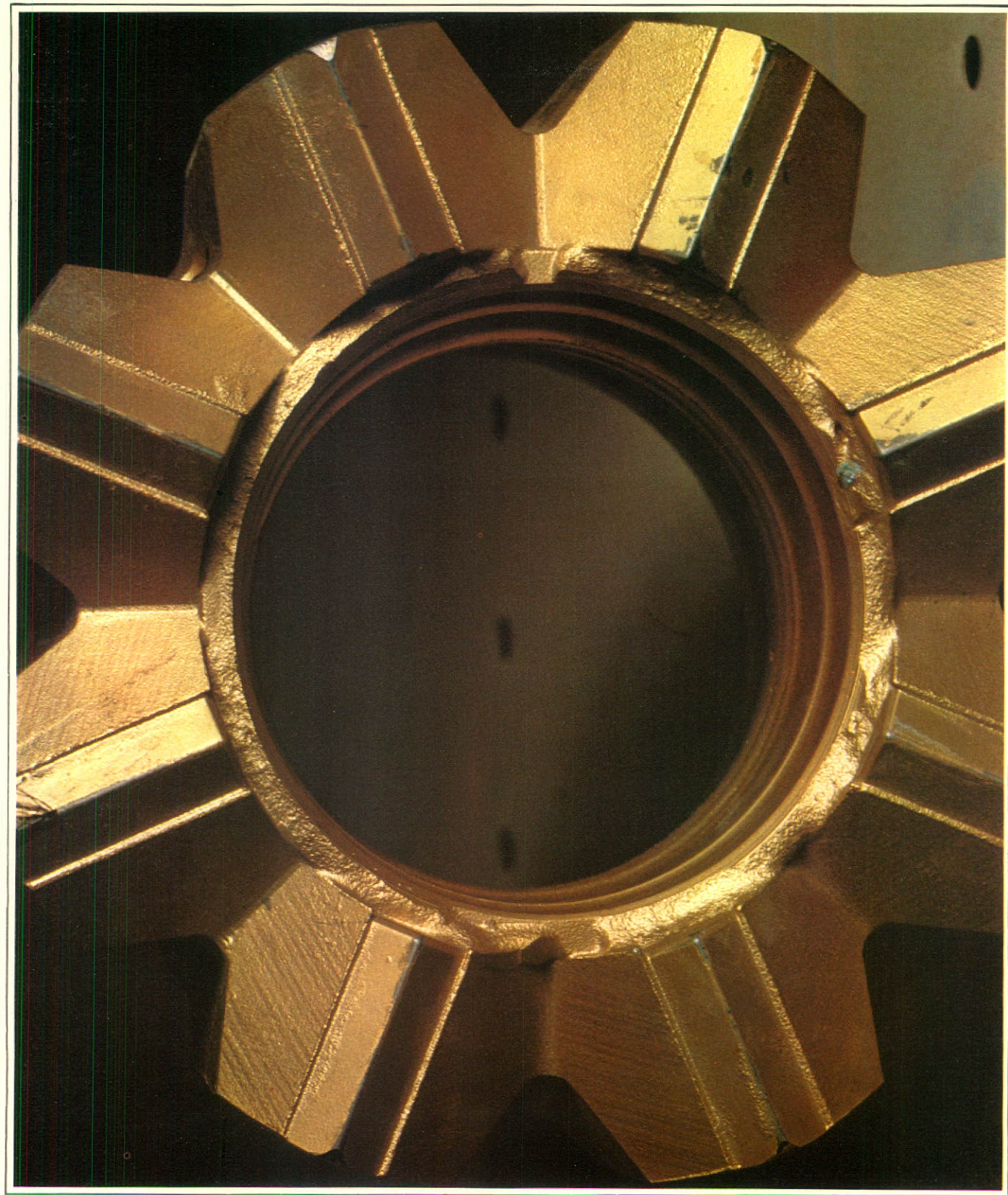




TARA

1978



Cover: Interior of the 25,000 tonne coarse ore storage building at the mine.

Above: A 6" reaming bit with tungsten carbide inserts used by long hole drillers in special applications where a large diameter hole is required.

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Corporate Information

BOARD OF DIRECTORS

SYLVESTER P. BOLAND,
Dublin, Ireland
Vice-President and Chief Financial Officer, Northgate Exploration Limited, Director, Northgate Exploration Limited

FREDERICK E. BURNET,
Vancouver, Canada
Chairman of the Executive Committee Cominco Ltd.

CHARLES CARVILL,
Newry, Northern Ireland
Business Executive

E. KENDALL CORK,
Toronto, Canada
Vice-President and Treasurer Noranda Mines Limited

MATTHEW GILROY,
Dublin, Ireland
Vice-President, Tara Exploration and Development Company Limited, Vice-President and Director, Northgate Exploration Limited

JAMES HANRATTY,
Newry, Northern Ireland
Business Executive

MURRAY B. HOFMEYR,
London, England
Chairman and Managing Director, Charter Consolidated Limited

PATRICK J. HUGHES,
Dublin, Ireland
Chairman of the Board, Northgate Exploration Limited

BRENDAN HYNES,
Dublin, Ireland
Vice-President, Tara Exploration and Development Company Limited, Deputy Chairman and Chief Executive Officer, Tara Mines Limited

MICHAEL McCARTHY,
Ballinasloe, Ireland
President, Tara Exploration and Development Company Limited

JOSEPH V. McPARLAND,
Dundalk, Ireland
Secretary-Treasurer, Tara Exploration and Development Company Limited

HUGH MURPHY,
Leicester, England
Joint Managing Director, Murphy Securities Limited

PATRICK J. MURPHY,
Leicester, England
Joint Managing Director, Murphy Securities Limited

MURROGH V. OBRIEN,
Dublin, Ireland
Executive Vice-President and General Manager Tara Exploration and Development Company Limited

