HOMESTAKE MINING COMPANY 1987 ANNUAL REPORT

Managing

For

Value

About Our Cover. The upward sweeping curves on the cover of this year's Annual Report to Shareholders graphically represent the enhancement of fundamental shareholder values achieved by Homestake Mining Company from the early 1950s through 1987—achievements that include a growth in total assets to more than $900 million from approximately $30 million and growth in market capitalization to over $1.7 billion from $67 million. This dramatic growth is the result of our Company's long-standing dedication to managing assets for maximum long-term value.

The Company. Homestake is America's oldest and best known gold mining company. Founded in 1877 to operate the nation's richest gold mine, the Homestake in South Dakota, Homestake Mining Company today has a wide range of interests in gold mining and other natural resource recovery. The Company owns and operates two of the largest U.S. gold mines—the Homestake and the McLaughlin mine in northern California. It also has substantial interests in gold mines in Nevada and Western Australia and explores worldwide for new sources of gold and other precious metals. The Company's other interests include partnership in The Doe Run Company in Missouri, the largest U.S. lead producer; ownership of Felmont Oil Corporation, an oil and gas exploration, development and production company, and uranium production in New Mexico.

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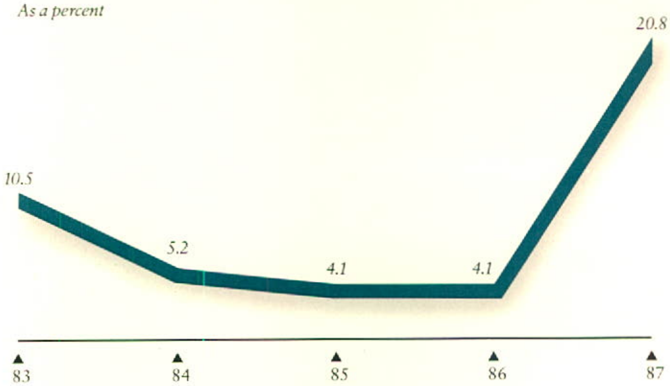
(In thousands, except per share amounts, shareholders and employees)

	1987	1986	1985	1984	1983
Revenues	$516,226	$347,664	$343,171	$319,723	$345,041
Net income	$146,407	$ 22,576	$ 23,296	$ 29,158	$ 56,779
Per share	1.51	0.23	0.24	0.30	0.58
Cash dividend	$ 12,144	$ 9,716	$ 9,875	$ 9,696	$ 8,412
Per share	0.13	0.10	0.10	0.10	0.09
Shareholders' equity	$702,871	$554,388	$567,314	$557,570	$540,397
Per share	7.22	5.73	5.74	5.65	5.49
Working capital	$334,839	$134,931	$162,897	$150,295	$266,911
Shares outstanding	97,302	96,668	98,879	98,683	98,475
Shareholders	20,784	23,407	25,030	24,633	23,847
Employees	1,992	2,038	2,009	2,311	2,347

Per share amounts reflect the two-for-one stock split effective November 16, 1987.

