# HOMESTAKE MINING COMPANY 1989 ANNUAL REPORT

## *About Our Cover*

Alan Fiest (left) and David Treber (right) are shown pouring a 600 ounce bar of 99.80% pure gold at Homestake's gold refinery in Lead, South Dakota. Lead refines approximately 600,000 ounces per year from ores produced at the Homestake and McLaughlin mines.

## *The Company*

Homestake is an international gold mining company holding significant gold interests in the United States, Australia, Chile and Canada in addition to other natural resource interests.

The Company increased its gold production by 30% to 1,014,702 ounces in 1989, expanded gold reserves by 29% to 14.7 million ounces, and lowered total cash production costs by 4% to $264 per ounce.



**Table of Contents**

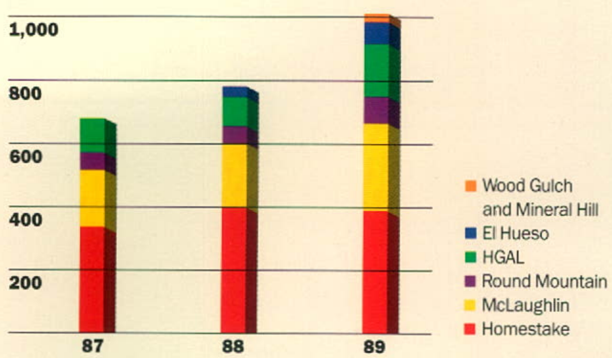
# HIGHLIGHTS[1]

| *(In thousands, except per share and per ounce amounts and employees)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Revenues | $452,774 | $427,493 | $503,764 |
| Net Income | $ 53,324 | $ 66,401 | $146,407 |
| Per share | $.55 | $.68 | $1.51 |
| Capital Expenditures | $ 86,487 | $107,061 | $ 35,265 |
| Working Capital | $298,328 | $305,626 | $396,969 |
| Long-Term Debt | $ 93,083 | $ 60,250 | $ 35,000 |
| Shareholders' Equity | $800,261 | $757,043 | $702,871 |
| Shares Outstanding | 98,236 | 97,499 | 97,302 |
| Employees | 2,096 | 2,109 | 1,992 |
| Gold Ounces Produced | 1,014.7 | 781.5 | 677.7 |
| Cash Production Cost (per ounce) | $264 | $275 | $271 |
| Gold Reserves (contained ounces) | 14,724 | 11,424 | 10,390 |

[1]*Amounts in 1988 and 1987 have been reclassified to reflect pro-rata consolidation of Homestake's interest in KMA and to present oil and gas operations as discontinued operations. Share amounts reflect the two-for-one stock split effective November 16, 1987.*

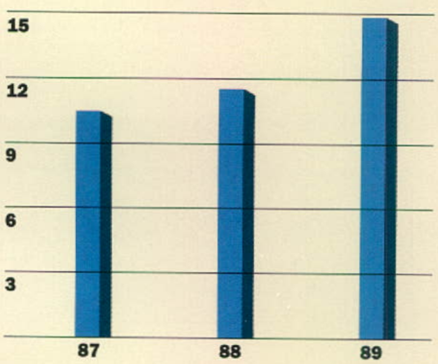
**Gold Production**

*(Ounces in Thousands)*




**Companywide Gold Reserves**

*(Ounces in Millions at year end)*



## Letter To The Shareholders:

Homestake significantly increased gold production and reduced unit gold costs in 1989. For the first time in our Company's 114-year history, production topped one million ounces and gold reserves reached 14.7 million ounces. The Company's worldwide gold production was up 30% to 1,014,702 ounces, reflecting substantial production gains at nearly all our existing mines, production from three new sources and expanded Australian operations. Cash production costs were $264 an ounce, an improvement of $11 from 1988 and the third-lowest cash cost of the decade.

Net income for the year was $53.3 million, or 55 cents per share, 20% less than 1988's net income. The negative effects of a significantly lower gold price were only partially offset by strong lead earnings from The Doe Run Company and by gains from sales of oil and gas assets. Gold operating earnings similarly fell by 41% to $53.6 million due to the gold price decline.

In an effort to increase our focus on Homestake's core business — gold, two major transactions were completed during the year. In April, our 80%-owned subsidiary, Homestake Gold of Australia Limited (HGAL), purchased a 50% interest in a portion of the Kalgoorlie mining district and an additional 2% of Kalgoorlie Mining Associates. The purchases nearly doubled Homestake's Australian production during 1989 to 170,187 ounces and increased Australian gold reserves to 3.9 million ounces at year end.

The second transaction included the sales of Eugene Island 108/109 oil and gas leases and the Felmont oil and gas assets acquired in 1984. The Company realized after-tax gains totaling $34.2 million on these sales. The Company retained its interest in the Round Mountain gold mine, the Main Pass 299 sulphur deposit and the gas storage field.

**Production Milestones**

Homestake produced a record-breaking one million ounces of gold in 1989 by expanding existing operations, acquiring ongoing gold operations and developing mines from grass roots exploration projects.

Early in the year, we completed a major expansion of mill capacity at the McLaughlin mine in northern California. This resulted in a dramatic 39% increase in production to 283,843 ounces during 1989 and a significant decrease in cash production costs to $203 per ounce.

At the Round Mountain mine in Nevada, the recently completed expansion project and the consolidation of the Manhattan mine and mill into the joint venture increased production by 36%.

As in prior years, the largest single contributor to the Company's gold production was the Homestake mine in South Dakota, which turned out 381,788 ounces in 1989. Increased in-mine exploration activities successfully delineated new ore reserves on several levels, increasing mine reserves by more than 0.8 million contained ounces, net of 1989 production.

Two new mines in the United States, Wood Gulch in Nevada and Mineral Hill in Montana, began operations in 1989, producing 19,810 and 5,636 ounces, respectively. Although mining is

*Harry M. Conger, Chairman of the Board and Chief Executive Officer*

*David K. Fagin, President and Chief Operating Officer*

completed at Wood Gulch, ore leaching will continue through 1990. Mineral Hill's first full year of operation in 1990 should produce 22,000 ounces for Homestake's account.

Internationally, HGAL increased its gold production by 81% as a result of additional ounces from the consolidation of the Kalgoorlie district gold operations, the expansion of mill capacity and the opening of its new, wholly-owned Fortnum mine in October 1989.

In the first full year since acquisition in June 1988, the El Hueso mine in Chile produced 73,784 ounces. Homestake's presence in Chile should provide the Company future gold development opportunities as additional experience is gained in a highly mineralized province.

Through our 73.3% interest in North American Metals Corp., the Company has invested a total of $55 million for the purchase and the development of 50% of the Golden Bear gold mine in northwestern British Columbia. Construction was completed in December 1989 and production began in January 1990.

Our base metals business, The Doe Run Company partnership, continues to produce excellent results. Profits of $26.3 million from our

42.5% share of the partnership were less than 1988's record year. Revised mine and operating plans took advantage of high lead, zinc and copper prices, and improved processing at the smelter contributed to a record refined lead production.

Construction of the lead recycling facility announced in 1988 has been suspended pending further study.

**Realigning Assets**

The two major transactions discussed above had a significant impact on the Company's financial position during 1989. The Company purchased Australian assets for $95 million and generated about $121 million in proceeds from the sale of oil and gas operations. Capital spending was $185.1 million during the year, which included $98.6 million of acquisitions.

Homestake has maintained a strong financial position, ending the year with cash and short-term investments of $261.5 million. Long-term debt increased to $93.1 million due to debt taken on by HGAL. The Company's total assets reflected acquisitions and expansions and at year end totaled $1.1 billion.

The Company's growth depends to a large extent on the successful expansion of mineral reserves through exploration and acquisition, and the low-cost development and production of those reserves. The Company's progress in these areas is demonstrated by the 29% increase in gold reserves resulting in a record high of 14.7 million ounces at year end.

William F. Lindqvist was elected Vice President of Exploration in January 1990. He formerly was the General Manager of North American Exploration for Gold Fields Mining Corporation. We feel that the coupling of Mr. Lindqvist's experience and the Company's resources will result in a long-term exploration program that will successfully replace and hopefully increase our gold reserves.

As the result of diligent effort by our employees, Homestake reached a number of milestones in 1989. We congratulate and thank them for their individual accomplishments. We also thank our shareholders for their continued loyalty and support, and we look forward with confidence to new achievements in 1990.

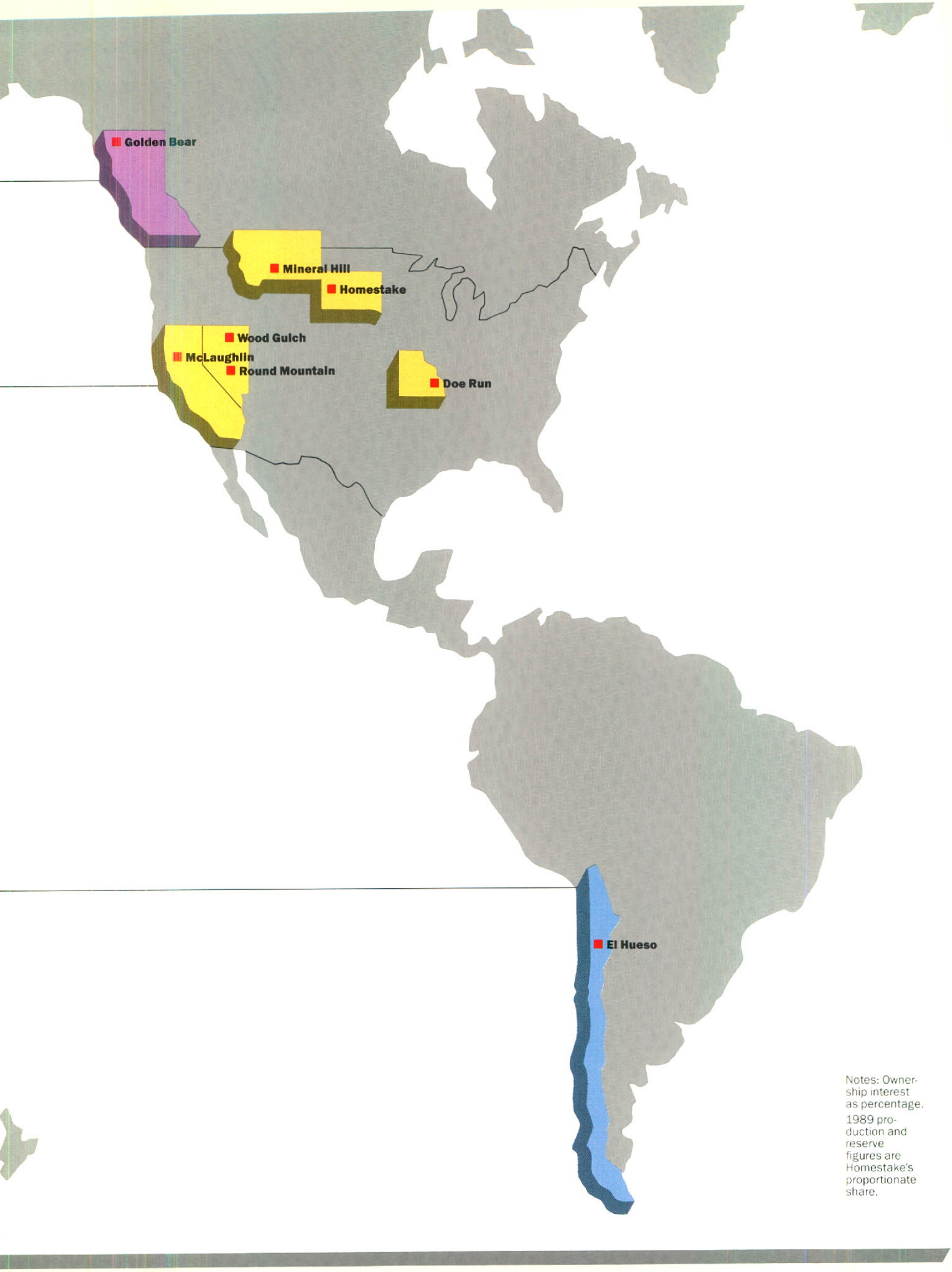
Harry M. Conger
Chairman and Chief Executive Officer

David K. Fagin
President and Chief Operating Officer

February 22, 1990

HOMESTAKE'S SUCCESS IN THE FUTURE DEPENDS ON OUR ABILITY TO EXPAND MINERAL RESERVES THROUGH EXPLORATION AND ACQUISITION. IT IS EQUALLY DEPENDENT UPON THE INGENUITY AND LOYALTY OF THE COMPANY'S 2,096 EMPLOYEES. IN THE FOLLOWING PAGES, WE SUMMARIZE THE ACTIVITIES AT OUR VARIOUS OPERATIONS AND HIGHLIGHT EIGHT INDIVIDUALS FROM OUR DEDICATED AND HARDWORKING TEAM.

*Inside: Map of Homestake Operations*




Notes: Ownership interest as percentage.
1989 production and reserve figures are Homestake's proportionate share.

*Canada*

**Golden Bear-36.6%**
Est. Prod.-15,000 oz.
Reserves-0.1 million oz.

*United States*

**Homestake-100%**
Production-381,788 oz.
Cash cost-$301/oz.
Recovery-95%
Reserves-5.7 million oz.

**McLaughlin-100%**
Production-283,843 oz.
Cash cost-$203/oz.
Recovery-90%
Reserves-2.3 million oz.

**Round Mountain-25%**
Production-79,654 oz.
Cash cost-$255/oz.
Recovery-62%
Reserves-2.2 million oz.

**Wood Gulch-100%**
Production-19,810 oz.
Cash cost-$250/oz.
Reserves-0

**Mineral Hill-50%**
Production-5,636 oz.
Cash cost-$291/oz.
Recovery-87%
Reserves-0.2 million oz.

**The Doe Run Company-42.5%**
Production—Refined Lead 106,707 Tons
Zinc Concentrate-23,265 Tons
Copper Concentrate-32,540 Tons

*Chile*

**El Hueso-100%**
Production-73,784 oz.
Cash cost-$292/oz.
Recovery-72%
Reserves-0.4 million oz.

*Australia*

**HGAL—Kalgoorlie Operations-40%**
Production-161,078 oz.
Cash cost-$276/oz.
Recovery-87%
Reserves-3.8 million oz.

**HGAL—Fortnum-80%**
Production-9,109 oz.
Cash cost-$260/oz.
Recovery-90%
Reserves-0.1 million oz.

## OVERVIEW

Gold production rose by 30% to an all-time high of 1,014,702 ounces in 1989. Because the Company's financial performance is closely tied to movements in the price of gold, our earnings were adversely affected when the average gold price dropped to $381 per ounce from $437 the previous year. Gold operating earnings were $53.6 million, 41% lower than in 1988. Company-wide cash production costs dropped to $264 per ounce, an improvement of $11. As a result of acquisition and exploration efforts, year-end gold reserves reached a record 14.7 million ounces.

## DOMESTIC OPERATIONS

### HOMESTAKE

*United States*

The Homestake mine, located in Lead, South Dakota began operating 114 years ago. In July 1990, 36 million ounces will have been produced from the mine, making it one of the oldest and largest underground mines in the world. Homestake resumed operations from the Open Cut in 1985 — on the site of the original gold strike — and now operates both underground and open-pit operations.