ALFRED POWIS,
Toronto, Canada
Chairman and President Noranda Mines Limited

JOHN J. TULLY,
Meath, Ireland
Director/Secretary Tara Mines Limited

OFFICERS

MICHAEL McCARTHY,
President

MURROGH V. OBRIEN,
Executive Vice-President and General Manager

MATTHEW GILROY,
Vice-President

BRENDAN HYNES,
Vice-President

PETER McALEER,
Vice-President

JOSEPH V. McPARLAND,
Secretary-Treasurer

AUDITORS

Thorne Riddell & Co.,
Chartered Accountants,
Toronto, Canada

Griffin, Lynch & Co.,
Chartered Accountants,
Dublin, Ireland

SOLICITORS

Fasken & Calvin, Toronto, Canada

McCann, FitzGerald, Roche & Dudley,
Dublin, Ireland

**REGISTRAR AND TRANSFER
AGENT**

Crown Trust Company,
Toronto, Canada

Charter Consolidated Limited,
Ashford, Kent, England

EXECUTIVE OFFICE

*162 Clontarf Road,
Dublin, Ireland
Telephone 332211
Telex 500-5881*

REGISTERED OFFICE

*Suite 2602, Royal Trust Tower,
P.O. Box 298, Toronto-Dominion Centre,
Toronto, Canada M5K 1K2
Telephone (Area Code 416) 362-2781
Telex 06-217766*

**ANNUAL AND GENERAL
MEETING OF
SHAREHOLDERS**

*June 29th, 1979, 10.00 a.m.
Alberta Room,
Royal York Hotel
Toronto, Canada*

**Tara Exploration
and
Development
Company Limited**

TARA

**Twenty-Fifth
Annual Report
1978**



Report to Shareholders

Highlights of 1978

As a result of the depressed zinc market and difficulties encountered in increasing production from underground, the Company incurred a loss of \$10.696 million, \$1.66 per share, in 1978. Total revenue from concentrate sales amounted to \$49.394 million. As envisaged in last year's Annual Report, the adverse 1978 financial results required the re-ordering of Tara Mines' debt repayment schedules with the Bank Loan Consortium and the Export Development Corporation of Canada. The agreements providing for the refinancing of Tara Mines' debt were executed on May 31, 1979. The fourth quarter of 1978 and the early months of 1979 have seen a gradual improvement in the financial situation of the Company with a net income (including an extraordinary item) for the first quarter of 1979 of \$680,000. Given favourable market conditions and a continued improvement in the operating efficiency of the mine, this financial progress should be maintained. However, the current grave situation with regard to oil availability and prices and the related economic impact worldwide are likely to have a serious adverse effect on the Company's markets.

On November 17, 1978 the Company disposed of one million shares of Northgate Exploration Limited to the Pacific Trust Company N.V., trustee of The Patrick Joseph Hughes Family Trust at a price of \$8.75 (Cdn) per share. For a consideration of 25 cents (Cdn) per share, Pacific Trust Company N.V., acquired from the Company a 36 month option to purchase the remaining 501,714 shares of Northgate held by the company at a price of \$8.50 (Cdn) per share.

Tara Prospecting Limited currently holds sixty-three exploration licences covering

750 square miles, either on its own account or in joint venture with other prospecting companies. Greater technical difficulties will be encountered as the exploration thrust turns increasingly to exploring through a heavy glacial cover over possible blind orebodies. Future exploration efforts will be aimed at a range of minerals broader than the focus of current effort; base metals and uranium. The Company welcomes the Irish Government's proposed legislation to regularise the uncertain mineral ownership situation which currently prevails and is a deterrent to an active mineral exploration industry.

Tara Mines

Market conditions were very unstable during the year as a result of poor zinc consumption, combined with high stock levels and high production rates. During February, 1978 the already low European Producer Price for zinc, \$600 per tonne, declined to \$550 per tonne. The depressed price continued until the third quarter when a price recovery began and at year end the price stood at \$720 per tonne. This price recovery continued during 1979, and the zinc producer price is currently \$845 per tonne. Unfortunately the price rise reflects a cutback in supply rather than a significant increase in demand.

The strong 1977 market performance of lead was not maintained during early 1978. The London Metal Exchange price for lead declined by 10 percent during the first half of 1978. Thereafter the price rose strongly to finish the year at £419 per tonne. In the first quarter of 1979 the price has risen further to record levels as a result of a scarcity of lead due to increased demand combined with a significant cutback in supply.

Left: An investment of 10 million dollars has been made in mobile plant and drilling equipment for the underground mine. The proper maintenance of this equipment requires a sophisticated technical back-up facility and maintenance workshops both on surface and underground.



Production build up continued throughout the year. This was severely affected by a major change in stoping methods at the beginning of the second quarter and by a six weeks industrial dispute involving mill operators during the third quarter. During the year 1,381,140 tonnes of ore were milled producing 237,877 tonnes of zinc concentrates and 41,801 tonnes of lead concentrates. Production benefitted from the milling of 191,510 tonnes of ore stockpiled during the mine construction. Ore grades were as expected during planning and Mill recovery levels exceeded those expected.

The revised financial arrangements as a result of the re-ordering of the debt repayment schedule provide for the commencement of capital repayments on July 20, 1980. The consent of the Irish Government's Minister for Industry, Commerce and Energy to the re-ordering of the debt repayment schedule was deferred pending a review of Tara Mines' mining plans and was received on May 31, 1979. The agreements providing for the refinancing of Tara Mines' debt were executed on May 31, 1979.

Following representations that Tara's mining plan might have an adverse effect on the possible mining plans of a neighbouring mineral rights owner, Bula Limited, discussions were held during January 1979, as to the appropriate mining procedures to be adopted by Tara and Bula Limited in the vicinity of their joint boundary area in order to ensure that these were compatible. Although Tara believed that its plans would not have an adverse impact on Bula's proposed mining plans, Tara voluntarily suspended mining operations near the boundary area pending a review of mining plans by a group of technical

experts and discussions between Tara and the Department of Industry, Commerce and Energy. The experts reported finally during May, 1979. Following acceptance of their reports by Tara and the Department of Industry, Commerce and Energy, Tara has resumed the mining activities which were voluntarily suspended during January 1979.

Capital expenditures of \$5 million were incurred in the year under review. Further capital expenditures of \$9 million are planned for 1979. These expenditures, combined with expected improvements in productivity, should be reflected in an increase in the amounts of ore mined and milled during 1979. The rigorous cost control programme currently in operation will be maintained. An aggressive energy conservation programme has been initiated in all aspects of the Company's operations to reduce oil and electric power consumption.

Employment in the Navan project currently totals 808 people, and this is expected to increase. There are at present 50 miners undergoing instruction in the Company's training school. Special emphasis is being placed on safety training and procedures to overcome the difficulties associated with a new and complex mining development.