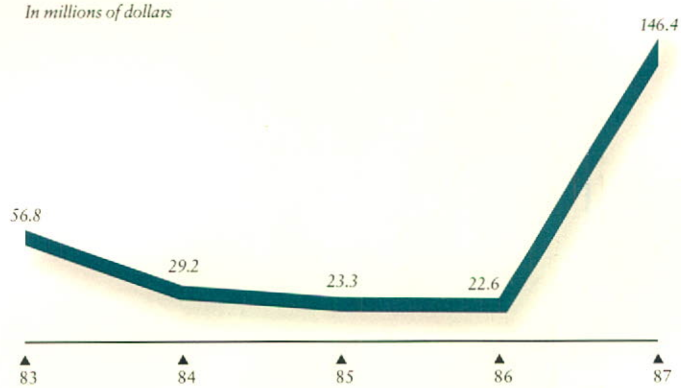
Return on Total Shareholders' Equity

As a percent



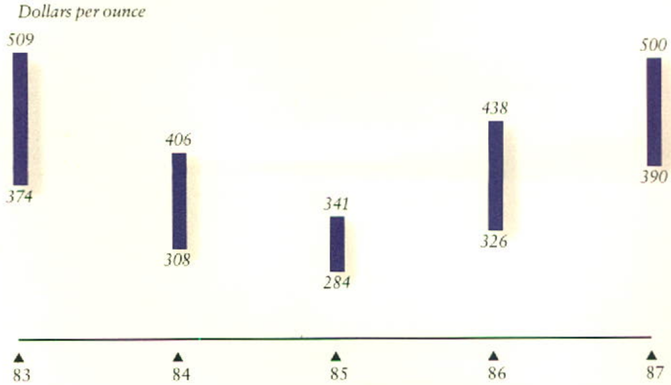
Net Income

In millions of dollars



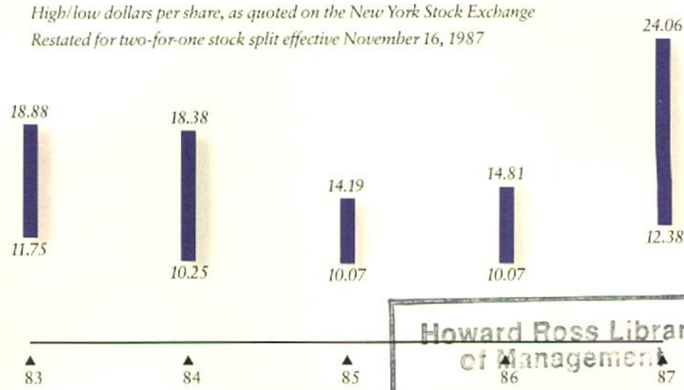
Gold Price Volatility

Dollars per ounce



Common Stock Price

High/low dollars per share, as quoted on the New York Stock Exchange
Restated for two-for-one stock split effective November 16, 1987



1987 was a milestone year for Homestake Mining Company in both profitability and the enhancement of long-term shareholder value. In addition to recording the highest net income and cash flow in the Company's 111-years of operation, we achieved major longer range objectives that greatly strengthen the Company for the future.

Chief among those was the sale of 20 percent of our formerly wholly-owned subsidiary Homestake Gold of Australia Limited (HGAL), which was successfully completed in October. The sale had the immediate effect of producing a $95 million after-tax gain in the fourth quarter of 1987. However, its longer range ripple effects are even more significant.

By increasing Homestake's year-end cash position to nearly $340 million, the sale facilitates the further expansion of our precious metals mining interests through exploration, acquisition, joint ventures or investment. This is increasingly important as the costs of acquiring and participating in proven and promising gold sources continue to rise.

In addition, because the HGAL shares were listed on Australian stock exchanges and purchased principally by Australian investors, the sale integrates HGAL more closely than before into the Australian economy. This should open a far wider range of opportunities to participate in mining ventures "Down Under" than were available to us previously.

Along with the gain from the HGAL stock sale, an average annual gold price of $446 per ounce—highest since the double digit inflation year of 1981 and third highest in Homestake's history—and a slight increase in our gold production combined to provide operating earnings of $89 million from gold. That was the highest since 1980 and nearly double the prior year's gold operating earnings of $47.9 million.

Those results and improved earnings from our base metals operations raised net income for the year to an all-time high of $146.4 million, or $1.51 per share after the two-for-one stock split in November. This compares with $22.6 million and 23 cents per share in 1986. Homestake's previous one-year earnings record was $101.6 million, or $1.49 per share, in 1980 when the price of gold peaked at $850 an ounce and averaged $613 for the year. Total revenues for 1987 were $516.2 million, compared with $347.7 million in 1986.

In other major forward strides in 1987, we have sharpened the focus of our worldwide exploration on the areas where our experience and research indicate that the greatest opportunities exist, and we have expanded the forms of participation that we consider to include investments of technical and financial support, as well as conventional acquisitions and joint ventures.

Looming large in HGAL's future are several high potential gold prospects, including its 100 percent-owned prospect at Fortnum in Western Australia, where significant gold mineralization has been discovered. Drilling is now underway to determine the magnitude of this discovery.

Studies also are in progress at KMA in Western Australia to further evaluate the potential of a proposed large scale open-pit development known as the "Big Pit." If feasibility studies now underway confirm early indications, the "Big Pit" could significantly increase KMA's ore reserves and approximately double its gold production, beginning in 1990.

In our U.S. gold operations, permitting and design engineering is nearing completion for a $25 million expansion program at the McLaughlin mine in northern California. One important objective of this program is to process oxide ore without using the complex and more costly autoclave process required for most of the mine's ore. Scheduled for completion in early 1989, the program is expected to increase McLaughlin's gold production by 50,000 ounces per year for at least five years and to reduce its average life-of-mine production cost.