Operating earnings from the mine dropped to $22.8 million from $49.6 million in 1988 primarily due to falling gold prices.

Gold production in 1989 was 381,788 ounces, approximately 38% of the Company's total but down slightly from the 1988 record level of 390,162 ounces.

Underground ore grade declined 4% to 0.180 ounces per ton and when combined with slightly higher labor costs caused cash production costs to increase slightly to $301 per ounce.

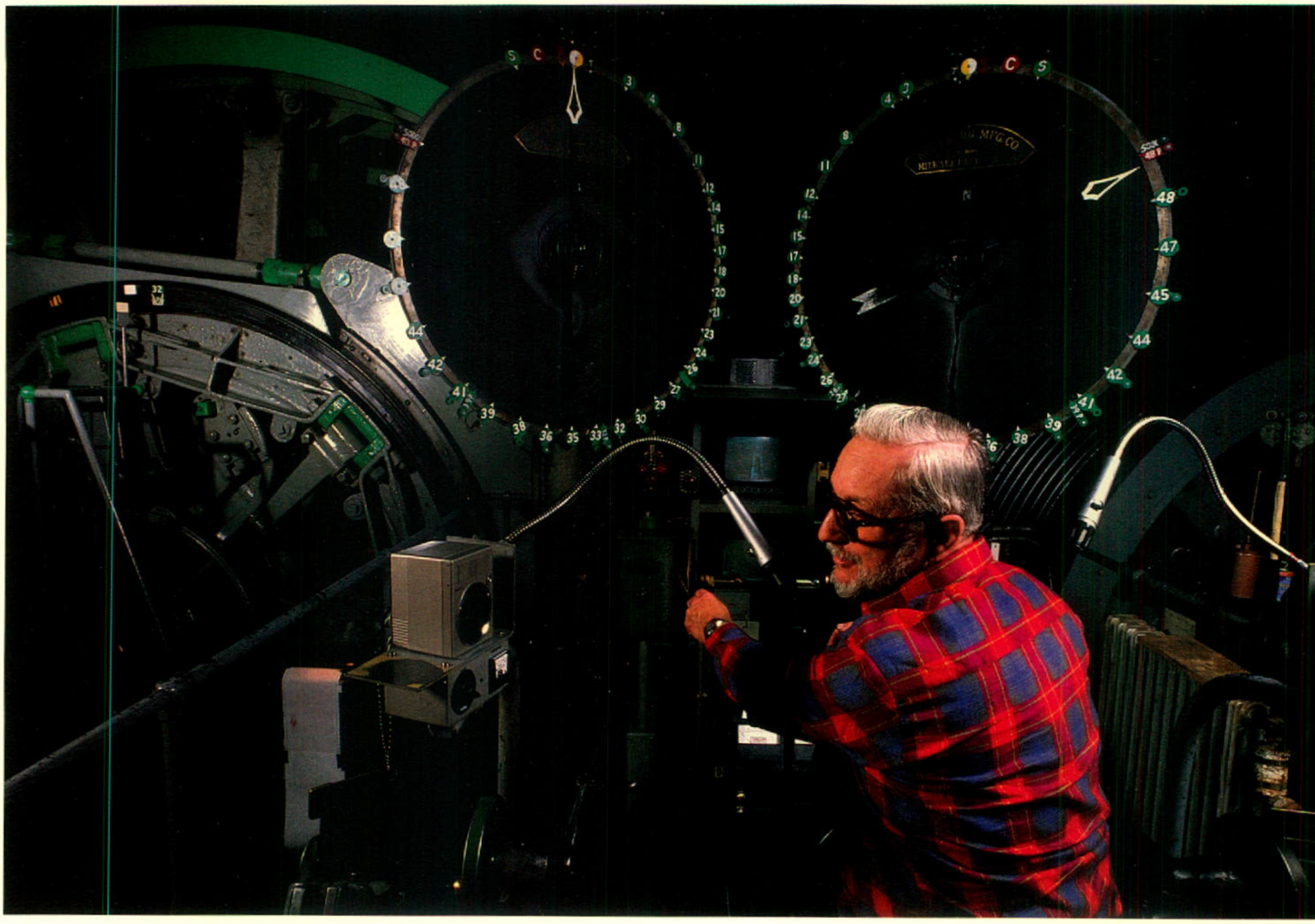
During June, a fire in an inactive timber-lined crosscut on the 3500-foot level was successfully extinguished and the mine evacuated in record time with no injuries. Open Cut ore offset the temporary loss of underground production and kept the mill operating at capacity.

The Company continues to explore in and around the mine, concentrating in-mine efforts on areas below the 6800-foot level. Development work in previously inaccessible areas advanced the 7400-foot level toward undeveloped ore on 9 and 13 ledges. These activities successfully expanded gold reserves by 0.8 million ounces to the year-end total of 5.7 million ounces.

During 1989, a new sulfide regrind mill circuit increased overall mill throughput. Construction of a larger carbon adsorption plant was also completed. The plant will process tailings dam water and should recover an additional 7,000 ounces per year.

A feasibility study on expansion of the Open Cut was completed during the year. Actual mining of the expansion area is not expected to begin until 1996, but planning for the relocation of public roads and approximately 170 residences and businesses has begun.


**One Million Ounce Memento**
Presented to each employee in appreciation for contributions in the achievement of a major corporate milestone during 1989 — the production of one million ounces of gold.



Francis Lauer has worked for Homestake for 35 years, most recently as Senior Hoist Operator at the Ross Shaft of the Homestake Mine. The hoist provides underground access for several hundred miners daily.

## McLaughlin

*United States*

The McLaughlin open-pit gold mine is located 70 miles northeast of the Company's headquarters in San Francisco and is the site of the world's first successful use of acid pressure oxidation technology utilizing autoclaves for treating gold ores. The mine was discovered in 1978 by Homestake geologists and the first gold poured in 1985.

For the year, operating earnings were $17.0 million, an 11% decrease from the $19.1 million in 1988. Production increases partially offset the significantly lower market price for gold.

Gold production in 1989 was a record 283,843 ounces, an increase of 80,016 ounces from 1988. The parallel oxide ore processing circuit commissioned in early 1989 processed an additional one million tons of ore and provided approximately one-quarter of the mine's total gold production. However, the increased processing of oxide ores lowered the average grade of ore milled to 0.156 ounces per ton from 0.194 in 1988.

By operating on a schedule of three shifts per day, five days a week, McLaughlin mined 14.0 million tons of ore and waste, an 8% increase from 1988. Despite longer hauling distances, cost control measures that improved productivity were instituted. These improvements, coupled with the benefits obtained from the oxide circuit, reduced the cash production cost to $203 per ounce. This is a 14% drop from 1988's cost of $235 per ounce.

Exploration drilling continued during the year to expand known mineralization zones immediately peripheral to the pit. At year end, reserves were 2.3 million gold ounces.

## Round Mountain

*United States*

Round Mountain is the world's largest open-pit, heap leach gold mining operation. Homestake acquired its 25% interest in the mine through the purchase of Felmont Oil Corporation. The mine, located in central Nevada, completed a large expansion project during the first quarter of 1989, increasing the process rate to about 45,000 tons per day. The installation of the automated stacking system for the leach pad was finalized in July, completing the last phase of the project.

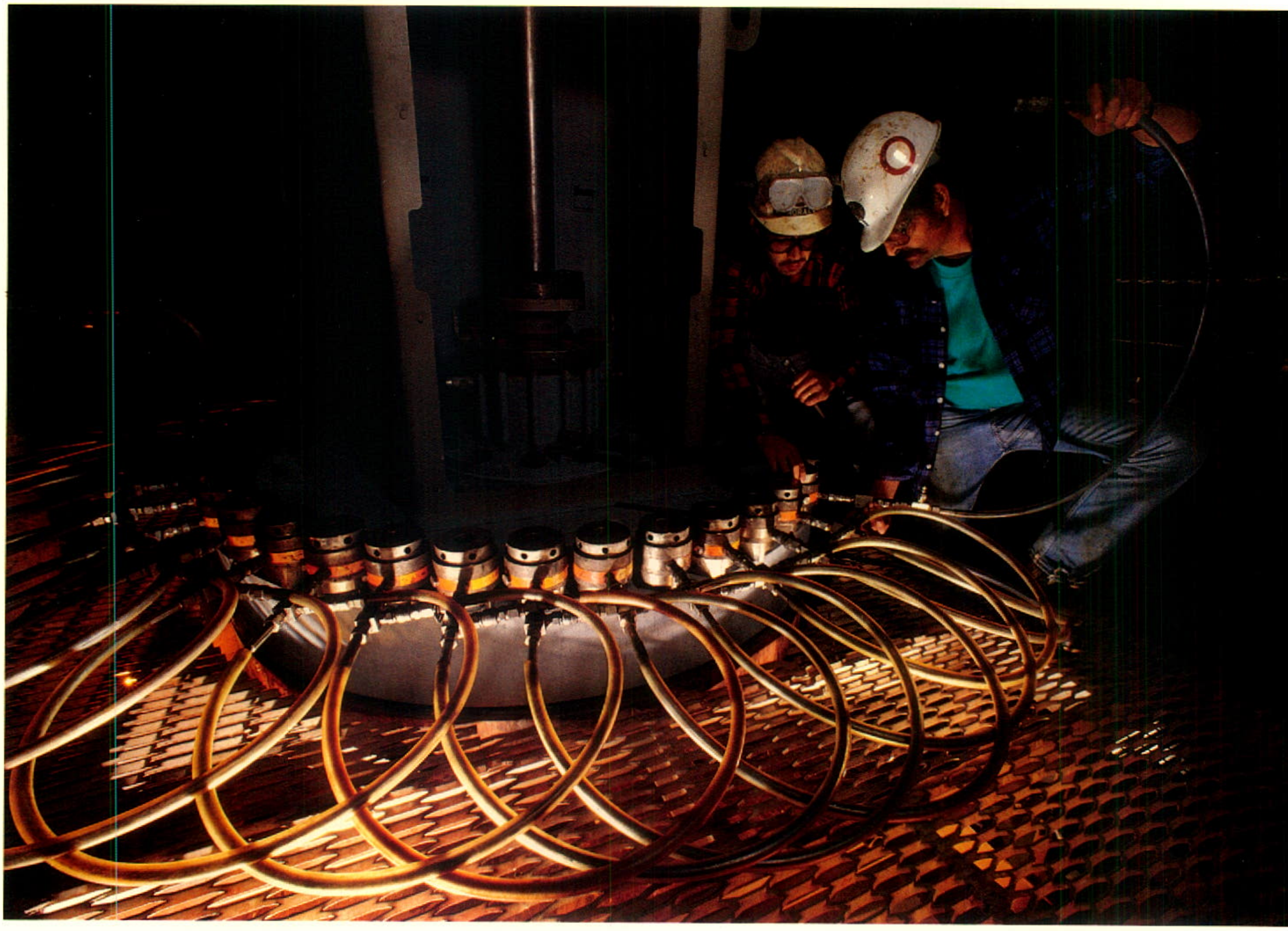
Lower gold prices and costs related to the expansion reduced Homestake's share of operating earnings by 35% to $6.0 million.

Homestake's share of gold production increased 36% to 79,654 ounces in 1989, due in part to the addition of Manhattan ores as well as the completion of the expansion. Cash production costs, including state taxes and royalty payments, were $255 per ounce, up slightly from the prior year.

In 1989, a zone of near-surface mineralization (the Masada zone) was discovered. This zone contains higher grade unoxidized ores and could be mined by widening the existing pit. Additionally, an underground ramp was driven to explore two high-grade ore zones beneath the planned bottom of the pit, but early assay results taken from the ramp were not encouraging.

**Environmental Concern**
Certificate of Appreciation awarded to Homestake Mining Company, McLaughlin Mine by The United States Department of Interior, Bureau of Land Management.

*"In recognition of your sensitivity and dedication to the protection of the flora and fauna in a mining environment on public lands."*



HOMESTAKE'S SUCCESS IN THE APPLICATION OF NEW INNOVATIVE TECHNOLOGY TO GOLD MILLING IS ILLUSTRATED BY THE USE OF AUTOCLAVES AT THE MCLAUGHLIN OPERATION. RAUL MORALES AND DAVE LANCIERI PROVIDE THE MAINTENANCE AND OPERATIONAL ATTENTION NECESSARY FOR THIS CRUCIAL PART OF THE GOLD EXTRACTION PROCESS.

The Company's share of ore reserves, including the Manhattan reserves, was 2.2 million ounces of gold at year end.

### MINERAL HILL

*United States*

The Mineral Hill mine, located north of Yellowstone Park in Montana, is a jointly-owned venture between American Copper and Nickel Company (ACNC) and Homestake. ACNC manages the operation. Construction was completed on schedule and the first gold poured in July 1989. Homestake's share of 1989 gold production was 5,636 ounces at a cash production cost of $291 per ounce.

In 1990, the first full year of operation, the mine should produce about 22,000 ounces for the Company's account. Homestake's share of ore reserves at year end contained 174,463 ounces of gold.

### WOOD GULCH

*United States*

The Wood Gulch mine, in northeastern Nevada, completed mining activities during late 1989. However, leaching and gold recovery will continue through 1990 and exploration drilling continues in the surrounding area. Gold production was 19,810 ounces at a cash production cost of $250 per ounce. The small, seasonally operated mine was Homestake's first domestic in-house experience developing and operating a heap leach gold property.