The Directors gratefully acknowledge the dedication of the employees whose efforts made a material impact on the Company's activities during the year.

For the Board of Directors

MICHAEL MCCARTHY
President

June 2, 1979
Dublin, Ireland

Left: An underground miner uses a compressed air line to clean out drill holes before loading of explosives for blasting. Employees carrying out tasks of this nature are being issued with this recently developed safety helmet which has a self contained air filtering capability.

The Year in Review

Markets and Marketing

After four years of very depressed conditions, the markets for base metals recovered somewhat during 1978. Both zinc and lead showed increases in consumption during the year of 4 percent and 2 percent respectively. The consumption increases reflect the general world economic recovery. Unfortunately the renewed concern over oil prices and supplies threatens to hinder economic expansion during 1979 with consequent detrimental effects on the demand for zinc and lead.

Zinc

Difficulties were experienced with some customers during early 1978 over deliveries of zinc concentrates under the long term sales contracts which Tara has with such customers. The zinc market staged a recovery during 1978. The general increase in economic activity led to an increased demand for automobiles and construction materials. This led to an increase in demand for zinc for die casting and galvanising. Other zinc uses in brass and oxides also increased.

Unfortunately the large stocks of zinc metal held by consumers and producers were more than adequate to supply the improved demand so that there was pressure to cutback on primary metal production. This pressure was increased by the drop in the European Producer Price to \$550 per tonne during February, 1978. Cutbacks in metal production and the improving demand position led to a series of increases in the zinc price from \$550 to \$720 per tonne at year end and \$845 per tonne at the end of May, 1979.

Despite the price rises the zinc metal industry is not in a healthy state. Consumption is below the levels of the early 1970's

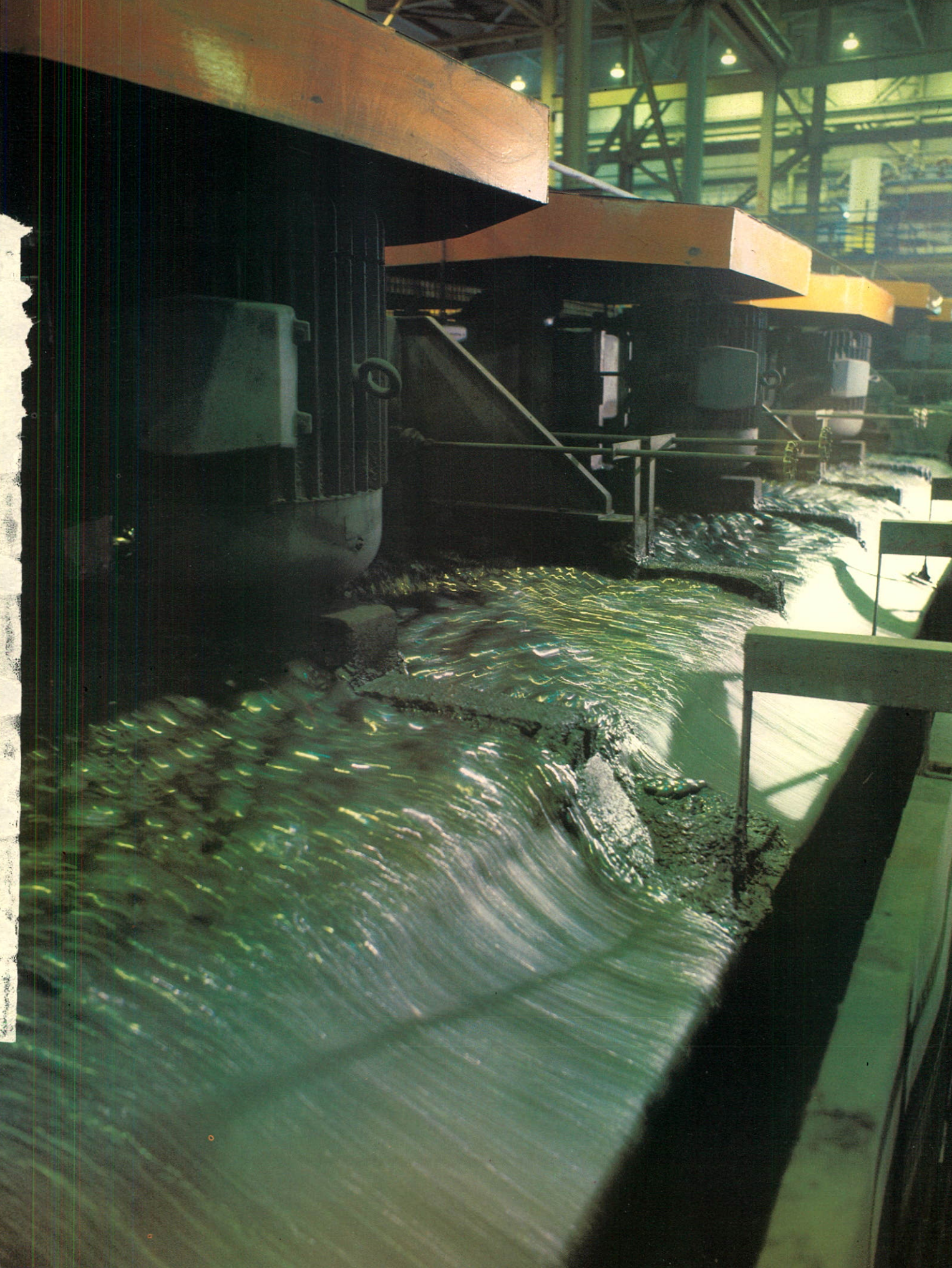
and, while prices in real terms are also down, there is still an excess of mine production and refinery capacity. The long term future of the industry depends on increasing consumption. Replacement of diecast zinc parts in automobiles by aluminium and plastic is a real threat to increases in consumption. The galvanising industry in Europe, a major outlet for zinc metal produced from Navan concentrates, is facing difficulties because of a likelihood of reduced European steel production.

It was hoped that the growth in consumption seen in 1978 would continue during 1979 but the economic uncertainty created by renewed difficulties with energy make forecasting a hazardous exercise.

Lead

Lead consumption grew slowly during 1978. Bad weather led to an increase in the demand for replacement automobile batteries while new automobile sales also expanded. Other uses such as lead cable and sheathing maintained their sales level.