A $140 million expansion is proceeding on schedule at the Round Mountain gold mine in Nevada, in which Homestake has a 25 percent interest. Completion is expected in late 1988. The expansion, which began in early 1987, will increase Round Mountain's production to 300,000 ounces per year, nearly 60 percent over its 1987 production level, and raise Homestake's share to about 75,000 ounces per year from 47,644 ounces in 1987. Homestake's share of the expansion costs will amount to about $35 million.

In addition to these large scale exploration and mine expansion projects, we are also giving increasing attention to small mine opportunities and joint ventures through our newly formed New Mines Development unit. This group is responsible for identifying new opportunities and coordinating predevelopment, engineering, construction and mining activities. One of this group's first undertakings will be the previously announced 50/50 joint venture with another mining company to develop an underground mine and mill facility at the Jardine Gold Project near Gardiner, Montana. This project is expected to start operations in mid-1989 and produce 42,000 ounces of gold annually for approximately seven years for the joint account.

The improvement in Homestake's base metals segment in 1987 was gratifying. In late 1986 Homestake restructured its lead/zinc operations in Missouri. With a partner, we formed The Doe Run Company, in which Homestake has a 42.5 percent interest. Now a leading supplier of lead in the U.S., Doe Run completed an intensive maintenance and repair program in 1987 that will make Doe Run more competitive with international producers in the domestic market.

Total Homestake Gold Reserves
In thousands of ounces

Conversely, Homestake's energy segment, which includes uranium, oil and natural gas, is coping with weak markets by consolidating operations, reducing expenses and seeking new business opportunities that further lower our costs.

Homestake has been restructuring its uranium operations to reflect the expiration in 1987 of the long-term contracts that made this business very profitable for almost 12 years. From 1975 through 1986, our uranium operations contributed more than $160 million in operating earnings. While the slowdown in nuclear power plant development in the U.S. makes the near-term future of the domestic uranium mining industry uncertain, Homestake will continue its efforts to maintain a presence in the business to take advantage of expected future price improvements.

In the oil and gas industry, the volatile situation in the Middle East and cutbacks in U.S. exploration and development due to low prices appear to point to stronger markets ahead as domestic reserves decline and consumption rises. However, the industry's overall condition remains unsettled.

In response to the wave of corporate takeovers in the past two years, the Board of Directors approved a Stockholder Rights Plan in October of 1987 to help ensure that all Homestake shareholders receive fair and equal treatment in the event of an attempted takeover of the Company. A summary of the plan was mailed to all Homestake shareholders of record in late October. Copies of the plan are available on request.

The pages that follow discuss Homestake's current and historical achievements in greater detail. We believe they also illustrate management's dedication to enhancing the future of your Company. In spite of the adverse impact that the historic drop on the world's major stock exchanges had on Homestake's and HGAL's share prices, we are confident that the value of these shares will recover and be properly reflected in the months and years ahead.

Our progress could only have been realized with the continuing support and confidence of our shareholders and the hard work and dedication of our nearly 2000 full-time employees. These, even more than our physical facilities and mineral reserves, provide the strength for Homestake's continued prosperity.

Harry M. Conger
Chairman and
Chief Executive Officer

David K. Fagin
President and
Chief Operating Officer

February 26, 1988

Enhancing shareholder value has become a popular phrase in American business recently, but while the phrase itself is relatively new, the concept it describes is not. *Enhancing shareholder value* is—or at least should be—the basic responsibility of all corporate management. Definitions of what constitutes *shareholder value* and how best to enhance it, however, differ widely from corporation to corporation and from shareholder to shareholder. For some it may mean higher stock prices or larger dividends; for others, increased cash flow, and for yet others, higher earnings every quarter. For Homestake it means all of those things—and more.

Gold mining is a unique industry. Profitability can be governed by world markets that we neither control nor significantly influence. Earnings and share prices are affected by a variety of social and political forces that have little or no impact on other industries. We continually face a challenge, unknown in most manufacturing, of finding and developing new gold reserves to replace those that are mined each year. This means reinvesting a large proportion of our earnings in exploration and development to maintain and increase production and reserves and thus enhance value for the long term.

The main thrust of our efforts is toward expanding our gold resources through new discoveries and acquisitions.