## INTERNATIONAL OPERATIONS

### HGAL–KALGOORLIE OPERATIONS

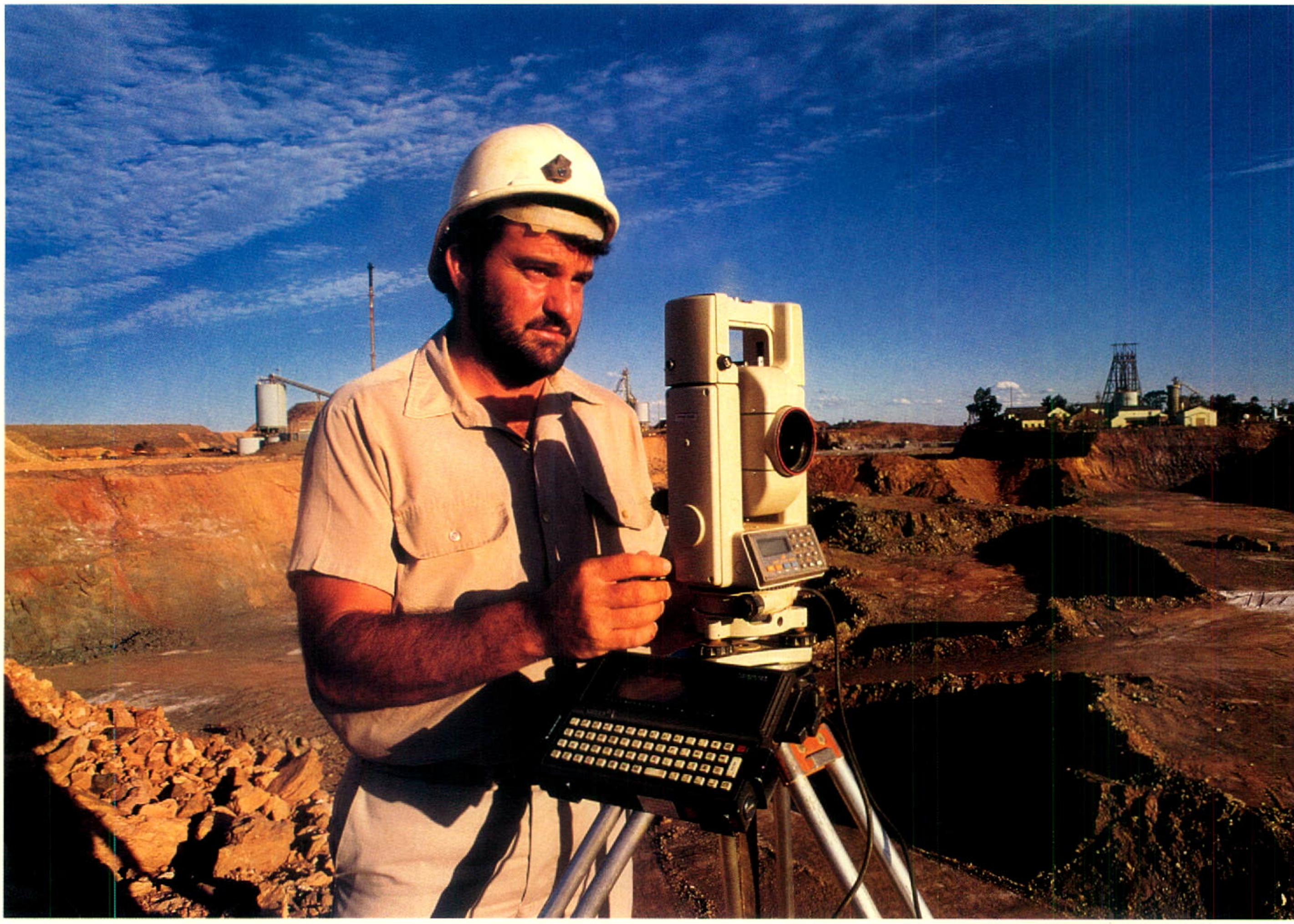
*Australia*

Homestake's Australian gold mining interests are held by an 80%-owned subsidiary, Homestake Gold of Australia Limited (HGAL). During the year, HGAL purchased a 50% interest in a portion of the Kalgoorlie gold district and a 2% additional interest in Kalgoorlie Mining Associates (KMA) for $95 million. A management company called Kalgoorlie Consolidated Gold Mines Pty Ltd (KCGM) was formed by the owners to manage the consolidated operations and to oversee production from existing mines and mills as well as the construction of the new Fimiston Mill.

Homestake incurred a loss of $400,000 from HGAL for 1989 due to lower gold prices, additional interest and exploration expenses, and a stronger Australian dollar. HGAL's Australian annual report will record operating earnings due to differences in Australian accounting treatment for exploration and amortization expenses.

Homestake's share of 1989 gold production from HGAL increased dramatically to 170,187 ounces as KCGM reported increased tons milled from KMA underground mines, Mt. Charlotte and Fimiston, as well as significantly increased output

**Relocation Plans**
Open Cut Expansion pamphlet—*"At Homestake, doing things right means respecting our neighbors. Communicating with and providing for the families and businesses affected by the expansion tops our list of priorities."*



Modern technology is used to best advantage by Chief Surveyor, Vic Frazer, in the preparation of mining plans for the Open Cuts at the Kalgoorlie operations in which Homestake Gold of Australia Limited has a 50% interest.

from the open-pit operations. Total tons mined at the KCGM managed mines was 5.1 million tons and grade averaged 0.111 ounces per ton. Underground and surface drilling programs were implemented to evaluate the possible increased use of bulk mining techniques underground to further expand production at the mines.

HGAL completed commissioning of the new 6,000 ton-per-day Fimiston Mill in August 1989 and both the mill and new Gidji roaster were operational by year end. The mill achieved an operating rate of 90% and the Company expects improvement in 1990. During 1989, the management re-evaluated the proposed expansion of the new Fimiston Mill and decided to defer the $65 million project pending further analysis.

Cash production cost for the mines managed by KCGM was $276 per ounce, a slight decrease from the prior year. A reduction in ore cut-off grade at the Mt Percy Joint Venture contributed to lower costs by reducing stripping ratios.

Exploration during 1989 upgraded ore reserves and identified additional exploration targets. Homestake's share of gold reserves from KCGM managed operations tripled to 3.8 million ounces at year end.

## HGAL–FORTNUM

*Australia*

The new Fortnum gold mine, located 90 miles north of Meekathara in Western Australia, is HGAL's first wholly-owned and operated producing gold mine. Construction was completed ahead of schedule in part due to the purchase of an existing mill that was relocated and upgraded. The first gold was poured in October 1989. Homestake's 80% share of production totaled 9,109 ounces in 1989 and is expected to rise to about 45,000 ounces in 1990. The Company's share of Fortnum's gold reserves was 119,921 ounces at year end.

## EL HUESO

*Chile*

The El Hueso mine is located in rugged terrain, high in the Andes mountains, about 600 miles north of Santiago, Chile. Operated under a 10-year lease acquired in June 1988, the open-pit, heap leach operation treated over 2.5 million tons of ore and produced 73,784 ounces in 1989.

Plant modifications and changes in operating practices increased throughput and improved recovery in 1989. An extensive exploration program was completed during the year with disappointing results which decreased reserve tonnage and lowered overall reserve grade. Year-end reserves contained 386,660 ounces of gold. As a result of this lower than expected grade, mining was accelerated to maintain continuous ore feed to the plant. Consequently, cash production costs rose slightly to $292 per ounce, including a $38 per ounce write-down of low-grade stockpiles. Operating losses for the year were $3.0 million.

**Good Corporate Citizen**
Homestake donated approximately One Million Dollars in cash and property to the Mt. Rushmore Society to assist in the renovation efforts for a national shrine, Mt. Rushmore.

"JUNIOR" ELDEEN AND MIKE MCDEVITT ARE TWO MEMBERS OF A CREW WHO ARE MINING THE ROSS PILLAR AT THE HOMESTAKE MINE. MINING OF THE HIGH GRADE PILLAR BEGAN DURING 1989.

### GOLDEN BEAR

*Canada*

Homestake's first gold production in Canada came from its 73.3% ownership interest in North American Metals Corp. (NAM) of Vancouver, British Columbia. NAM is 50% owner and the manager of the Golden Bear mine, located in northwestern British Columbia.

Mine construction was completed late in 1989 and gold was first poured in January 1990. However, the project has suffered from a series of cost overruns that increased total project capital to approximately $69 million and brought the Company's investment in this mine to approximately $55 million. Homestake's share of production in 1990 is expected to be 15,000 ounces. The Company's share of ore reserves at year end was 132,760 ounces of gold.

BASE METALS

### DOE RUN

*United States*

The Doe Run Company, located in southeastern Missouri, is North America's largest fully integrated primary lead producer. Operating earnings from Homestake's 42.5% interest in the partnership were $26.3 million, 12% below the $29.8 million for the prior year. Earnings in 1988 benefitted from a $1.6 million insurance settlement and a higher margin on copper concentrates.

Doe Run focused on maximizing by-product production in order to take advantage of continuing high copper and zinc prices. As a result, total ore tons milled increased by 6% to 4.8 million tons. Although volumes increased, 1989 unit costs net of by-product credits at the six mines and four mills were essentially unchanged from the prior year.

The Herculaneum smelter at Doe Run set a refined lead production record of 238,935 tons and improved productivity to an all-time high of 1.82 tons per manshift. Safety records were also set throughout the operations. The mine finished the year after a record 14 consecutive months, over one million man-hours, without a lost-time incident.

Doe Run completed review of the secondary lead recycling facility and recommended that the owners approve a plan to modify the Buick smelter to recycle lead scrap. Pending such approval, construction of the project has been suspended.

**Conservation**

**Townsend's Big Eared Bats**
*"What distinguishes the McLaughlin mine is their firm commitment to wildlife conservation and their sincere efforts to provide enduring protection for their resident bats..."*
Reprint from "BATS," published by Bat Conservation International—Spring 1989.

AN OPEN-PIT MINE LIKE MCLAUGHLIN IS A CAREFULLY PLANNED EARTH MOVING OPERATION. THE SUCCESS OF THE MINE DEPENDS ON THE SAFE AND EFFICIENT DRIVING OF INDIVIDUALS LIKE TIM MILLER WHO KEEP THE PAYLOAD OF THE 85 TON TRUCKS ON COURSE.

## URANIUM

Homestake suspended conventional mining operations at its Grants, New Mexico uranium operation in November 1989 and suspended milling operations in January 1990. The decisions were made following Chevron's closure of the nearby Mt. Taylor mine for which the Grants facility had provided toll conversion. Market prices continued to fall, hitting new lows of $9.00 per pound. Uranium operating losses were $7.2 million for the year, including $2.0 million associated with the closure, as well as $1.0 million in additional reclamation reserve expenses.

## DOMESTIC EXPLORATION

In its domestic exploration activities, Homestake continues to emphasize the discovery or acquisition of precious metals properties particularly those in the western United States and in the vicinity of the Company's operating mines. Exploration expenditures in 1989 were $11.8 million with 33%, or $3.8 million, dedicated to exploration in South Dakota.

Surface drilling continues along projected mineral trends in the Homestake mine. Through outside technical support the Company has been able to direct diamond drilling into key target zones using drill holes in excess of 10,000 feet. This project has enabled the Company to identify and evaluate key structures and host formations outside existing mine workings.

Homestake has completed a favorable feasibility study on the Doby Project, Elko County, Nevada. However, a production decision has been deferred until exploration of additional targets has been completed.

## INTERNATIONAL EXPLORATION

During the year, Homestake acquired the majority of the Canadian mineral exploration properties of Esso Minerals Canada for $3.3 million. The transaction included approximately 100 exploration stage properties, one of which was a 26% interest in the Back River project. Drilling will continue in 1990 on Back River and other advanced targets.

**Reclamation**

**The First and Last Phase of Mining**
Homestake demonstrates its commitment to environmental responsibility by treating reclamation as a part of the mining process.

Senior Geologist Mark Randell examines mineral samples taken from the Fortnum Gold Mine, the first wholly-owned and operated mine of Homestake Gold of Australia Limited.

## Statistical Summary

*Homestake Mining Company and Subsidiaries*

| *(Quantities in thousands)* | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|
| **Gold Operations[1]** | | | | | |
| *Tons of Ore Processed* | | | | | |
| Homestake | 2,521 | 2,455 | 2,346 | 2,304 | 2,346 |
| McLaughlin | 2,076 | 1,095 | 1,082 | 1,022 | 660 |
| Round Mountain | 4,634 | 3,225 | 2,760 | 1,666 | 1,339 |
| Wood Gulch | 603 | — | — | — | — |
| Mineral Hill | 30 | — | — | — | — |
| Domestic Subtotal | 9,864 | 6,775 | 6,188 | 4,992 | 4,345 |
| El Hueso | 2,482 | 1,036 | — | — | — |
| HGAL | | | | | |
| —Kalgoorlie Operations | 1,882 | 873 | 899 | 827 | 786 |
| —Fortnum | 82 | — | — | — | — |
| International Subtotal | 4,446 | 1,909 | 899 | 827 | 786 |
| Total | 14,310 | 8,684 | 7,087 | 5,819 | 5,131 |
| *Ounces Produced* | | | | | |
| Homestake | 382 | 390 | 326 | 342 | 343 |
| McLaughlin | 284 | 204 | 189 | 173 | 84 |
| Round Mountain | 80 | 58 | 48 | 42 | 35 |
| Wood Gulch | 20 | — | — | — | — |
| Mineral Hill | 5 | — | — | — | — |
| Domestic Subtotal | 771 | 652 | 563 | 557 | 462 |
| El Hueso | 74 | 35 | — | — | — |
| HGAL | | | | | |
| —Kalgoorlie Operations | 161 | 94 | 115 | 113 | 105 |
| —Fortnum | 9 | — | — | — | — |
| International Subtotal | 244 | 129 | 115 | 113 | 105 |
| Total | 1,015 | 781 | 678 | 670 | 567 |
| *Cash Production Cost[2]—per ounce* | | | | | |
| Homestake | $301 | $298 | $329 | $285 | $276 |
| McLaughlin | 203 | 235 | 229 | 240 | 291 |
| Round Mountain | 255 | 248 | 216 | 203 | 221 |
| Wood Gulch | 250 | — | — | — | — |
| Mineral Hill | 291 | — | — | — | — |
| El Hueso | 292 | 290 | — | — | — |
| HGAL | | | | | |
| —Kalgoorlie Operations | 276 | 281 | 198 | 193 | 191 |
| —Fortnum | 260 | — | — | — | — |
| Weighted Average | $264 | $275 | $271 | $253 | $259 |
| *Full Production Cost—per ounce* | | | | | |
| Homestake | $322 | $314 | $347 | $298 | $294 |
| McLaughlin | 321 | 346 | 352 | 364 | 422 |
| Round Mountain | 308 | 276 | 247 | 234 | 246 |
| Wood Gulch | 391 | — | — | — | — |
| Mineral Hill | 405 | — | — | — | — |
| El Hueso | 423 | 470 | — | — | — |
| HGAL | | | | | |
| —Kalgoorlie Operations | 322 | 319 | 229 | 215 | 205 |
| —Fortnum | 291 | — | — | — | — |
| Weighted Average | $329 | $327 | $321 | $298 | $294 |

[1] *Includes Homestake's proportionate share of ownership: Homestake 100%, McLaughlin 100%, Round Mountain 25%, El Hueso 100%, Wood Gulch 100%, Mineral Hill 50%, HGAL—Kalgoorlie operations 40% effective 4/15/89, 38.4% from 1988 to 4/89 and 48% from 1985 to 1987, and Fortnum 80%.*

[2] *Excludes depreciation, amortization, reclamation accruals and certain pre-stripping costs.*

## Statistical Summary

*Homestake Mining Company and Subsidiaries*

| *(Quantities in thousands)* | December 31, 1989 Tons | Grade (oz/ton) | Contained Ounces[3] | December 31, 1988 Tons | Grade (oz/ton) | Contained Ounces[3] |
|---|---|---|---|---|---|---|
| *Gold Ore Reserves (Proven and Probable)*[1] | | | | | | |
| Homestake Mine | | | | | | |
| —Underground | 19,839 | 0.229 | 4,551 | 18,571 | 0.218 | 4,048 |
| —Open Cut | 9,020 | 0.122 | 1,100 | 6,613 | 0.120 | 792 |
| McLaughlin Mine | | | | | | |
| —Sulfide | 16,705 | 0.126 | 2,097 | 16,994 | 0.131 | 2,233 |
| —Oxide | 3,554 | 0.050 | 177 | 4,622 | 0.060 | 277 |
| Round Mountain | 68,144 | 0.032 | 2,195 | 62,385 | 0.032 | 2,021 |
| Wood Gulch | — | — | — | 490 | 0.098 | 48 |
| Mineral Hill | 546 | 0.320 | 174 | 542 | 0.306 | 166 |
| Domestic Subtotal | 117,808 | | 10,294 | 110,217 | | 9,585 |
| El Hueso | 12,476 | 0.031 | 387 | 15,958 | 0.035 | 559 |
| Golden Bear | 246 | 0.540 | 133 | 241 | 0.543 | 131 |
| HGAL | | | | | | |
| —Kalgoorlie Operations[2] | 40,798 | 0.093 | 3,790 | 8,043 | 0.134 | 1,081 |
| —Fortnum | 1,378 | 0.087 | 120 | 734 | 0.093 | 68 |
| International Subtotal | 54,898 | | 4,430 | 24,976 | | 1,839 |
| Total | 172,706 | | 14,724 | 135,193 | | 11,424 |