While demand was rising, supply was declining. Lead concentrates are generally produced in conjunction with zinc concentrates so that a cutback in zinc output resulted in a drop in lead output. The market position improved during the year resulting in a strong rise in price on the London Metal Exchange. During the initial months of 1979 the lead price rose to record levels. It is expected that the shortage of supply will continue through 1979. (See Metal Price Tables page 15).



Exploration

In addition to an active exploration programme by Tara Mines on its three exploration licences in Co. Meath, Ireland, Tara Prospecting has continued with a vigorous exploration programme within the Republic of Ireland. Tara Prospecting is involved in sixty-three prospecting licences, thirty-eight of these on its own account and twenty-five in separate joint ventures with both Noranda Mines Limited and Irish Base Metals, a wholly owned subsidiary of Northgate Exploration Limited.

Although the extent of these licence groups is large, totalling over 750 square miles, the area has been reduced from last years' holdings. However, the actual exploration effort has been stepped up as is indicated by the increase in exploration expenditures. Greater technical difficulties will be encountered as the exploration thrust turns increasingly to exploring through a heavy glacial cover over possible blind orebodies.

In search for energy minerals, Tara Prospecting has recently been offered licences in Donegal, together with the joint venture partner, Irish Base Metals. The initial exploration results within ground to be covered by these licences warrant further investigation including diamond drilling.

Tara Prospecting continues to seek new ground and diverse geological environments within Ireland in which to explore, and confidently expects the granting of a further seventeen licence areas over the next few months covering a range of minerals broader than base metals and uranium.

During December of 1978 the Irish Government tabled new minerals legislation for

discussion in the Irish Parliament. The main provision of the new bill vests in the Minister for Industry, Commerce and Energy the exclusive right of working minerals within the State.

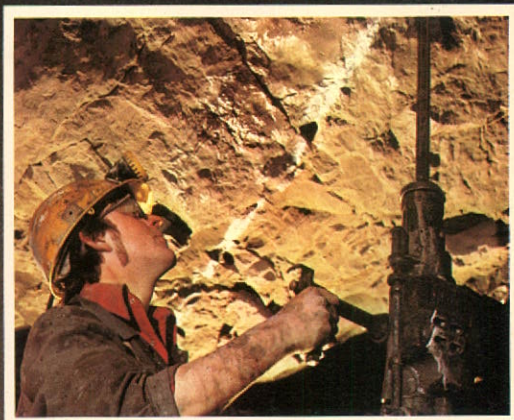
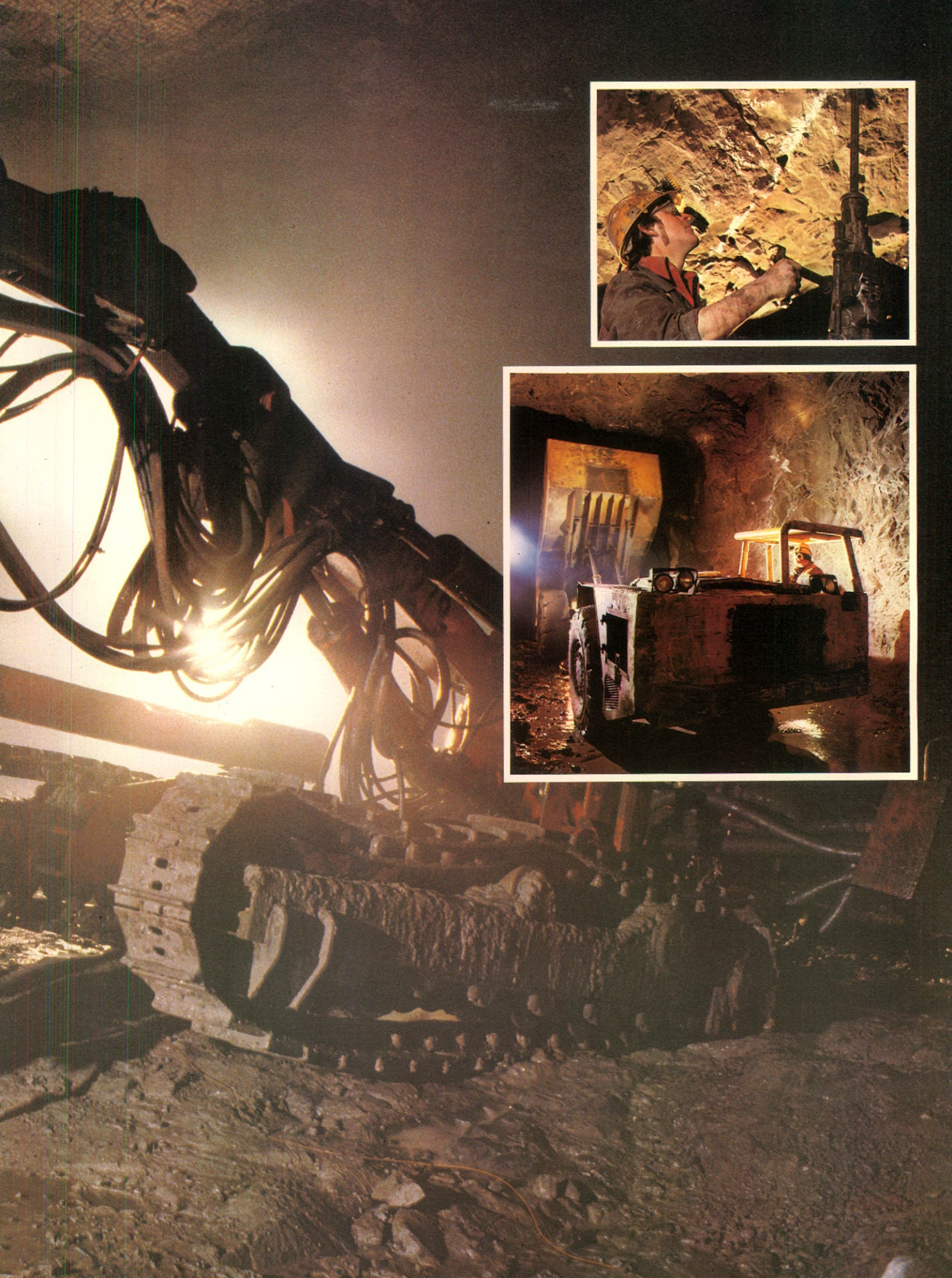
Under the present Mining Acts it has not always been possible to determine whether minerals were privately owned or State owned. The absence of any mining register of mineral ownerships and difficulties with the administration of the minerals acquisition provisions of the 1940 Minerals Development Act which emerged in the early 1970's have acted as a brake to vigorous mineral exploration.