Shareholder Value. For these reasons, we at Homestake define *shareholder value* as consisting mainly of the principal assets represented by each share of our stock. Our goal is enhancing the value of those assets. The main thrust of our efforts is toward expanding our gold resources through new discoveries and acquisitions. However, asset enhancement also means constantly seeking ways to improve our mining operations, increasing productivity, controlling costs, safeguarding the health and safety of our employees and protecting the environment.

These have been Homestake's prime objectives since we began to grow from a single-mine gold company into the international mining company that we are today. The accompanying graph shows the major results of our efforts over the 35-year span from 1953 through 1987.

• gold production totaled over 17 million ounces; annual production increased from about 520,000 to more than 675,000 ounces, and proven and probable gold reserves increased from approximately 6.9 million ounces to more than 10 million;

• total assets grew from approximately $30 million to more than $900 million;

• reinvestment of earnings into new and enhanced Company assets totaled nearly $550 million;

• market capitalization grew from $67 million to over $1.7 billion;

• net earnings averaged $20 million per year;

• dividends averaged $7.6 million per year, representing 37 percent of net earnings and the equivalent of 15 percent of annual gold production at then prevailing average annual prices, and

• operating cash flow totaled $1.1 billion.

In 1987 with cash and short-term investments increasing by $235 million, we instituted a two-for-one stock split while maintaining the existing dividend rate, thus effectively doubling dividends to our shareholders.

Capital Reinvestment. To achieve and sustain this continuing growth in fundamental values, Homestake reinvested over $270 million in exploration during the 1953-87 period, and another $600 million in development, capital expansion and improvements, a total of over $870 million.

Homestake's 1976 capital investment for a 48 percent interest in one of Australia's largest gold producers, Kalgoorlie Mining Associates (KMA), has been repaid many times over. Since 1976 our share of cash distributions from KMA earnings has totaled more than $75 million.

In the 1980s major capital investments included $280 million to develop the McLaughlin mine in northern California, and $320 million in stock to acquire Felmont Oil Corporation, which included a 25 percent interest in the Round Mountain gold mine in Nevada.

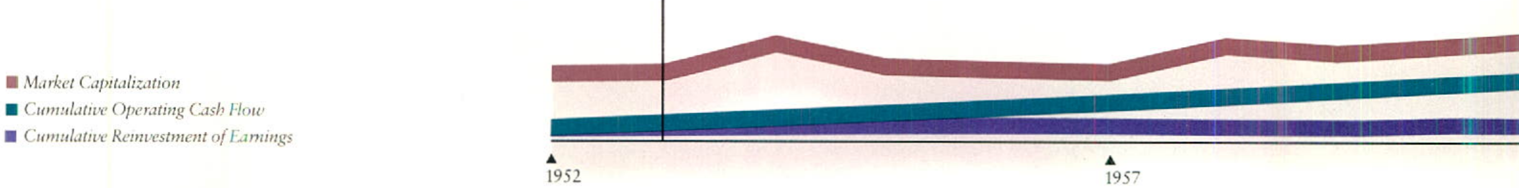
In 1987 Homestake also committed approximately $35 million as our one-quarter share of a $140 million expansion of the Round Mountain mine, the country's largest heap leach gold operation, and another $25 million for new facilities to increase production and reduce cost at the McLaughlin mine.

Homestake continues to have one of the strongest balance sheets in the U.S. mining industry.

Financial Strength. Because all of this was accomplished without incurring significant long-term debt, Homestake continues to have one of the strongest balance sheets in the U.S. mining industry, with working capital of $335 million and a debt/equity ratio of 5 percent. Our only long-term debt consists of tax-exempt pollution control bonds totaling $35 million, which had an average interest cost in 1987 of under 5 percent.

The advantages of this financial strength are numerous, but one is paramount. It is the freedom to control our own destiny. Our internal financial resources, backed up by long-standing lines of credit now totaling $235 million, enable us to capitalize on opportunities to acquire or participate in promising new ventures that fit our present business or our emerging mining house concept. This concept allows us to participate in more gold opportunities over a broader geographical area, with a reduced financial exposure, and in higher risk ventures than we might accept as wholly-owned investments.