[1]*Includes Homestake's proportionate share of ownership: Homestake 100%, McLaughlin 100%, Round Mountain 25%, El Hueso 100%, Wood Gulch 100%, Mineral Hill 50%, Golden Bear 36.6%, HGAL—Kalgoorlie operations 40% at December 31, 1989 and 38.4% at December 31, 1988, and Fortnum 80%.*
[2]*Includes reserves to which HGAL may not be entitled. See note 7, paragraph 2 of Financial Notes.*
[3]*Metallurgical losses have not been included in the calculation of contained ounces.*

| **Base Metals**[1] | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|
| *Tons of Ore Milled* | 2,021 | 1,909 | 1,723 | 576 | 1,141 |
| Lead Content (%) | 5.6 | 6.0 | 5.8 | 6.9 | 6.9 |
| Zinc Content (%) | 0.9 | 0.8 | 0.8 | 1.4 | 1.4 |
| Copper Content (%) | 0.6 | 0.7 | 0.6 | 1.0 | — |
| *Tons of Production* | | | | | |
| Refined Lead Products | 107 | 100 | 85 | 41 | 66 |
| Zinc Concentrate | 23 | 20 | 17 | 12 | 24 |
| Copper Concentrate | 33 | 36 | 20 | 4 | — |
| *Tons of Ore Reserves* | 31,078 | 31,343 | 31,902 | 30,175 | 10,032 |
| Lead Content (%) | 5.0 | 5.1 | 5.1 | 5.5 | 8.0 |
| Zinc Content (%) | 0.9 | 0.9 | 0.9 | 1.0 | 2.2 |
| Copper Content (%) | 0.3 | 0.3 | 0.3 | 0.4 | — |

[1]*Statistics represent Homestake's ownership share of Buick prior to the formation of Doe Run and its 42.5% share of Doe Run starting November 1, 1986.*

## Average Published Metal Prices[1]

| | 1990[3] | 1989 | 1988 | 1987 | 1986 |
|---|---|---|---|---|---|
| **Gold—London Final (per ounce)** | $415.85 | $381.43 | $437.05 | $446.47 | $367.51 |
| **Lead—Producer (per pound)**[2] | 44.6¢ | 39.4¢ | 37.1¢ | 35.9¢ | 22.1¢ |
| **Zinc—U.S. Producer (per pound)** | 64.5¢ | 82.0¢ | 60.2¢ | 41.9¢ | 38.0¢ |

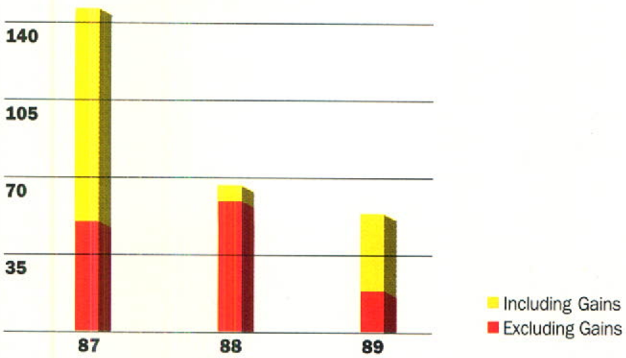
[1]*Source: Metals Week.*
[2]*For 1987, 1988, 1989, and 1990 North American Producer; for 1986, U.S. Producer.*
[3]*February 23, 1990.*

### Results of Operations

Homestake's 1989 net income was $53.3 million, compared with $66.4 million in 1988 and $146.4 million in 1987. Financial results for 1988 and 1987 have been reclassified to reflect the pro-rata consolidation of Homestake's 48% interest in Kalgoorlie Mining Associates, and to present the oil and gas operations of Felmont Oil Corporation as discontinued operations. Net income in 1989 includes after-tax income from discontinued operations of $35.8 million. Net income in 1988

**Net Income**

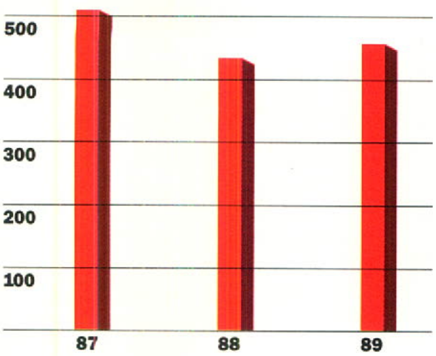
*(Dollars in Millions)*




included a loss from discontinued operations of $1.8 million, an after-tax gain of $6.5 million from the sale of certain exploration properties to Galactic Resources Ltd., and a $3.1 million gain due to the early adoption of Financial Accounting Standards No. 96, "Accounting for Income Taxes." Net income in 1987 included after-tax gains of $94.9 million on the sale of a 20% minority interest in the Homestake Gold of Australia Limited (HGAL) subsidiary and $4.1 million on the sale of New Zealand mineral interests, as well as a loss of $1.9 million from discontinued operations. Excluding these gains and the results of discontinued operations, 1989 net income fell 70% to $17.5 million from $58.6 million in 1988.

**Revenues**

*(Dollars in Millions)*



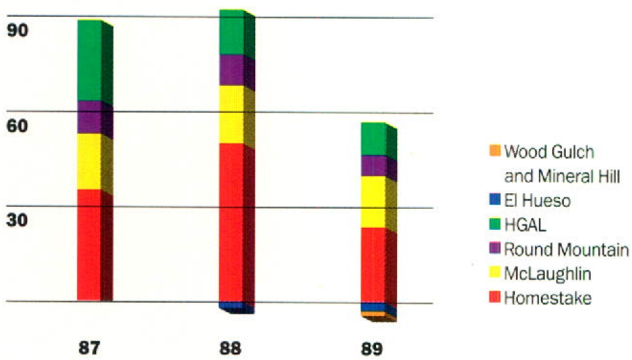

Homestake's revenues reached $452.8 million in 1989, compared with $427.5 million in 1988 and $503.8 million in 1987. Revenues in 1987 included a pre-tax gain of $146.3 million on the sale of the minority interest in HGAL.

### Gold

Gold operating earnings in 1989 totaled $53.6 million, a 41% decline from $90.2 million in 1988, a slight gain over $89.0 million in 1987. The 1989 earnings decline was due to gold prices well below 1988 prices, and occurred despite a 30% increase in the Company's share of production over 1988. In comparison, the fall in average gold prices during 1988 was more modest and was largely offset by increased production. Gold revenues are sensitive to price fluctuations, and earnings in the future will be affected by price volatility. The impact of inflation on the Company's results for the last three years has not been significant.

**Gold Operating Earnings**

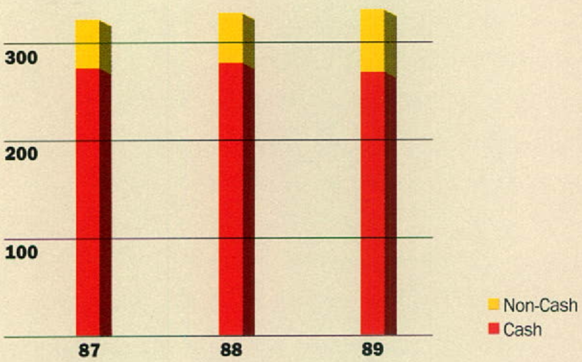
*(Dollars in Millions)*




Total gold production for 1989 rose to 1,014,702 ounces from 781,458 ounces in 1988 and 677,739 ounces in 1987. Production increases in 1989 were due to the completion of expansion projects at the McLaughlin and Round Mountain mines, the first full year of operation at the El Hueso and Wood Gulch mines, and the initial production from the Fortnum and Mineral Hill mines. The Company's increased participation in the Kalgoorlie district also contributed to the higher 1989 production total. Gold production rose from 1987 to 1988 due to increased throughput at the Homestake and Round Mountain mines, higher recoveries at the McLaughlin mine, and the acquisition of the El Hueso mine in June 1988. The Company expects 1990 production increases from the expanded Australian operations, a full year of expanded Round Mountain production and initial production of the Golden Bear mine. Production at the McLaughlin mine in 1990 is expected to decrease as higher grade oxide ores are depleted. Homestake's

**Gold Production Costs**

*(Dollars per Ounce)*

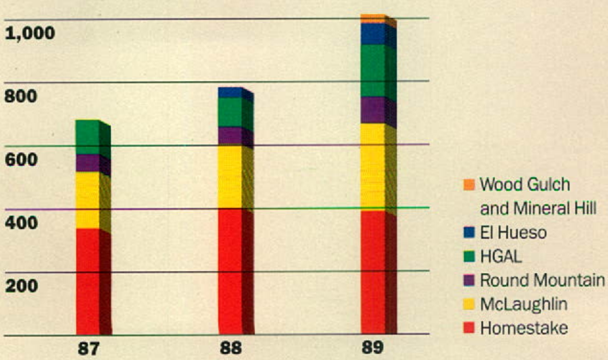



1989 proven and probable reserves rose 29% to 14.7 million ounces, a positive sign for production increases beyond 1990.

Total 1989 gold sales were 994,479 ounces, compared with 772,041 ounces in 1988 and 674,480 ounces in 1987. Homestake's average gold realization fell to $382 per ounce in 1989, compared with $437 in 1988 and $447 in 1987. The higher 1989 sales volume more than offset such lower realizations, with gold revenues rising to $397.8 million, compared with $350.6 million in 1988 and $306.9 million in 1987.

**Gold Production**

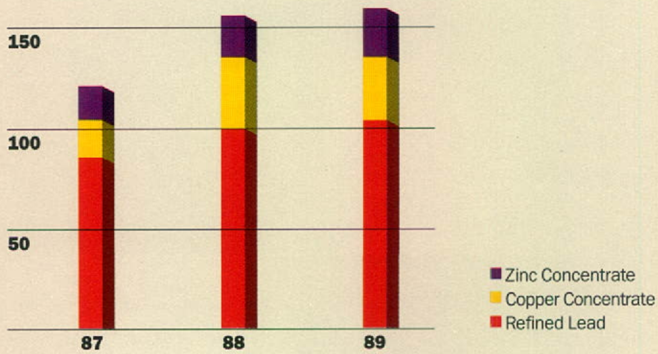
*(Ounces in Thousands)*




Homestake's average 1989 cash production costs fell 4% to $264 per ounce from $275 per ounce in 1988 and $271 in 1987. Total 1989 production costs were nearly constant at $329 per ounce, compared with $327 in 1988 and $321 in 1987. Cost improvements during 1989 at the McLaughlin mine resulted from expanded throughput and higher sulfide ore grades but were partly offset by expansion related cost increases at the Round Mountain mine. Increases in 1988 total per ounce costs over 1987 were due principally to cost increases at the Kalgoorlie operations and at the Round Mountain mine. For 1990, it is expected that costs at the McLaughlin and Homestake mines will rise slightly due to lower ore grades. This should be offset by lower costs at the Round Mountain mine and by the increased proportion of Australian production at lower cost.

**Base Metals Production**

*(Thousands of Tons)*

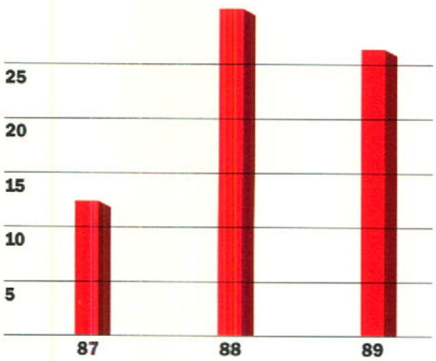



## Base Metals

Homestake owns a 42.5% partnership interest in The Doe Run Company. Homestake's 1989 share of operating earnings totaled $26.3 million, a 12% decrease from $29.8 million in 1988, but up from the $12.5 million recorded in 1987. Earnings in 1989 were reduced by hedging expenses $2.5 million greater than in 1988, while 1988 earnings included a $1.6 million insurance settlement. Total refined lead production was up 7% over 1988, due partly to recycling of purchased scrap lead. Total by-product concentrate production was nearly constant. Doe Run benefits from the ability to alter operating plans at six mines, four mills and two smelters in response to changing market conditions. Doe Run has recommended the construction of a secondary lead production facility which, if approved by the partners, would increase the total lead output.

**Base Metals Operating Earnings**

*(Dollars in Millions)*




**Other**

*Oil & Gas (Discontinued Operations)*—In December 1989, Homestake sold Felmont's oil and gas operations. Sale proceeds were $97.8 million. Felmont's interests in the Eugene Island 108/109 leases in the Gulf of Mexico were sold in April 1989 for proceeds of $23.6 million. Homestake realized an after-tax gain of $34.2 million on these sales of oil and gas operations.

**Uranium**

The uranium operations recorded a loss of $7.2 million in 1989, compared with losses of $5.7 million and $0.5 million in 1988 and 1987, respectively. The Company ceased conventional mining operations and suspended operation at its milling facilities effective January 1990. At year-end 1989, Homestake believes reclamation reserves are sufficient to cover future reclamation costs.

**Mineral Exploration**

Homestake's worldwide mineral exploration expenses totaled $27.0 million in 1989, compared with $31.9 million in 1988 and $23.5 million in 1987. $25.1 million was spent in 1989 on precious metals exploration.

Expenses for Homestake's U.S. precious metals program amounted to $11.5 million in 1989, down significantly from the $15.1 million and $15.8 million expended in 1988 and in 1987, respectively. Homestake's U.S. program in 1990 will concentrate on evaluating and developing the Company's prospects near existing operations.

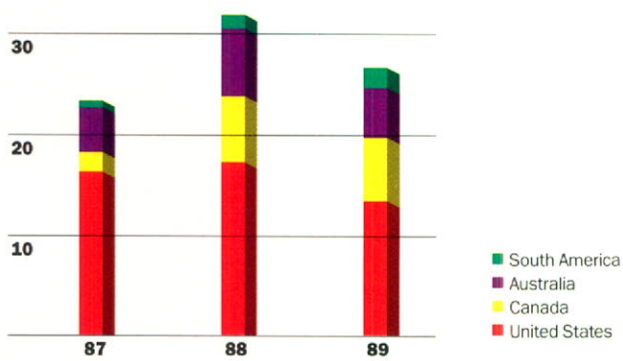
Canadian exploration expenses totaled $6.5 million in 1989, compared with $6.8 million in 1988 and $2.3 million in 1987. Homestake's Canadian properties were significantly increased in 1989 by the $3.3 million acquisition of properties from Esso Minerals Canada. It is anticipated that Canadian exploration expenses will increase during 1990, as the Company continues exploration at the Back River project in the Northwest Territories and evaluates the properties acquired in 1989.

Australian exploration expenses fell to $4.8 million in 1989 compared with $6.7 million in 1988 and $4.4 million in 1987. The decline in 1989 from 1988 mainly reflects completion of exploration on the Fortnum project, now a producing mine. It is expected that Australian exploration expenses will drop further in 1990.

Homestake participates in a venture formed to explore for and develop offshore Gulf Coast sulphur deposits. Homestake has a 16.7% interest in the Main Pass 299 discovery, which contains proved reserves of 67 million long tons of Frasch-recoverable sulphur. Homestake's share of this expense for the venture was $1.8 million in 1989, nearly the same as in 1988. The participants have prepared a feasibility study and are now conducting detailed engineering studies.