It is hoped that the proposed legislation will resolve the current uncertain title problem and promote a more active exploration and mining industry.

Right: An exploration drill operating near Kinnegad in Co. Westmeath. In the background is a section of the Bog of Allen, Ireland's largest peat bog.







Production

Throughout the year under review development of mine and mill efficiencies progressed. Many start up problems were overcome in both areas. The development of an efficient producing unit was hindered by a six week unofficial work stoppage by concentrator employees during the third quarter.

Specific studies have been initiated in the mine and the mill into means of effecting savings in the use of both oil and electricity and significant energy conservation could be achieved in the short and medium term.

Mine

During 1978 1,371,640 tonnes of ores were delivered to the ore store. Of this amount 1,180,130 tonnes were hoisted.

Mine Performance Statistics

Ore Production		
Ore Hoisted	Tonnes	1,180,130
Ore from Stockpile	Tonnes	191,510
Total Ore Delivered	Tonnes	1,371,640
Development Advance		
Main Development	Metres	2,113
Stope Development	Metres	9,407
Total	Metres	11,520

Centre spread: A tracked bench drill used in the blast hole method of mining. Tara utilises nine such machines in the underground mine.

Inset top: Rock bolting for roof support in a stope.

Bottom: A twenty six tonne capacity truck dumping into an ore pass.

As the result of experience gained during operations a major change in stoping methods became necessary at the end of the first quarter. This change was due to previously unrecognised structures in a portion of the orebody. Certain stopes were converted in these areas from open bench stopes to blast hole and drawpoint stoping methods. The decision required the aband-

onment of some completed development and the carrying out of additional stope preparations which further delayed increases in the rate of mine production. This delay was exacerbated by the lay-off of mine employees due to the interruption in the delivery of operating supplies during August caused by the industrial dispute referred to above.

The recruitment and training of mine department employees has continued. Concurrent with this programme the selection and training of first line supervisors taken from the initial group of miners has been carried out.

Mill Performance Statistics

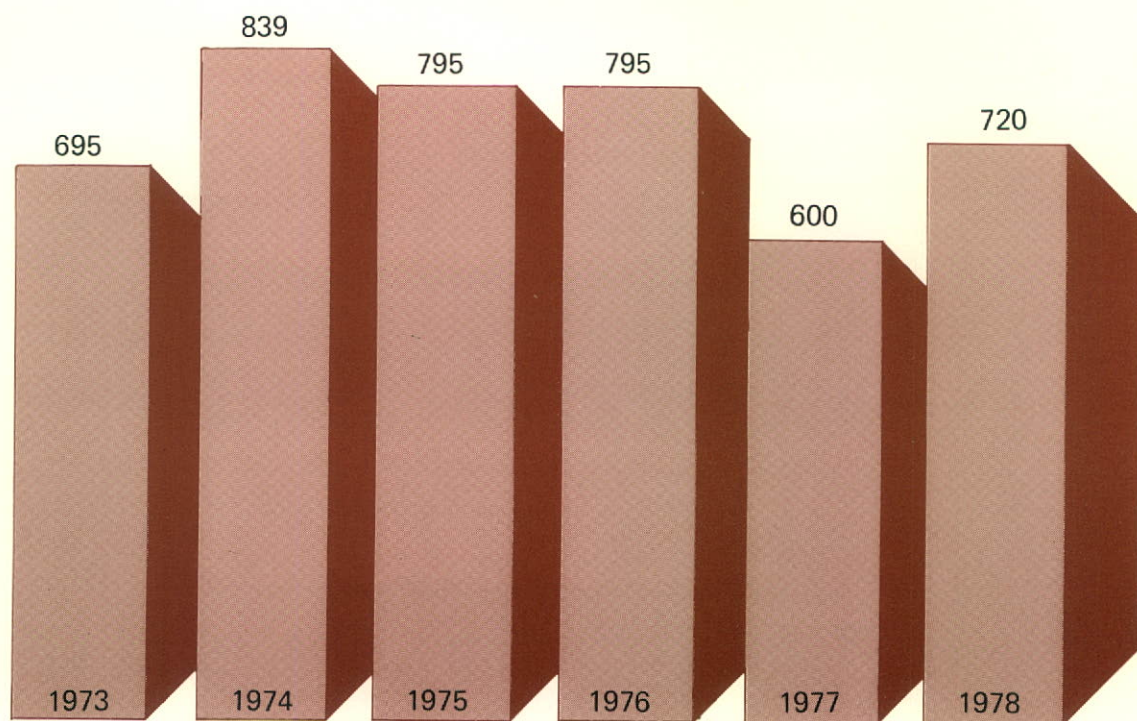
Ore Milled	Tonnes	1,381,140	
		Zinc	Lead
Head Grade	%Metal	10.69	2.27
Recovery	%Metal	91.6	83.4
Concentrate Produced	Tonnes	237,877	41,801
Concentrate Grade	%Metal	55.6	62.3

Concentrator operations were satisfactory throughout the year. Numerous minor modifications were carried out which were successful in improving operational results, in particular in the reduction of reagent amounts required. Difficulties were encountered in the commissioning of the backfill preparation plant which required extensive redesign of sand reclaim and pumping installations associated with the backfill storage tanks.

Plant maintenance activities were largely concentrated on the development of efficient routine maintenance services particularly in the area of mobile equipment. Additional units which were obtained by the mine department necessitated the hiring and training of additional maintenance craftsmen during the last quarter of 1978.