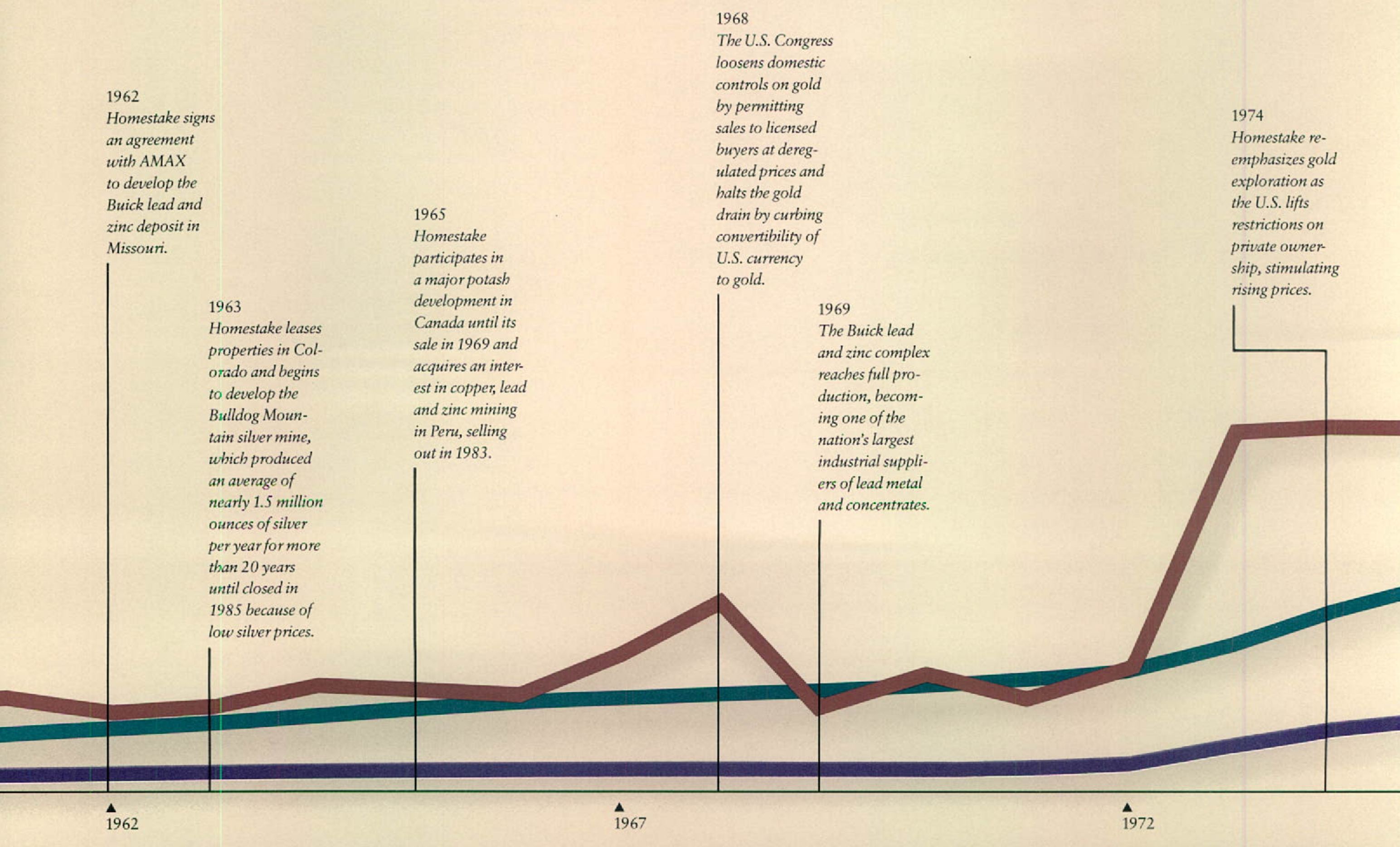
1953
With the price of gold rigidly controlled, Homestake begins to diversify, developing uranium properties in the West that become major suppliers to America's new nuclear energy industry.