**Exploration Expense**

*(Dollars in Millions)*

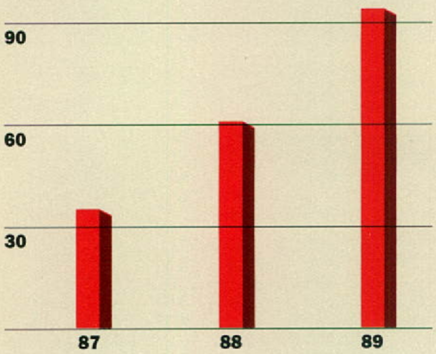


## Liquidity and Capital Resources

Homestake ended 1989 with net working capital of $298.3 million, with $261.5 million held in cash and equivalents and short-term investments. The 1989 working capital balance dropped slightly from $305.6 million at year-end 1988, despite heavy funding requirements for capital additions and acquisitions. The 1988 working capital balance was significantly less than in 1987, due to Homestake's high level of capital additions and investment in acquisitions in 1988. The ratio of current assets to current liabilities at year-end 1989 remained high at 4.3, compared with 5.7 in 1988.

**Long-term Debt**

*(Dollars in Millions)*




Homestake's 1989 total capital additions and acquisitions rose to $185.1 million, of which the largest portion was the $95 million increase in HGAL's investment in the Kalgoorlie district. Other 1989 capital additions included $24.3 million for completion of NAM's Golden Bear project, $6.4 million for the Mineral Hill project, and $10.6 million for HGAL's Fortnum project.

Capital outlays were funded through operating cash flow, sales proceeds, and bank borrowings. In June 1989 Homestake paid $76.0 million to HGAL, for an intercompany purchase of gold delivered to Homestake in equal installments over a ten year period beginning in 1991. The funds were used by HGAL to reduce short-term borrowings from an Australian bank incurred for the Kalgoorlie acquisition. Homestake secured long-term financing early in 1990 to replace these Australian borrowings, which were $40.8 million at year-end 1989, and therefore has classified such borrowings as long-term debt at year-end 1989. In July 1989, Homestake paid $26.0 million to NAM for an intercompany purchase of gold. NAM used the funds to complete construction and to repay borrowings under an unsecured credit facility. Gold delivery to Homestake will be in installments over six years with 50% of the gold to be delivered at the end of 1995.

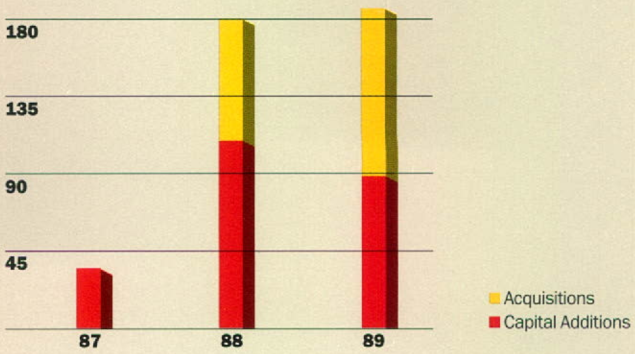
During 1989 the Company maintained its two revolving credit agreements, totaling $245 million, but no funds were borrowed under either facility. In 1988 Minera Homestake Chile, S.A., the Company's Chilean subsidiary, borrowed $35.0 million from a U.S. bank to finance part of the acquisition cost of El Hueso. At year-end 1989 the outstanding balance under that agreement was $25.3 million.

Capital additions and acquisitions are expected to be considerably lower in 1990 than in the preceding two years. Homestake's participation in development of the Main Pass 299 sulphur project will likely require that the Company commit over $90 million, almost $60 million of which is expected to be spent during 1990. Homestake expects to fund its share of the sulphur project with cash and short-term investments. Homestake continuously evaluates mineral properties. Development of such properties or acquisitions could result in increased capital spending.

For a discussion of certain environmental matters see note 14 to the Notes to the Consolidated Financial Statements on page 34.

**Capital Spending**

*(Dollars in Millions)*



## Statements of Consolidated Income

*Homestake Mining Company and Subsidiaries*

| *For the years ended December 31, 1989, 1988 and 1987 (In thousands, except per share amounts)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| **Revenues:** | | | |
| Product sales | $397,819 | $358,480 | $320,344 |
| Share of earnings—The Doe Run Company | 26,331 | 29,762 | 12,519 |
| Gain on sale of minority interest | | | 146,336 |
| Interest and dividends | 20,432 | 22,427 | 13,303 |
| Other income | 8,192 | 16,824 | 11,262 |
| Total | 452,774 | 427,493 | 503,764 |
| **Costs and Expenses:** | | | |
| Product and shipping | 331,651 | 254,430 | 217,760 |
| Administrative and selling | 52,694 | 52,824 | 44,051 |
| Exploration | 26,981 | 31,862 | 23,504 |
| Interest expense | 11,023 | 3,822 | 1,856 |
| Other expense | 4,386 | 1,321 | 1,085 |
| Total | 426,735 | 344,259 | 288,256 |
| **Income from Continuing Operations Before Income Taxes and Minority Interest** | 26,039 | 83,234 | 215,508 |
| **Income Tax Provision** | 8,761 | 17,115 | 66,542 |
| **Minority Interest** | (266) | 1,036 | 661 |
| **Income from Continuing Operations** | 17,544 | 65,083 | 148,305 |
| **Income (loss) from Discontinued Operations** | 35,780 | (1,807) | (1,898) |
| **Income Before Cumulative Effect** | 53,324 | 63,276 | 146,407 |
| **Cumulative Effect of Change in Accounting for Income Taxes** | | 3,125 | |
| **Net Income** | $ 53,324 | $ 66,401 | $146,407 |
| **Per Share Amounts:** | | | |
| Income from continuing operations | $.18 | $.67 | $1.53 |
| Income (loss) from discontinued operations | .37 | (.02) | (.02) |
| Cumulative effect of change in accounting for income taxes | | .03 | |
| **Net Income Per Share** | $.55 | $.68 | $1.51 |
| **Average Shares Used in the Computation** | 97,740 | 97,382 | 97,024 |

*See notes to consolidated financial statements.*

## Consolidated Balance Sheets

*Homestake Mining Company and Subsidiaries*

| *December 31, 1989 and 1988 (In thousands, except per share amounts)* | 1989 | 1988 |
|---|---|---|
| **Assets** | | |
| **Current Assets:** | | |
| Cash and equivalents | $ 197,298 | $ 92,930 |
| Short-term investments | 64,233 | 130,448 |
| Receivables: | | |
| Trade | 15,064 | 9,325 |
| Interest and other | 12,153 | 11,435 |
| Inventories: | | |
| Finished products | 25,341 | 16,657 |
| Ore and in-process | 24,410 | 16,188 |
| Supplies | 25,840 | 20,038 |
| Net assets of discontinued operations | 9,348 | 67,480 |
| Other | 14,057 | 6,333 |
| Total current assets | 387,744 | 370,834 |
| **Property, Plant and Equipment (at cost)** | 962,565 | 780,255 |
| Accumulated depreciation, depletion and amortization | (341,845) | (274,497) |
| Net property, plant and equipment | 620,720 | 505,758 |
| **Investments and Other Assets:** | | |
| Mining partnerships | 53,585 | 64,668 |
| Mining securities | 16,671 | 17,774 |
| Other assets | 15,153 | 18,156 |
| Total investments and other assets | 85,409 | 100,598 |
| Total | $1,093,873 | $977,190 |
| **Liabilities and Shareholders' Equity** | | |
| **Current Liabilities:** | | |
| Accounts payable | $ 27,295 | $ 19,910 |
| Accrued liabilities: | | |
| Payroll and other compensation | 17,448 | 12,990 |
| Income taxes | 13,648 | 1,116 |
| Severance and other taxes | 2,661 | 2,578 |
| Other | 20,364 | 11,478 |
| Notes payable | | 9,136 |
| Current portion of long-term debt | 8,000 | 8,000 |
| Total current liabilities | 89,416 | 65,208 |
| **Long-Term Liabilities:** | | |
| Long-term debt | 93,083 | 60,250 |
| Other long-term obligations | 32,462 | 26,454 |
| Total long-term liabilities | 125,545 | 86,704 |
| **Deferred Income Taxes** | 68,542 | 58,168 |
| **Minority Interest in Consolidated Subsidiaries** | 10,109 | 10,067 |
| **Shareholders' Equity:** | | |
| Capital stock, $1 par value: | | |
| Preferred—10,000 shares authorized; no shares outstanding | | |
| Common—250,000 shares authorized; shares outstanding (net of treasury shares): 1989, 98,236; 1988, 97,499 | 98,990 | 99,021 |
| Other capital | 76,465 | 75,770 |
| Retained earnings | 638,771 | 604,992 |
| Treasury stock (754 shares in 1989 and 1,522 in 1988) | (8,479) | (17,125) |
| Accumulated translation adjustments | (2,891) | (3,243) |
| Unrealized loss on mining securities | (2,595) | (2,372) |
| Shareholders' equity | 800,261 | 757,043 |
| Total | $1,093,873 | $977,190 |

*See notes to consolidated financial statements.*

## STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

*Homestake Mining Company and Subsidiaries*

*For the years ended December 31, 1989, 1988 and 1987*
*(In thousands)*

| | Common Stock | Other Capital | Retained Earnings | Treasury Stock | Accumulated Translation Adjustments | Unrealized Loss on Mining Securities | Total |
|---|---|---|---|---|---|---|---|
| **Balances, January 1, 1987** | $49,511 | $124,903 | $423,813 | $(26,473) | $(16,302) | $(1,064) | $554,388 |
| Net income | | | 146,407 | | | | 146,407 |
| Dividends | | | (12,144) | | | | (12,144) |
| Two-for-one stock split | 49,510 | (49,510) | | | | | |
| Exercise of stock options | | (366) | | 6,002 | | | 5,636 |
| Stock issued to employee savings plan | | 590 | | 1,137 | | | 1,727 |
| Foreign currency translation adjustments | | | | | 3,010 | | 3,010 |
| Unrealized loss on mining securities | | | | | | 1,064 | 1,064 |
| Transfer of accumulated translation adjustment to minority interest | | | | | 2,783 | | 2,783 |
| **Balances, December 31, 1987** | 99,021 | 75,617 | 558,076 | (19,334) | (10,509) | | 702,871 |
| Net income | | | 66,401 | | | | 66,401 |
| Dividends | | | (19,485) | | | | (19,485) |
| Exercise of stock options | | (281) | | 896 | | | 615 |
| Stock issued to employee savings plan | | 434 | | 1,313 | | | 1,747 |
| Foreign currency translation adjustments | | | | | 7,266 | | 7,266 |
| Unrealized loss on mining securities | | | | | | (2,372) | (2,372) |
| **Balances, December 31, 1988** | 99,021 | 75,770 | 604,992 | (17,125) | (3,243) | (2,372) | 757,043 |
| Net income | | | 53,324 | | | | 53,324 |
| Dividends | | | (19,545) | | | | (19,545) |
| Exercise of stock options | (31) | (535) | | 2,940 | | | 2,374 |
| Stock issued: | | | | | | | |
| Employee savings plan | | 404 | | 1,596 | | | 2,000 |
| Other | | 826 | | 4,110 | | | 4,936 |
| Foreign currency translation adjustments | | | | | 352 | | 352 |
| Unrealized loss on mining securities | | | | | | (223) | (223) |
| **Balances, December 31, 1989** | $98,990 | $ 76,465 | $638,771 | $ (8,479) | $ (2,891) | $(2,595) | $800,261 |

*See notes to consolidated financial statements.*

## STATEMENTS OF CONSOLIDATED CASH FLOWS

*Homestake Mining Company and Subsidiaries*

| *For the years ended December 31, 1989, 1988 and 1987 (In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| **Cash Flows From Operations:** | | | |
| Income from continuing operations | $ 17,544 | $65,083 | $148,305 |
| Reconciliation to cash provided by continuing operations: | | | |
| Depreciation, depletion and amortization | 68,412 | 42,753 | 35,750 |
| Distributions over (under) mining partnership earnings | 8,238 | (12,101) | (2,809) |
| Gain on disposal of assets and mining securities | (2,432) | (8,511) | (9,954) |
| Reclamation reserves | 3,145 | 3,938 | 191 |
| Deferred income taxes | 6,984 | 6,419 | 26,963 |
| Gain on sale of minority interest | | | (146,336) |
| Other non-cash items—net | 3,553 | (4,021) | 1,554 |
| Effect of changes in operating working capital items: | | | |
| Receivables | (6,457) | (5,283) | 2,919 |
| Inventories | (17,455) | (15,581) | 727 |
| Accounts payable | 7,385 | 4,378 | 1,543 |
| Accrued liabilities | (6,493) | (33,645) | 33,615 |
| Other | (7,500) | 4,761 | (6,788) |
| Net cash provided by continuing operations | 74,924 | 48,190 | 85,680 |
| Net cash provided by discontinued operations | 20,911 | 10,836 | 30,591 |
| Net cash provided by operations | 95,835 | 59,026 | 116,271 |
| **Investment Activities:** | | | |
| Decrease (increase) in short-term investments | 66,215 | 69,131 | (190,841) |
| Additions to property, plant and equipment | (86,487) | (107,061) | (35,265) |
| Acquisitions in: | | | |
| Australia | (95,303) | | |
| Chile | | (51,193) | |
| Canada | (3,267) | (19,917) | |
| Net proceeds from sale of discontinued operations | 121,412 | | |
| Net proceeds from sale of minority interest | | | 156,251 |
| Proceeds from sale of assets and mining securities | 7,402 | 1,989 | 10,497 |
| Investment in mining securities | (2,925) | (12,033) | |
| Investment activities of discontinued operations | (17,206) | (11,180) | (8,562) |
| Net cash used in investment activities | (10,159) | (130,264) | (67,920) |
| **Financing Activities:** | | | |
| Proceeds from notes payable | 15,670 | 9,136 | 334 |
| Proceeds from long-term debt | 122,294 | 35,000 | |
| Repayments of long-term debt and notes payable | (108,485) | (2,275) | |
| Dividends paid | (19,545) | (19,485) | (12,144) |
| Treasury stock issued | 9,310 | 2,362 | 7,363 |
| Net cash provided (used) by financing activities | 19,244 | 24,738 | (4,447) |
| Effect of exchange rate changes on cash | (552) | 91 | 376 |
| **Net Increase (Decrease) in Cash and Equivalents** | 104,368 | (46,409) | 44,280 |
| **Cash and Equivalents, January 1** | 92,930 | 139,339 | 95,059 |
| **Cash and Equivalents, December 31** | $197,298 | $92,930 | $139,339 |

*See notes to consolidated financial statements.*

**1. Significant Accounting Policies**

*Consolidated financial statements* include Homestake Mining Company (Company) and its majority-owned subsidiaries and undivided interests in mining ventures after elimination of intercompany amounts. The Company owns 80% of the stock of Homestake Gold of Australia Limited (HGAL) and 73.3% of the stock of North American Metals Corp. (NAM), with the remaining public interests shown as Minority Interest in Consolidated Subsidiaries in the accompanying consolidated financial statements. Undivided interests in mining operations (principally HGAL's interests in the gold mining operations in Kalgoorlie, Western Australia, the Round Mountain gold mine, the Mineral Hill Joint Venture and the Golden Bear Joint Venture) are reported using pro-rata consolidation whereby the Company reports its proportionate share of each asset, liability, income and expense. Investment in The Doe Run Company, a mining partnership, is reported using the equity method. (See notes 7 and 8.)