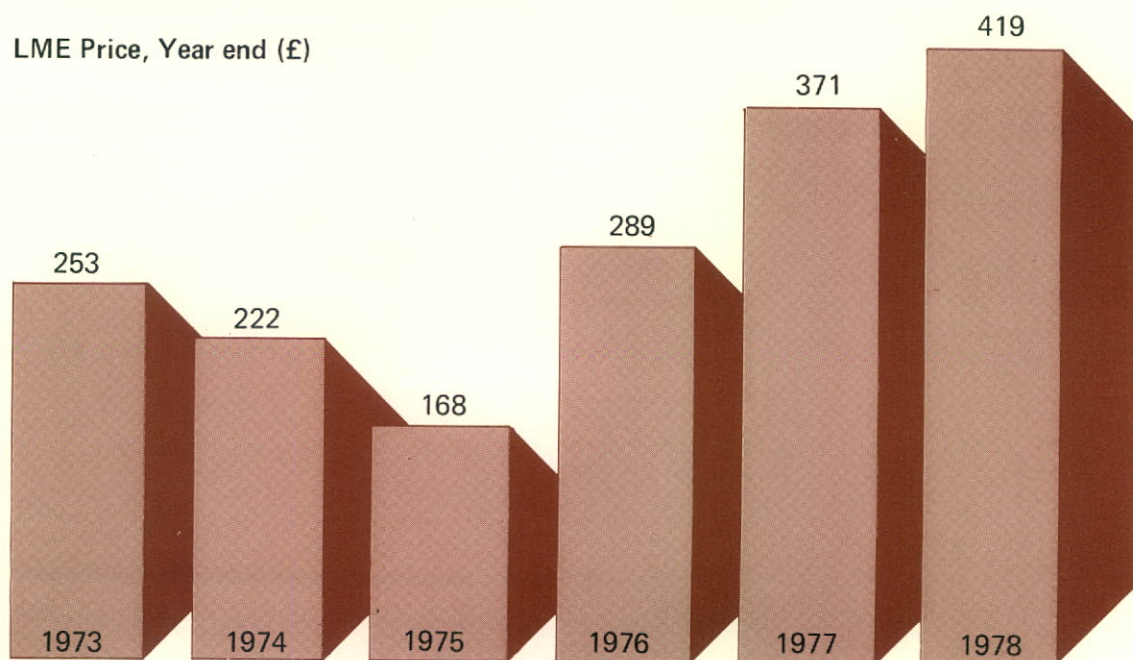
ZINC METAL

European producer price;
Year end (\$)



LEAD METAL

LME Price, Year end (£)



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, 1978 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, 1978 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.

*Toronto, Canada
June 1, 1979*

Thorne Ridgell & Co.

THORNE RIDDELL & CO.
CHARTERED ACCOUNTANTS

TARA / EXPLORATION AND DEVELOPMENT COMPANY LIMITED

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

CONSOLIDATED BALANCE SHEET

As at December 31, 1978

Expressed in U.S. dollars

ASSETS

Current Assets

Cash including term deposits	\$ 4,174,000	\$ 2,566,000
Smelter settlements receivable, at estimated net realizable value . . .	4,569,000	3,667,000
Accounts receivable and prepaid expenses	1,894,000	2,482,000
Inventories (note 3)	4,973,000	8,984,000

15,610,000 17,699,000

Investment (note 4)

3,362,000 10,920,000

Fixed Assets

Land, buildings, equipment and construction in progress, at cost . . .	91,233,000	87,013,000
Less accumulated depreciation	8,446,000	3,791,000

82,787,000 83,222,000

Other Assets and Deferred Charges (note 5)

73,943,000 77,992,000

\$175,702,000 \$189,833,000

LIABILITIES

Current Liabilities

Bank loan	\$ 410,000	
Accounts payable and accrued liabilities	11,177,000	\$11,023,000
Income taxes payable	445,000	350,000
Due to shareholders	392,000	242,000
Long term debt maturing within one year (note 6)		7,875,000

12,424,000 19,490,000

Long Term Debt (note 6)

148,145,000 141,985,000

Deferred Income Taxes

2,787,000 2,217,000

Minority Interest (note 7)

(706,000) 2,393,000

SHAREHOLDERS' EQUITY

Capital Stock (note 8)

Authorized — 7,000,000 shares of Cdn. \$1 each

Issued — 6,459,360 shares

6,225,000 6,225,000

Contributed Surplus

19,062,000 19,062,000

25,287,000 25,287,000

Deficit

12,235,000 1,539,000

13,052,000 23,748,000

\$175,702,000 \$189,833,000

Capital commitments (note 9)

Contingent liabilities (note 10)

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

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1978

Expressed in U.S. dollars

	<u>1978</u>	<u>1977</u>
Revenue		
Concentrate sales	\$ 49,394,000	
Expenses		
Operating expenses other than items set out below	35,807,000	
Administrative and general	3,014,000	
Depreciation and amortization	6,936,000	
	<u>45,757,000</u>	
	<u>3,637,000</u>	
Exploration	1,967,000	\$ 335,000
Interest and other costs of servicing long term debt	16,152,000	274,000
	<u>18,119,000</u>	<u>609,000</u>
	<u>14,482,000</u>	<u>609,000</u>
Share of loss in associated company (note 4)	751,000	560,000
Sundry income	(324,000)	
Currency translation adjustment	(1,425,000)	
	<u>(998,000)</u>	<u>560,000</u>
Loss before undernoted	<u>13,484,000</u>	<u>1,169,000</u>
Income taxes		
Current reduction	(105,000)	
Deferred	877,000	
	<u>772,000</u>	
	<u>14,256,000</u>	<u>1,169,000</u>
Minority interest in loss of subsidiary	<u>3,099,000</u>	
Loss before extraordinary item	<u>11,157,000</u>	<u>1,169,000</u>
Gain on sale of investment, less income taxes thereon of \$291,000	(461,000)	
Investments written off		352,000
Loss for the year	<u>\$ 10,696,000</u>	<u>\$ 1,521,000</u>
Loss per share		
Loss before extraordinary item	\$1.73	\$0.18
Loss for the year	\$1.66	\$0.24

CONSOLIDATED STATEMENT OF DEFICIT

Year Ended December 31, 1978

Expressed in U.S. dollars

	<u>1978</u>	<u>1977</u>
Deficit at beginning of year	\$ 1,539,000	\$ 18,000
Loss for the year	<u>10,696,000</u>	<u>1,521,000</u>
Deficit at end of year	<u>\$ 12,235,000</u>	<u>\$ 1,539,000</u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1978