*Reclassification:* Certain amounts for 1988 and 1987 have been reclassified to conform to the 1989 presentation. Such reclassifications reflect the pro-rata consolidation of the Company's interest in Kalgoorlie Mining Associates (KMA) previously reported under the equity method (see note 7) and to present oil and gas operations as discontinued operations (see note 3).

*Inventories* are stated at the lower of cost or market. The cost of gold derived from the Company's operations is primarily determined by the last-in, first-out method (LIFO). The cost of other inventories is principally determined by averaging methods.

*Exploration costs,* both tangible and intangible, including those incurred through partnerships and joint ventures, are charged to operations in the year incurred.

*Preoperating and development costs* relating to new mines and major programs at existing mines are capitalized. Ordinary mine development costs to maintain production, including underground equipment acquisitions, are charged to operations as incurred.

*Depreciation, depletion and amortization* of mining properties, mine development costs and major plant facilities are principally computed by the units-of-production method (based on estimated proven and probable ore reserves). Proven and probable ore reserves reflect estimated quantities of commercially recoverable reserves which the Company believes can be recovered in the future from known mineral deposits. Such estimates are based on current and projected costs and product prices. Equipment and other plant facilities are depreciated by straight-line or accelerated methods principally over estimated useful lives of five to ten years.

*Reclamation:* Estimated reclamation costs and reserves are based principally on environmental and regulatory requirements and are accrued and charged against income over the operating life of the mine, principally by the units-of-production basis.

*Mining securities* are carried at the lower of cost or market. Realized gains and losses are included in net income. Unrealized losses are reported as a reduction of shareholders' equity, except that significant declines in market value judged to be permanent are recognized in the determination of net income.

*Product sales* are reported as products are delivered. In the normal course of business, certain sales are subject to adjustment upon final settlement.

*Income Taxes:* Deferred income taxes are determined on the liability method in accordance with Statement of Financial Accounting Standards No. 96 (SFAS 96), "Accounting for Income Taxes." Deferred income taxes arise from temporary differences (primarily accelerated depreciation) between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The provision for deferred income taxes represents the change in the Company's deferred income tax liability during the year, including the effect of enacted tax rate changes.

*Foreign Currency:* Substantially all assets and liabilities of foreign subsidiaries are translated at period-end exchange rates. Accumulated translation adjustments are included in a separate component of shareholders' equity. Transaction adjustments are included in determining net income.

*Pension Plans:* Pension costs are determined using the projected unit credit actuarial method. The Company funds its pension plans through annual contributions.

*Share and per share data* for all years presented reflect the two-for-one stock split effective November 16, 1987. Net income per share is computed based upon the weighted average number of outstanding common shares. The effect of common stock equivalents is not significant.

**2. Statements of Consolidated Cash Flows**

The Company considers all highly liquid debt instruments with a maturity of three months or less at the date of purchase to be cash equivalents.

*Additional disclosures of cash and non-cash activities follow:*

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Cash paid during the year for: | | | |
| Interest, net of amount capitalized | $10,815 | $ 3,863 | $1,952 |
| Income taxes | 12,036 | 49,178 | 4,333 |

Income taxes paid in 1989 do not include approximately $13 million accrued for the 1989 gain on the sale of Felmont's oil and gas operations, which is payable in 1990. If this tax payment had been required in 1989, net cash provided by operations would have been $82.8 million.

Income taxes paid in 1988 include approximately $35 million related to the 1987 gain on sale of minority interest. If this tax payment had been required in 1987, net cash provided by operations would have been $94.0 million and $81.3 million in 1988 and 1987, respectively.

*Non-cash activities:*

See note 7 for information about 1989 and 1988 non-cash transactions with Galactic Resources Ltd., Vancouver, B.C. (Galactic)

**3. Discontinued Operations**

On December 28, 1989 the Company sold essentially all of the oil and gas business of its wholly-owned subsidiary Felmont Oil Corporation (Felmont) for $97.8 million. The sale does not include the Allegany State Park gas storage field in New York which the Company intends to sell separately in 1990. In April 1989, the Company sold its interests in certain other oil and gas properties for $23.6 million. The Company realized a 1989 gain of $34.2 million (net of income taxes of $21.4 million) or 35 cents per share on the disposition of its oil and gas business. Other accrued liabilities on the accompanying consolidated balance sheet at December 31, 1989 include $9.2 million related to this disposition.

The Company retained Felmont's 16.7% interest in the Main Pass 299 sulphur discovery and its 25% interest in the Round Mountain gold mine.

The accompanying consolidated financial statements have been reclassified to present the oil and gas business as discontinued operations.

Summarized financial position and operating results of the discontinued oil and gas operations are presented as follows:

*Discontinued Operations*

| *(In thousands)* | December 31, 1989 | December 31, 1988 |
|---|---|---|
| Financial Position: | | |
| Current assets | $ 491 | $16,546 |
| Net property, plant and equipment and other assets | 9,092 | 65,611 |
| Current liabilities | (235) | (6,210) |
| Income taxes and other liabilities | | (8,467) |
| Net assets of discontinued operations | $9,348 | $67,480 |

| | 1989 | 1988 | 1987 |
|---|---|---|---|
| Operations: | | | |
| Total revenues | $30,553 | $42,716 | $40,249 |
| Income (loss) before taxes | $ 2,828 | $ (2,273) | $ (2,020) |
| Income tax provision (credit) | 1,294 | (466) | (122) |
| Income (loss) from operations | 1,534 | (1,807) | (1,898) |
| Gain on disposal (net of income taxes of $21,377) | 34,246 | | |
| Income (loss) from discontinued operations | $35,780 | $ (1,807) | $ (1,898) |

**4. Gain on Sale of Minority Interest**

In 1987 the Company sold in a public offering in Australia and Europe, 100,000,000 shares of common stock of its previously wholly-owned subsidiary HGAL. The sale represented 20% of the total outstanding shares of HGAL, with the Company retaining 80%. As a result, the Company realized a pre-tax gain of $146.3 million. The after-tax gain was $94.9 million or $.98 per share.

**5. Other Income—Other Expense**

As a result of poor market conditions, the Company has announced the cessation of uranium mining activities and an indefinite suspension of conventional ore milling at its Grants, New Mexico operations effective January 1990. Other expense in 1989 includes expense of $2.0 million for employee severance and other costs related to this decision.

Other income in 1988 included $8.2 million from the sale of mineral exploration properties to Galactic. See note 7 for discussion of the transaction.

Other income in 1987 included $5.7 million from the sale of mineral properties in New Zealand through the sale of all of the stock of a wholly-owned subsidiary.

**6. Finished Product Inventories**

As of December 31, 1989 and 1988 the cost of gold inventories determined by LIFO aggregated $10.4 million and $4.4 million, respectively; such inventories would have approximated $18.1 million and $12.1 million, respectively, if stated at the lower of market or current year average production costs.

**7. Acquisitions and Investments**

*Kalgoorlie Operations*—In April 1989 HGAL completed a transaction by which it increased its interest in the KMA partnership from 48% to 50% and acquired a 50% joint venture interest in other gold mining properties comprised of the Mt. Percy Joint Venture (MPJV) and the Fimiston/Paringa Joint Venture (FPJV) in the Kalgoorlie district. The other 50% of KMA, MPJV and FPJV are controlled by Gold Mines of Kalgoorlie, a publicly traded Australian mining company and its affiliates (GMK). Total cost of the transaction was approximately $95 million. The transaction placed the operations of HGAL and GMK in the Kalgoorlie district including the development of Australia's largest open-pit gold mine (Super Pit), under the management of a jointly-owned management company, Kalgoorlie Consolidated Gold Mines Pty. Ltd. (KCGM). Homestake accounts for these jointly-owned and managed operations using the pro-rata consolidation method (see note 1) and accordingly, results of KMA previously accounted for using the equity method, have been reclassified to conform to this method.

HGAL and GMK share all costs equally. However, HGAL receives less gold than its 50% venture interest in a portion of the Super Pit contributed by GMK. The amount depends upon costs, gold prices and production from that portion of the Super Pit area until 32,500,000 tonnes of ore have been mined from such area. Based on current production plans and projected costs and gold prices, HGAL expects to receive 38% of the gold production from that portion of the Super Pit contributed by GMK. HGAL expects to receive 47% of total production from the consolidated operations.

*NAM*—In April 1988 the Company acquired 73.3% of the common stock of NAM for $24.0 million. The acquisition was accounted for using the purchase method of accounting for business combinations. The assets acquired were comprised of $4.0 million of net working capital, $1.3 million of other assets and $20.1 million of mining properties (primarily the interest in the Golden Bear Joint Venture). The minority interest share of net tangible assets was $1.4 million at the acquisition date. The Golden Bear project has incurred a series of cost overruns which has increased the Company's investment in this project to approximately $55 million.

*El Hueso Mine*—In June 1988 the Company acquired a ten year lease on an operating gold mine in Chile for $51.2 million and paid $8.8 million for working capital. This acquisition was partially funded by the proceeds from a $35.0 million loan (see note 11).

*Galactic Resources Ltd.*—Homestake purchased one million Galactic common shares for $5.7 million in a November 1988 private placement and received warrants to purchase an additional one million common shares through November 1991.

In August 1988 Homestake had sold to Galactic a 50% interest in certain California mineral exploration properties and paid Galactic $4.5 million for 2.5 million Galactic common shares. Other income in 1988 includes a $8.2 million non-cash gain from the property sale.

Pursuant to the 1988 sale agreement, in 1989 the Company received an installment of one million common shares of Galactic and transferred to Galactic an additional 25% interest in the mineral exploration properties. No gain has been recorded by the Company for shares received in 1989 pending completion of this transaction.

At December 31, 1989 the Company's investment in Galactic totaled 4.5 million shares (a 10.9% interest) at a market value of approximately $15.2 million.

Galactic is committed to acquire the remaining 25% interest in the mineral exploration properties and to pay a final installment of one million or more Galactic shares to the Company by August 1990. The number of shares to be received in the final payment is dependent upon the market value of Galactic shares at that time such that the then current trading value of all shares of Galactic stock received by the Company under the 1988 agreement is the equivalent of $39.4 million based on the pricing formula in the agreement. If this transaction had been completed based on the quoted market price of Galactic shares at February 22, 1990, the Company would be entitled to receive a final payment of approximately 6.5 million shares which would result in the Company owning 11.0 million shares representing approximately 23% interest of Galactic.

Because of restraints on transfer and rights of first refusal under the 1988 agreement and the size of the Company's shareholding in Galactic in relation to the volume of trading in Galactic stock, the net realizable value to the Company of all the Galactic stock to be received by the Company under the 1988 agreement may be materially less than the market value of the shares.

## 8. Mining Ventures

*Undivided Interests:*

The Company's undivided interests in the following mining operations are reported using pro-rata consolidation (see note 1). Mining and gold recovery operations are conducted at cost for the partners and joint venture participants who take product-in-kind.

*Kalgoorlie Operations*—In 1989 HGAL completed a transaction which resulted in HGAL owning a 50% undivided interest in consolidated gold mining properties in the Kalgoorlie district of Western Australia (see note 7). KCGM manages the jointly owned operations. The consolidated operations consist of a total of six open-pit and three underground mines and five mills.

*Round Mountain Gold Mine*—The Company has a 25% undivided interest in a gold mine at Round Mountain in Nye County, Nevada. The operation was expanded in 1989 through acquisition of the Manhattan mine and mill and now includes two operating gold mines, gold extraction facilities, and surrounding patented and unpatented mining claims. A subsidiary of Echo Bay Mines Ltd. is the operator.

*Mineral Hill Joint Venture*—The Company has a 50% undivided interest in an underground gold mine and milling operation located in Jardine, Montana. The operation was placed into production in July 1989 and is operated by a subsidiary of Inco Ltd.

*Golden Bear Joint Venture*—NAM has a 50% undivided interest in an open-pit and underground gold mine and milling operation located in northwestern British Columbia, Canada. The facilities were under development during 1989 with commercial production expected to start in the first quarter of 1990. NAM manages the venture.

*Mining Partnership:*

The Company's partnership interest in the following partnership is reported using the equity method (see note 1).

*The Doe Run Company*—The Company, through a wholly-owned subsidiary, has a 42.5% partnership interest in The Doe Run Company. The partnership owns and operates six lead-zinc mines, four mills and two smelters in southeast Missouri.

Homestake's investment aggregated $53.6 million and $61.8 million at December 31, 1989 and 1988, respectively. Homestake's share of the net assets contributed to The Doe Run Company exceeded its investment by $23.2 million at November 1, 1986. Accordingly, Homestake's share of The Doe Run Company's net earnings is being adjusted over the estimated useful lives of the related assets to reflect the Company's cost basis. Summarized financial position at December 31, 1989 and 1988 and operating earnings for the years ended December 31, 1989, 1988 and 1987 are as follows:

*The Doe Run Company*

| *(In thousands)* | December 31, 1989 | December 31, 1988 |
|---|---|---|
| Financial Position: | | |
| Current assets | $ 83,137 | $111,062 |
| Property and deferred charges—net | 112,122 | 106,363 |
| Total | $195,259 | $217,425 |
| Current liabilities | $ 25,966 | $ 21,528 |
| Long-term debt | 5,908 | 6,470 |
| Partners' equity: | | |
| St. Joe Minerals Corporation | 93,946 | 109,429 |
| Homestake | 69,439 | 79,998 |
| Total | $195,259 | $217,425 |

| | 1989 | 1988 | 1987 |
|---|---|---|---|
| Operations: | | | |
| Revenues | $256,318 | $230,222 | $174,369 |
| Costs and expenses | 199,822 | 166,843 | 149,635 |
| Net earnings | $ 56,496 | $ 63,379 | $ 24,734 |

A reconciliation between Homestake's percentage share of earnings in The Doe Run Company and its recorded share of earnings is shown below:

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Percentage share of net earnings: | | | |
| The Doe Run Company (42.5%) | $24,010 | $26,936 | $10,512 |
| Adjustment to Homestake's share of net earnings | 2,321 | 2,826 | 2,007 |
| Total share of earnings | $26,331 | $29,762 | $12,519 |

## 9. Property, Plant and Equipment

Property, plant and equipment at December 31 was as follows:

| *(In thousands)* | 1989 | 1988 |
|---|---|---|
| Mining properties and development costs | $329,016 | $280,951 |
| Plant and equipment | 570,478 | 431,778 |
| Land and royalty interests | 15,797 | 9,836 |
| Construction and mine development in progress | 47,274 | 57,690 |
| Total property, plant and equipment | $962,565 | $780,255 |

### 10. Income Taxes

In 1988 the Company elected early adoption of SFAS 96 which requires an asset and liability approach for financial accounting and reporting for income taxes. The cumulative effect of this accounting change increased 1988 net income by $3.1 million or $.03 per share.

The provision for income taxes consists of the following:

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Current: | | | |
| Federal | $9,342 | $14,913 | $26,241 |
| State | 1,698 | 2,446 | 4,333 |
| Foreign | 170 | 1,190 | 1,537 |
| Total current | 11,210 | 18,549 | 32,111 |
| Deferred: | | | |
| Federal | (2,791) | (1,138) | 34,431 |
| State | 342 | (296) | |
| Total deferred | (2,449) | (1,434) | 34,431 |
| Total | $8,761 | $17,115 | $66,542 |

The provision for income taxes is based on pre-tax income (loss) from continuing operations before minority interest as follows:

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| United States | $36,776 | $90,649 | $196,904 |
| Foreign | (10,737) | (7,415) | 18,604 |
| Total | $26,039 | $83,234 | $215,508 |

Major items causing the Company's income tax provision to differ from the federal statutory rates of 34% in 1989 and 1988 and 40% in 1987 were:

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Income tax at statutory rate | $8,853 | $28,300 | $86,203 |
| Percentage depletion | (7,321) | (12,045) | (10,363) |
| Alternative minimum tax (net of carryforward) | 2,566 | 2,178 | |
| State income taxes, net of Federal benefit | 1,346 | 1,419 | 2,860 |
| Capital gains | | | (9,335) |
| Reclamation reserve benefit | | (2,006) | |
| Non-deductible foreign losses | 3,502 | | |
| Other—net | (185) | (731) | (2,823) |
| Income tax provision | $8,761 | $17,115 | $66,542 |

### 11. Long-Term Liabilities

*Long-term debt* at December 31 consists of:

| *(In thousands)* | 1989 | 1988 |
|---|---|---|
| Australian financing (due 1990) | $40,833 | |
| Notes payable—Chile (due 1990-1993) | 25,250 | $33,250 |
| Pollution Control bonds: | | |
| Lawrence County, South Dakota (due 2003) | 18,000 | 18,000 |
| State of California (due 2004) | 17,000 | 17,000 |
| Subtotal | 101,083 | 68,250 |
| Less current portion | 8,000 | 8,000 |
| Total long-term debt | $93,083 | $60,250 |

During 1989 HGAL entered into an interim financing agreement with an Australian bank. At December 31, 1989 HGAL had borrowings of $40.8 million. The interest rate was 18.1% on December 31, 1989 and averaged 18.0% during the year. In February 1990, HGAL replaced the interim agreement with a long-term credit facility with the bank providing for a $35.5 million term loan and a $31.6 million three-year standby revolving credit facility. Accordingly, borrowings of $40.8 million at December 31, 1989 have been classified as long-term debt. Interest under this agreement is based on Singapore interbank borrowing rates (for U.S. dollar denominated loans) or Bank Bill/Swap Rate (for Australian dollar denominated loans). For the term loan, principal payments are due in ten equal semi-annual installments beginning September, 1991. The facility is secured by a first ranking interest in HGAL's assets.

During 1988 Minera Homestake Chile, S.A., a 100%-owned subsidiary of the Company borrowed $35.0 million from a U.S. bank for use in the acquisition of the El Hueso mine. Interest is payable in variable installment periods of one to six months and is based on LIBOR or bank certificate of deposit rates. The interest rate was 9.1% and 10.2% at December 31, 1989 and 1988, respectively, and averaged 10.2% and 8.7% during 1989 and 1988, respectively. Annual principal payments of $8.0 million in 1990 through 1992 and $1.3 million in 1993 are required.

Interest on the pollution control bonds is payable monthly based on variable short-term tax-exempt obligation rates. The rates at December 31, 1989 and 1988 were 6.6% and 6.5%, respectively. The average rates were 6.1% and 5.1%, respectively, for the years then ended. No principal payments are required until cancellation, redemption or maturity. Bondholders have the right to tender the bonds for payment at par at any time on seven days notice. The Company has made arrangements with underwriters to remarket any tendered bonds and with a bank to provide liquidity and credit support to the Company and to purchase and hold for up to 15 months any tendered bonds which the underwriters are unable to remarket. The Company has certain rights with respect to bond redemption and changes in the interest rate terms.

The Company has two revolving loan agreements providing for a total of $245.0 million. No funds have been borrowed under either agreement.

Interest costs of $11.0 million, $3.8 million and $1.9 million were expensed in 1989, 1988 and 1987, respectively. During 1989 and 1988 the Company capitalized interest of $3.2 million and $.1 million, respectively, related to interest incurred during the period required to develop certain assets.

Long-term debt maturing during each of the five years subsequent to December 31, 1989 is $8.0 million, $15.1 million, $11.6 million, $4.8 million and $3.6 million, respectively.

During 1989 the Company purchased and paid in advance in separate transactions for gold to be delivered in installments by its majority-owned subsidiaries HGAL and NAM. The transactions were eliminated in consolidation. The Company pre-paid HGAL $76.0 million which HGAL used to reduce its interim financing for the Kalgoorlie acquisitions. The Company pre-paid NAM $26.0 million which NAM used to repay NAM's then existing bank debt and to fund NAM's 50% share of the development costs of the Golden Bear mine. The gold is to be delivered to the Company by HGAL and NAM in installments over 12 years and 6 years, respectively. Fifty percent of the gold to be delivered by NAM is due at the end of 1995.

The Company also is the guarantor of approximately $3.7 million in debt utilized for the construction and development of a hotel and convention center in Lead, South Dakota. *Other long-term obligations* at December 31 consist of:

| *(In thousands)* | 1989 | 1988 |
|---|---|---|
| Reclamation reserves (see notes 1 and 14) | $20,392 | $17,247 |
| Other | 12,070 | 9,207 |
| Total | $32,462 | $26,454 |

## 12. Employee Plans

The Company has several pension plans covering substantially all domestic employees. Plans covering salaried and other nonunion employees provide pension benefits that are based on years of service and the employee's highest compensation during any 60 consecutive months prior to retirement. Plans covering union employees provide benefits of stated amounts for each year of service.

Pension expense for 1989, 1988 and 1987 for Company sponsored plans for domestic employees included the following components:

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| Service cost— | | | |
| benefits earned during the year | $ 2,727 | $ 2,628 | $ 2,489 |
| Interest cost on projected benefit obligation | 8,785 | 7,841 | 7,145 |
| Actual return on assets | (18,176) | (14,168) | (5,044) |
| Net amortization and deferral | 10,200 | 6,555 | (2,310) |
| Early retirement program cost | | 703 | |
| Net pension expense | $ 3,536 | $ 3,559 | $ 2,280 |

Assumptions used in determining pension expense and the status of the plans for 1989, 1988 and 1987 include a discount rate of 8%, an assumed rate of increase in compensation of 6%, and an expected long-term rate of return on assets of 8%.

The funded status and amounts recognized for pension plans in the Company's consolidated balance sheets are shown in the following table:

| | December 31, 1989 Plans Where | | December 31, 1988 Plans Where | |
|---|---|---|---|---|
| *(In thousands)* | Assets Exceed Accumulated Benefits | Accumulated Benefits Exceed Assets | Assets Exceed Accumulated Benefits | Accumulated Benefits Exceed Assets |
| Actuarial present value of benefit obligations: | | | | |
| Vested benefits | $ (93,036) | $(4,100) | $ (84,985) | $(2,400) |
| Accumulated benefits | $ (94,165) | $(4,100) | $ (86,733) | $(2,400) |
| Projected benefits | $(112,714) | $(5,500) | $(103,920) | $(3,909) |
| Plan assets at fair value[1] | 131,856 | | 119,110 | |
| Plan assets in excess of (less than) projected benefit obligation | 19,142 | (5,500) | 15,190 | (3,909) |
| Unrecognized net gain | (18,966) | (1,248) | (11,038) | (1,032) |
| Unrecognized net transition obligation (asset) amortized over 15 years | (6,501) | 1,823 | (6,871) | 2,006 |
| Unrecognized prior service cost | 2,143 | | | |
| Pension liability recognized in the consolidated balance sheets | $ (4,182) | $(4,925) | $ (2,719) | $(2,935) |

[1]*About 50% and 56% of the plan assets were invested in fixed-rate insurance contracts and the balance was invested in listed stocks and bonds in 1989 and 1988, respectively.*

HGAL participates in several benefit funds covering its employees and, through its ownership of a 50% interest in the consolidated Kalgoorlie operations, the employees of KCGM. HGAL contributes to the funds in accordance with the governing trust deeds of the funds. HGAL's share of contributions to these funds for 1989, 1988 and 1987 was $.8 million, $.3 million and $.3 million, respectively. Actuarial valuations of the funds are not available.

All full-time salaried employees of the Company are eligible to participate in the Company's defined contribution savings plan. The Company's matching contribution, made in the form of Homestake common stock, was $1.6 million in 1989, $1.4 million in 1988 and $1.1 million in 1987.

The Company provides certain health care benefits for retired employees, primarily retirees of the Homestake gold mine. These benefits are expensed as paid. Such payments for retired employees were $1.0 million, $.9 million and $.6 million in 1989, 1988 and 1987, respectively.

Under the Company's stock option plans, options to buy 1.9 million and 1.8 million common shares at an average price of $14 and $13 per share were outstanding, of which 1.1 million and 1.1 million shares were exercisable, at December 31, 1989 and 1988, respectively. An additional 2.4 million shares were available for future grants at December 31, 1989.

Stock options exercised:

| | 1989 | 1988 | 1987 |
|---|---|---|---|
| Shares | 260,997 | 80,000 | 430,000 |
| Stock appreciation rights | 13,850 | | 188,000 |
| Total shares | 274,847 | 80,000 | 618,000 |
| Average price per share | $12 | $8 | $10 |

## 13. Capital Stock

Each share of common stock outstanding on or after November 12, 1987 includes and trades with a right. Rights are not currently exercisable but become exercisable on the 10th business day after any person, entity or group ("the Acquiring Person") acquires 20% or more of the Company's common stock or announces a tender or exchange offer which would result in such entity acquiring 20% or more of the Company's common stock. When exercisable, each right entitles its holder to purchase from the Company one one-hundredth of a share of Series A Participating Cumulative Preferred Stock, par value $1 per share, at a price of $75. If the Company is subsequently involved in a merger or other business combination involving the Acquiring Person each right will entitle its holder to purchase certain securities of the surviving company. Rights also provide for protection against self-dealing transactions by the Acquiring Person.

Rights expire November 2, 1997 and may be redeemed by the Board of Directors of the Company for $.01 per right at any time before they become exercisable and by the Board of Directors, with the approval of a majority of directors independent of the Acquiring Person, at any time until (i) the 10th business day after the Acquiring Person acquires 20% or more of the Company's common stock or (ii) the holders of the rights become entitled to exercise such rights in respect of transactions involving the Acquiring Person described above or (iii) November 2, 1997.

## 14. Contingencies

*Environmental:* The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) imposes heavy liabilities on persons who discharge hazardous substances. In 1983, the Environmental Protection Agency (EPA) published a National Priorities List (NPL), in order of priority, of known or threatened releases of such substances. The NPL does not constitute a determination that remedial action is required or that any person is liable for remedial action or environmental damage.

An 18-mile stretch of Whitewood Creek in the Black Hills of South Dakota is site number 21 on the NPL. EPA asserts that discharges of tailings by mining companies, including the Company, for more than 100 years have contaminated soil and water. In late 1985, EPA, the State and the Company completed a joint study. The Company believes that the study establishes that the tailings present no significant threat to human health or the environment. The Company and the State have petitioned EPA to remove the site from the NPL.

In 1988 EPA notified the Company that it was a potentially responsible party (PRP) for the site under CERCLA. A PRP may be liable for all response and oversight costs for a CERCLA site. Under a 1988 EPA Administrative Order on Consent, the Company paid for a study to evaluate alternatives for remedial action for the site. The study was completed during 1989 and recommends remedial actions at the site costing less than $1 million. EPA is expected to decide on remedies by mid-1990.

The tailings at the Company's uranium mill near Grants, New Mexico are site number 606 on the NPL. EPA asserts that leachate from the tailings has contaminated a shallow aquifer that serves nearby residential subdivisions. The Company has completed all remedial measures required by an agreement and stipulation with EPA. In 1986 EPA notified the Company that it was a PRP for the Grants site. Under a 1987 agreement with EPA, the Company completed a long-term study of indoor radon levels in houses in the subdivisions. Based on the study, EPA concluded that the Company's mill and tailings facility is not contributing significantly to off-site radon concentrations in the subdivisions. The Nuclear Regulatory Commission (NRC) and the state of New Mexico have concurred with EPA's decision to take no further action on radon.

EPA has issued regulations under the Clean Air Act which have the effect of requiring closing by March 15, 1990, of certain existing uranium tailings facilities, including the Company's Grants tailings facility. The Company has filed an application with NRC for an alternative tailings facility and is seeking a waiver and reconsideration of the EPA regulations.

In 1986 the Company submitted to the NRC a plan for decommissioning the Grants mill and reclaiming the tailings as required by NRC regulations. The Company believes that the NRC will act on the submittal in 1990. If the plan is approved by NRC, the Company estimates that the reclamation work will be performed over a fifteen year period and could begin as early as 1990. The Company believes that the work to be required by the NRC will satisfy EPA regulations under the Clean Air Act.

The State of New Mexico has made a claim against the Company for unspecified natural resource damages resulting from the Grants tailings. The State of South Dakota has made a similar claim as to the Whitewood Creek tailings. The Company denies all liability for the two CERCLA sites.

In June 1989, the State of Missouri issued a Notice of Violation of the ambient air quality standard for lead at Doe Run's Herculaneum Smelter. Doe Run expects to enter into a Consent Order with the state committing to installation of additional emission controls as a part of the Missouri State Implementation Plan to achieve compliance with the standard. Doe Run estimates that the additional controls could cost a total of $7 million to $10 million over the next four years.

The Company believes that the ultimate resolution of these matters will not have a material adverse impact on its financial condition.

*Commitments:* The Company has entered into various commitments in the ordinary course of its business, including commitments to perform assessment work and other obligations necessary to maintain or protect its interests in mining properties, financing and other obligations to joint venturers and partners under venture and partnership agreements and commitments under federal and state environmental health and safety permits.

**15. Segment and Geographic Information**

The Company is engaged principally in mining and related activities. Its primary products, for which segment information is presented, are gold, base metals and uranium. Partnerships and joint ventures are included in segment operations and identifiable assets. In determining operating earnings, which are defined as revenues less operating costs and expenses, none of the following items has been included: mineral exploration costs, corporate income and expense, and income taxes. Identifiable assets represent those assets used in the segment's operations. Corporate assets are principally cash and equivalents and short-term investments.

Sales to individual customers exceeding 10% of the Company's consolidated revenues were as follows: in 1989 gold sales to two customers of $70.5 million and $55.8 million; in 1988 gold sales to three customers of $62.2 million, $51.9 million and $49.1 million; in 1987 gold sales to two customers of $63.3 million and $55.8 million.