Expressed in U.S. dollars

	<u>1978</u>	<u>1977</u>
Working Capital derived from		
Proceeds from sale of shares in associated company	\$ 7,558,000	
Reclassification of current portion of long term debt	7,875,000	
Reclassification of deferred charges	190,000	
Bank loans		\$ 59,569,000
Issue of shares		32,000
Dividend from associated company		375,000
Reclassification of construction and other supplies		<u>1,551,000</u>
	<u>15,623,000</u>	<u>61,527,000</u>
Working Capital applied to		
Operations	4,742,000	274,000
Bank loans (net)	983,000	
Additions to fixed assets	4,220,000	18,947,000
Income taxes on gain on sale of investment	291,000	
Exploration, development and preproduction expenditures (net) excluding items not affecting working capital		17,791,000
Purchase of shares in associated company		7,557,000
Reduction in non-current portion of long term debt	<u>410,000</u>	<u>7,875,000</u>
	<u>10,646,000</u>	<u>52,444,000</u>
Increase in working capital position	4,977,000	9,083,000
Working capital deficiency at beginning of year	<u>1,791,000</u>	<u>10,874,000</u>
Working capital (deficiency) at end of year	<u>\$ 3,186,000</u>	<u>\$ (1,791,000)</u>
Working Capital applied to operations		
Loss before minority interest and extraordinary item	14,256,000	1,169,000
Items not affecting working capital		
Depreciation and amortization of deferred charges	(6,936,000)	
Currency translation adjustments	629,000	
Exploration	(1,579,000)	(335,000)
Share of loss of associated company	(751,000)	(560,000)
Deferred income taxes	<u>(877,000)</u>	
	<u>\$4,742,000</u>	<u>\$ 274,000</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1978

Expressed in U.S. dollars

1. 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, Tara Prospecting Limited and Dowth Investment Holdings Limited.
- (b) Inventories
Inventories of concentrates and ore in stockpile are stated at the lower of cost and net realizable value. Inventories of supplies are stated at the lower of cost and replacement cost.
- (c) Investment
The investment in Northgate Exploration Limited ceased to be accounted for on the equity method on November 17, 1978, the date on which the company reduced its interest from 21.8 percent to 7.3 percent.
- (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 or the life of the mine. The straight line method is used for mobile equipment at a rate of 25 percent 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. Prior to commencement of production the straight line method was used for other fixed assets.
- (ii) Development and preproduction expenditures deferred, together with lease acquisition costs, are amortized on the unit of production method, based on metallic content of the ore reserves estimated to be recoverable during the life of the mine.
- (e) Currency translation
Currency balances other than those in United States 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 the rates applicable to the related assets.
- Gains or losses resulting from translation of foreign currency balances are included in the statement of income commencing on January 1, 1978 when the plant at the Navan Mine reached production in commercial quantities. Previously they were charged to other assets and deferred charges.
- (f) Exploration
Consequent upon the commencement of commercial production, exploration expenditures are charged to income in the period in which incurred. Deferred exploration expenditures on non-producing properties accumulated prior to commencement of production have been written off in the current year.

2. Commencement of Production

The plant at the Navan Mine reached production in commercial quantities on January 1, 1978. Prior to this date all operating costs less revenues from concentrate sales were included in development and preproduction expenditures deferred. Operating costs and revenues from this date are included in the statement of income.

3. Inventories

	1978	1977
Inventories consist of the following:		
Concentrate on hand	\$ 763,000	\$ 2,783,000
Ore in stockpile		2,014,000
Supplies	4,210,000	4,187,000
	<u>\$ 4,973,000</u>	<u>\$ 8,984,000</u>

4. Investment

The investment consists of 501,714 shares (1977 — 1,501,714 shares) of Northgate Exploration Limited, the carrying value of which is as follows:

	1978	1977
At beginning of year	\$10,920,000	\$ 4,298,000
Additions during year		7,557,000
	<u>10,920,000</u>	<u>11,855,000</u>
Less		
Dividends received in year		375,000
Share of loss for year	751,000	560,000
	<u>751,000</u>	<u>935,000</u>
	<u>10,169,000</u>	<u>10,920,000</u>
Less		
Carrying value of shares sold	6,700,000	
Fee for option granted on remaining shares	107,000	
	<u>6,807,000</u>	
At end of year	<u>\$ 3,362,000</u>	<u>\$ 10,920,000</u>

Under the terms of an option, the optionee has the right to acquire the remaining 501,714 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.

The quoted market value at December 31, 1978 was \$2,571,000 (1977 — \$6,173,000).

The quoted market value of these shares is not necessarily indicative of their realizable value because of the number of shares held.

5. Other Assets and Deferred Charges

	1978	1977
Exploration, development and preproduction expenditures deferred	\$ 70,154,000	\$ 71,923,000
State mining lease	6,069,000	6,069,000
	<u>76,223,000</u>	<u>77,992,000</u>
Amount amortized	2,280,000	
	<u>\$73,943,000</u>	<u>\$77,992,000</u>

6. Long Term Debt

	1978	1977
Project financing		
Bank consortium loans	\$ 111,986,000	\$ 108,511,000
Vendor credit	30,000,000	30,000,000
Standby facility loan	2,000,000	
Subordinated loan	4,159,000	4,083,000
	<u>148,145,000</u>	<u>142,594,000</u>
Less amount due within one year		7,875,000
	<u>148,145,000</u>	<u>134,719,000</u>
Other bank loan		7,266,000
	<u>\$148,145,000</u>	<u>\$141,985,000</u>

- (a) Bank consortium, vendor credit, and standby facility loans
 - (i) Prior to the dates (July 20, 1978, October 20, 1978, January 20, 1979 and April 20, 1979) on which principal repayments totalling \$15,750,000 fell due pursuant to the bank consortium and vendor credit loans and in anticipation of being unable to meet such principal repayments, Tara Mines Limited negotiated extensions to such dates. Subsequently, on May 31, 1979, Tara Mines Limited and the various lenders executed amending long term agreements as follows:
 - (a) The bank consortium loans are to be repaid by seventeen principal payments, the first such payment to be made on July 20, 1980 and the last on July 20, 1984 when the loans mature subject to advance payments. The interest rate payable on the loans is 2-1/8% above the London inter-bank rate for Euro-dollar loans up to July 20, 1980, and thereafter at 2% above such rate.
 - (b) The vendor credit loan is to be repaid by twenty-four fixed principal payments, the first such payment to be made on July 20, 1980 and the last on April 20, 1986 when the loan matures, subject to advance payments. The interest rate payable on the loan is 9% per annum.
 - (c) The standby facility loan agreement has been amended, increasing the amount which Tara Mines Limited is entitled to borrow from \$15,000,000 to \$30,000,000 and altering the conditions under which amounts may be drawn down under the agreement. Amounts drawn down are to be repaid on October 21, 1988 subject to advance payments. The interest rate on amounts drawn under this facility is 1% above the London inter-bank rate for Euro-dollar loans. A commitment fee of 0.5% per annum is payable to the bank on the unused portion of the standby facility.
 - (ii) Security for the bank consortium, vendor credit and standby facility loans is as follows:
 - (a) A first and fixed specific charge on certain property and assets of Tara Mines Limited and a floating charge on its undertaking and its remaining property and assets.
 - (b) An unconditional guarantee of the company for the full amount of all loans and the pledge by the company of all its shares in Tara Mines Limited.
 - (c) Repayment of amounts drawn under the \$30,000,000 standby facility has been guaranteed severally and not jointly by Charter Consolidated Limited as to 17%, Cominco Ltd. as to 21%, Noranda Mines Limited as to 50% and Northgate Exploration Limited as to 12%.

Tara Mines Limited has agreed to pay a commitment fee of 1% per annum to the guarantors in respect of the amounts guaranteed under the original standby facility and an additional fee of 1% per annum on the portions drawn down under that facility. A commitment fee of 2% per annum is payable to the guarantors in respect of the amounts guaranteed under the further \$15,000,000 standby facility and additional 2% per annum on the portion drawn down on this amount.
 - (iii) Among other covenants, the loan agreements contain certain restrictions relating to working capital and the payment of dividends.
- (b) Subordinated loan
The subordinated loan is repayable by Tara Mines Limited in Canadian dollars to the Minister for Industry, Commerce and Energy of Ireland. The loan is evidenced and secured by promissory notes and is subordinate to all financing arrangements entered into for the development of the Navan Mine. It carries interest calculated on the same basis as the interest on the bank consortium loans. Both principal and interest on the loan are payable in six semi-annual instalments to the lender following the repayment of the bank consortium loans by Tara Mines Limited.

7. Minority Interest

Minority interest is shown as a deficit balance since accumulated losses attributable to the minority interest exceed the minority interest's original equity. The minority interest represents the equity interest of the holder of the subordinated loan referred to in note 6(b). In the event that future profits do not eliminate the deficit in minority interest, the subordinate loan may be reduced by this deficit.

8. Capital Stock

(a) Warrants

During 1974, the company with the assistance of Noranda Mines Limited arranged a \$6,000,000 bank line of credit. In consideration for Noranda's assistance in arranging this line of credit, the company issued to Noranda five-year warrants to subscribe for 100,000 shares of the company's capital stock at Cdn. \$16.00 per share. Subsequent to the year end Noranda subscribed for all of the shares under these warrants.

(b) Employees' stock options

Pursuant to the employees' stock option plan adopted on October 31, 1978, 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 dates the options are granted.

At December 31, 1978 options were outstanding as follows:

<u>No. of shares</u>	<u>Price per share</u>	<u>Exercisable</u>
50,000	Cdn. \$13.05	October 31, 1978 to October 31, 1983.

No stock options were exercised during the year ended December 31, 1978.

9. Capital Commitments

The company's subsidiary, Tara Mines Limited, is committed to capital expenditures in the amount of \$990,000.

10. Contingent Liabilities

Discounted bills receivable at December 31, 1978 amounted to \$1,682,000.

11. 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.

12. Income Taxes

At December 31, 1978, the company's subsidiary, Tara Mines Limited, has available to reduce future years' income for tax purposes the aggregate of its adjusted loss for the current year, capital expenditures recorded in the accounts and an additional investment allowance of 20% on plant and equipment and qualifying exploration expenditures. These tax allowances can, under present Irish tax law, be carried forward indefinitely against future taxable income. The tax effect of these items has not been recorded in the accounts.

13. Other Statutory Information

Direct remuneration of the company's directors and senior officers (as defined by The Business Corporations Act, Ontario) amounts to \$267,000 for the year ended December 31, 1978 (1977 - \$231,000).

TARA MINES LIMITED

DIRECTORS

N. B. DHONAU
Dublin, Ireland
Geological Survey of Ireland

D. S. FLYNN
Dublin, Ireland
Retired Civil Servant

MATTHEW GILROY
Dublin, Ireland
Vice President
Northgate Exploration Limited

BRENDAN HYNES
Dublin, Ireland
Deputy Chairman and
Chief Executive Officer

WILLIAM JAMES
Toronto, Canada
Executive Vice President,
Noranda Mines Limited

MICHAEL McCARTHY
Ballinasloe, Ireland
President
Tara Exploration and Development
Company Limited

JOSEPH V. McPARLAND
Dundalk, Ireland
Secretary/Treasurer
Tara Exploration and Development
Company Limited

HUGH MURPHY
Leicester, England
Joint Managing Director,
Murphy Securities Limited

PATRICK J. MURPHY
Leicester, England
Joint Managing Director,
Murphy Securities Limited

MURROGH V. OBRIEN
Dublin, Ireland
Executive Vice President
and General Manager,
Tara Exploration and Development
Company Limited

A. A. PAKENHAM-WALSH
Dublin, Ireland
Professor, Trinity College

JOHN J. TULLY
Meath, Ireland
Secretary

OFFICERS

MICHAEL McCARTHY,
Chairman

BRENDAN HYNES,
Deputy Chairman and
Chief Executive Officer

JOHN J. TULLY
Secretary

GORDON H. MONTGOMERY
Vice President and
General Manager — Operations

FRANK A. DONNELLAN
Financial Controller

Alternate Directors

SYDNEY FILER
Dartmouth, England
Managing Director, Smelter
Corporation of Ireland Limited

JOHN A. HALL
Toronto, Canada
Vice President Mine Projects,
Noranda Mines Limited

PATRICK J. HUGHES
Dublin, Ireland
Chairman of the Board
Northgate Exploration Limited

PETER McALEER
Dublin, Ireland
Vice President,
Northgate Exploration Limited

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TARA PROSPECTING LIMITED

MICHAEL McCARTHY
Director

MURROGH V. OBRIEN
Director

DEREK M. ROMER
General Manager

JOHN J. TULLY
Secretary