*Segment Information*

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| **Product Sales and Other Revenues:** | | | |
| Gold | $ 397,793 | $350,577 | $306,924 |
| Base metals | 26,331 | 29,762 | 12,302 |
| Uranium | 1,225 | 9,515 | 15,325 |
| Corporate[1] | 27,425 | 37,639 | 169,213 |
| Total | $ 452,774 | $427,493 | $503,764 |
| **Operating Earnings:** | | | |
| Gold | $ 53,613 | $ 90,243 | $ 88,965 |
| Base metals | 26,231 | 29,762 | 12,157 |
| Uranium | (7,165) | (5,704) | (527) |
| Operating earnings | 72,679 | 114,301 | 100,595 |
| Mineral exploration | (26,981) | (31,862) | (23,504) |
| Net corporate income (expense)[1] | (19,659) | 795 | 138,417 |
| **Income from Continuing Operations Before Income Taxes and Minority Interest** | $ 26,039 | $ 83,234 | $215,508 |
| **Depreciation, Depletion and Amortization:** | | | |
| Gold | $ 67,003 | $ 40,950 | $ 34,168 |
| Corporate and other | 1,409 | 1,803 | 1,582 |
| Total | $ 68,412 | $ 42,753 | $ 35,750 |
| **Exploration Expense:** | | | |
| Gold | $ 25,112 | $ 30,012 | $ 23,230 |
| Corporate, sulphur and other | 1,869 | 1,850 | 274 |
| Total | $ 26,981 | $ 31,862 | $ 23,504 |
| **Additions to Property, Plant and Equipment:**[2] | | | |
| Gold | $ 80,956 | $ 99,505 | $ 34,242 |
| Corporate and other | 5,531 | 7,556 | 1,023 |
| Total | $ 86,487 | $107,061 | $ 35,265 |
| **Identifiable Assets as of December 31:** | | | |
| Gold | $ 626,412 | $508,901 | $403,375 |
| Base metals | 54,333 | 62,713 | 50,009 |
| Uranium | 21,180 | 22,846 | 16,005 |
| Net assets of discontinued operations | 9,348 | 67,480 | 64,880 |
| Corporate and other | 382,600 | 315,250 | 362,038 |
| Total | $1,093,873 | $977,190 | $896,307 |

[1] *Includes $8,246 gain from sale of mineral properties in 1988. Includes $146,336 gain on the sale of minority interest and $5,700 gain from sale of mineral properties during 1987.*

[2] *Does not include acquisitions in Australia, Canada and Chile in 1989 and 1988 of $98,570 and $71,110, respectively.*

*Geographic Information*

| *(In thousands)* | 1989 | 1988 | 1987 |
|---|---|---|---|
| **Product Sales and Other Revenues:** | | | |
| U.S. | $ 339,791 | $362,557 | $449,723 |
| Australia | 83,059 | 51,624 | 54,041 |
| Chile | 29,440 | 13,312 | |
| Canada | 484 | | |
| Total | $ 452,774 | $427,493 | $503,764 |
| **Operating Earnings:** | | | |
| U.S. | $ 64,706 | $102,054 | $ 74,341 |
| Australia | 10,977 | 14,013 | 26,254 |
| Chile | (3,004) | (1,766) | |
| Total | $ 72,679 | $114,301 | $100,595 |
| **Exploration Expense:** | | | |
| U.S. | $ 13,397 | $ 16,938 | $ 16,076 |
| Australia | 4,796 | 6,695 | 4,412 |
| Chile | 390 | 389 | |
| Canada | 6,544 | 6,804 | 2,268 |
| Other foreign | 1,854 | 1,036 | 748 |
| Total | $ 26,981 | $ 31,862 | $ 23,504 |
| **Identifiable Assets as of December 31:** | | | |
| U.S. | $ 785,008 | $812,637 | $848,158 |
| Australia | 176,848 | 55,123 | 46,718 |
| Chile | 45,090 | 57,152 | |
| Canada | 86,927 | 52,278 | 1,431 |
| Total | $1,093,873 | $977,190 | $896,307 |

## Independent Auditors' Report

*The Shareholders and Board of Directors of Homestake Mining Company:*

We have audited the accompanying consolidated balance sheets of Homestake Mining Company and subsidiaries as of December 31, 1989 and 1988, and the related statements of consolidated income, consolidated shareholders' equity and consolidated cash flows for each of the three years in the period ended December 31, 1989. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Homestake Mining Company and subsidiaries at December 31, 1989 and 1988, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1989 in conformity with generally accepted accounting principles.

As discussed in note 10 to such consolidated financial statements, in 1988 the Company changed its method of accounting for income taxes to conform with the Statement of Financial Accounting Standards No. 96.

Deloitte & Touche

San Francisco, California
February 22, 1990

## Management's Responsibility for Financial Reporting

*Homestake Mining Company and Subsidiaries*

The accompanying consolidated financial statements of Homestake Mining Company and subsidiaries are prepared by the Company's management in conformity with generally accepted accounting principles. Management is responsible for the fairness of the financial statements, which include estimates based on judgments.

The Company maintains accounting and other control systems which management believes provide reasonable assurance that financial records are reliable for the purposes of preparing financial statements and that assets are properly safeguarded and accounted for. Underlying the concept of reasonable assurance is the premise that the cost of control should not be disproportionate to the benefits expected to be derived from control. The Company's internal control system is reviewed by its internal auditors and by the independent auditors in connection with their audit of the Company's consolidated financial statements.

The Audit Committee of the Board of Directors, composed entirely of outside directors, meets periodically with management, internal auditors and the independent auditors to discuss the annual audit, internal control, internal auditing and financial reporting matters. The independent auditors and the internal auditors have direct access to the Audit Committee.

H M Conger

Harry M. Conger
Chairman of the Board and Chief Executive Officer

R W Stumbo, Jr.

Richard W. Stumbo, Jr.
Vice President, Finance and Chief Financial Officer

## FIVE-YEAR SELECTED FINANCIAL DATA[1]

*Homestake Mining Company and Subsidiaries*

| *(In thousands, except per share amounts)* | 1989 | 1988 | 1987 | 1986 | 1985 |
|---|---|---|---|---|---|
| Revenues | $452,774 | $427,493 | $503,764 | $321,940 | $303,075 |
| Income from Continuing Operations | 17,544 | 65,083 | 148,305[4] | 21,483 | 23,545 |
| Net Income | 53,324[2] | 66,401[3] | 146,407[4] | 22,576 | 23,296 |
| Income per Share from Continuing Operations | .18 | .67 | 1.53[4] | .22 | .24 |
| Net Income per Share | .55[2] | .68[3] | 1.51[4] | .23 | .24 |
| Total Assets | 1,093,873 | 977,190 | 896,307 | 678,799 | 675,041 |
| Long-Term Debt | 93,083 | 60,250 | 35,000 | 35,000 | 35,000 |
| Other Long-Term Obligations | 32,462 | 26,454 | 24,315 | 23,124 | 20,507 |
| Minority Interest in Consolidated Subsidiaries | 10,109 | 10,067 | 7,949 | | |
| Dividends per Share | .20 | .20 | .125 | .10 | .10 |

[1]*1988 and prior information has been reclassified to reflect pro-rata consolidation for KMA and to present oil and gas operations as discontinued operations. All per share information reflects the two-for-one stock split effective November 16, 1987.*
[2]*Includes $34,246 or $.35 per share from the after-tax gain on sale of Felmont's oil and gas business.*
[3]*Includes $3,125 or $.03 per share from the cumulative effect of the change in accounting for income taxes.*
[4]*Includes $94,869 or $.98 per share from after-tax gain on sale of minority interest in HGAL.*

## SELECTED QUARTERLY DATA

*Homestake Mining Company and Subsidiaries*

| *(In thousands, except per share amounts)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|---|---|---|---|---|---|
| 1989: | | | | | |
| Revenues | $98,607 | $114,188 | $110,380 | $129,599 | $452,774 |
| Income from Continuing Operations | 5,297 | 6,507 | 992 | 4,748 | 17,544 |
| Net Income | 7,138 | 20,920[1] | 2,013 | 23,253[1] | 53,324[1] |
| Income per Share from Continuing Operations | .05 | .07 | .01 | .05 | .18 |
| Net Income per Share | .07 | .22[1] | .02 | .24[1] | .55[1] |
| Dividends per Share | .05 | .05 | .05 | .05 | .20 |
| 1988: | | | | | |
| Revenues | $91,824 | $108,487 | $105,368 | $121,814 | $427,493 |
| Income from Continuing Operations | 16,398 | 19,540 | 13,776 | 15,369 | 65,083 |
| Net Income | 20,133[2] | 19,239 | 11,212 | 15,817 | 66,401[2] |
| Income per Share from Continuing Operations | .17 | .20 | .14 | .16 | .67 |
| Net Income per Share | .21[2] | .19 | .12 | .16 | .68[2] |
| Dividends per Share | .05 | .05 | .05 | .05 | .20 |

[1]*Includes $34,246 or $.35 per share after-tax gain on disposal of Felmont's oil and gas business including gains on disposal of $14,150 or $.15 per share and $20,096 or $.20 per share in the second and fourth quarter, respectively. Fourth quarter includes an additional income tax expense of $2,385 related to the second quarter disposal.*
[2]*Includes $3,125 or $.03 per share from the cumulative effect of the change in accounting for income taxes.*

## COMMON STOCK PRICE RANGE

*Homestake Mining Company and Subsidiaries*

| *(Prices as quoted on the New York Stock Exchange)* | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | Year |
|---|---|---|---|---|---|
| 1989: High | $14.88 | $14.38 | $16.75 | $20.63 | $20.63 |
| Low | 12.00 | 12.50 | 12.63 | 14.38 | 12.00 |
| 1988: High | $19.00 | $16.75 | $15.88 | $15.00 | $19.00 |
| Low | 13.38 | 14.00 | 13.50 | 12.13 | 12.13 |

## Directors & Officers

### Board of Directors

Hadley Case
Chairman of the Board and Chief Executive Officer
Case, Pomeroy & Company, Inc.

*Robert H. Clark, Jr.
President
Case, Pomeroy & Company, Inc.

Harry M. Conger
Chairman of the Board and Chief Executive Officer
Homestake Mining Company

G. Robert Durham
Former Chairman
Phelps Dodge Corporation

David K. Fagin
President and Chief Operating Officer
Homestake Mining Company

Douglas W. Fuerstenau
Professor, Department of Materials
Science and Mineral Engineering
University of California, Berkeley

William A. Humphrey
Executive Vice President
Homestake Mining Company

*Robert K. Jaedicke
Dean
Graduate School of Business
Stanford University

*Leonard Marks Jr.
Former Executive Vice President
Castle & Cooke, Inc.

*John Neerhout, Jr.
Executive Vice President and Director
Bechtel Group, Inc.

*Stuart T. Peeler
Petroleum Industry Consultant

*Glen L. Ryland
President
RYCO, Inc.

Berne A. Schepman
President
The Adair Company

**Member of Audit Committee*

### Officers of Major Subsidiaries

John B. Roberts
Managing Director
Homestake Gold of Australia Limited

Jack E. Thompson, Jr.
President
Homestake International Minerals Ltd.

### Officers

Harry M. Conger
Chairman of the Board and Chief Executive Officer

David K. Fagin
President and Chief Operating Officer

William A. Humphrey
Executive Vice President

Robert R. Beebe
Senior Vice President

Lee A. Graber
Vice President, Corporate Development

Richard R. Hinkel
Vice President, Human Resources

Richard A. Holway
Vice President, Marketing

William G. Langston
Vice President and General Counsel

William F. Lindqvist
Vice President, Exploration

Robert A. Reveles
Vice President, Government Affairs

Richard W. Stumbo, Jr.
Vice President, Finance and Chief Financial Officer

Allen S. Winters
Vice President, Mine Operations

Robert L. Watson
Controller

Jonathan J. Williams
Treasurer and Secretary

Dennis B. Goldstein
Corporate Counsel and Assistant Secretary

Thomas H. Wong
Assistant Treasurer and Assistant Secretary

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Richard J. Stoehr
Senior Consultant to Chairman of the
Board and Chief Executive Officer

### Director and Officer Changes

Wallace Macgregor retired as a director on May 9, 1989.

G. Robert Durham was elected a director on January 26, 1990.

William F. Lindqvist was elected Vice President, Exploration on January 26, 1990.

## Corporate Office

Homestake Mining Company
650 California Street
San Francisco, CA 94108-2788
Telephone (415) 981-8150

## Subsidiaries & Partnerships

**Homestake Gold of Australia Limited**
P.O. Box 338
Norwood, South Australia 5067
Australia
Telephone: (61) 8-332-7811

John B. Roberts, Managing Director

**Minera Homestake Chile S.A.**
Pedro de Valdivia 0193 piso 4
Santiago, Chile
Telephone: (56) 2-231-7103

Sergio Chavez, General Manager

**North American Metals Corp.**
#1000—700 West Pender Street
Vancouver, B.C. V6C 1G8 Canada
Telephone: (604) 684-8330

Jack E. Thompson, President

**The Doe Run Company**
11885 Lackland Road, Suite 400
St. Louis, MO 63146-4236
Telephone: (314) 991-7110

Jeffrey L. Zelms, President

## Mining Operations

**Homestake Mining Company (Operations Center)**
1726 Cole Boulevard
Golden, CO 80401-3213
Telephone: (303) 277-0700

Allen S. Winters, Vice President, Mine Operations

**Homestake Mine**
P.O. Box 875
Lead, SD 57754-0875
Telephone: (605) 584-4653

Gary A. Loving, General Manager

**McLaughlin Mine**
P.O. Box 1010
Lower Lake, CA 95457-1010
Telephone: (916) 446-1029

Ronald D. Parker, General Manager

**Wood Gulch Mine**
P.O. Box 277
Mountain City, NV 89831-0277
Telephone: (702) 763-6684

Don R. Rolfe, Resident Manager

## Exploration Offices

**Homestake Mineral Exploration**
1726 Cole Boulevard
Golden, CO 80401-3213
Telephone: (303) 277-0700

William F. Lindqvist, Vice President, Exploration

**Homestake Mineral Development Company**
#1000—700 West Pender Street
Vancouver, B.C. V6C 1G8 Canada
Telephone: (604) 684-2345

Robert T. Boyd, Director Canadian Exploration

**Annual Meeting of Shareholders**
A proxy statement will be mailed to each shareholder in March. The annual shareholders' meeting will be held at 11 A.M. on Tuesday, May 8, 1990 in the Penthouse Board Room of Wells Fargo Bank, N.A., 420 Montgomery Street, San Francisco, California.

**Form 10-K**
A copy of the Form 10-K Report filed with the Securities and Exchange Commission may be obtained without charge by writing to the Secretary, Homestake Mining Company, 650 California Street, San Francisco, California 94108-2788.

**Supplemental Information Booklet**
A booklet containing statistical and supplemental financial information may be obtained without charge by writing to the Manager of Investor and Public Relations, Homestake Mining Company, 650 California Street, San Francisco, California 94108-2788.

**Dividend Reinvestment Plan**
Those shareholders interested in Homestake's Dividend Reinvestment Plan should contact the Transfer Agent.

**Major Subsidiaries**
Homestake Mining Company of California
Homestake Mining (B.C.) Limited
Homestake Gold of Australia Limited
Homestake International Minerals Ltd.
Homestake Lead Company of Missouri
Homestake Mineral Development Company
Homestake Nevada Corporation
Minera Homestake Chile S.A.
North American Metals Corp.

**Transfer Agent and Registrar**
Bank of America NT & SA
Corporate Agency Service Center
P.O. Box 37002
San Francisco, CA 94137
Telephone: (415) 624-4100

**Exchange Listings**
The Company's common stock is listed on the New York Stock Exchange; the Stock Exchange, London; the Frankfurt Stock Exchange, the Paris Bourse and on the Basel, Geneva and Zurich stock exchanges in Switzerland. The shares are listed under the stock symbol HM.

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94108-2788