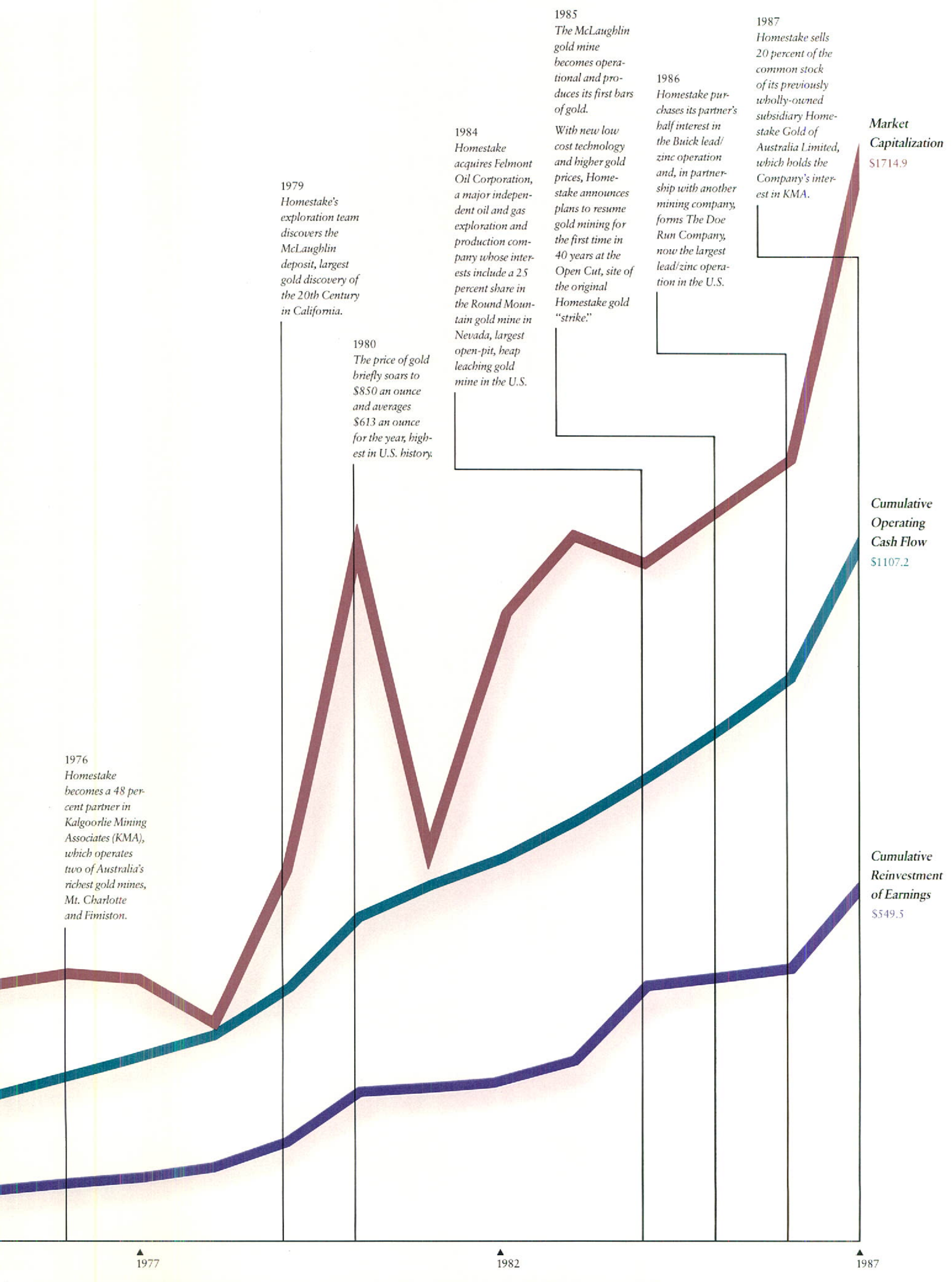


Financial strength also gives us the ability to expand productive capacity as discoveries and participation opportunities unfold. This is important to Homestake because we are a comparatively high-cost gold producer. Our 1987 average cash production costs of approximately $270 per ounce of gold recovered exceed the industry average. Since gold is a commodity marketed at externally established prices that are the same for all sellers, the ability to reduce costs when prices are low and to expand production when opportunities arise is a key to success.

Homestake Mining Company 1953-1987

In millions of dollars




1976
Homestake becomes a 48 percent partner in Kalgoorlie Mining Associates (KMA), which operates two of Australia's richest gold mines, Mt. Charlotte and Fimiston.
1979
Homestake's exploration team discovers the McLaughlin deposit, largest gold discovery of the 20th Century in California.
1980
The price of gold briefly soars to $850 an ounce and averages $613 an ounce for the year, highest in U.S. history.
1984
Homestake acquires Felmont Oil Corporation, a major independent oil and gas exploration and production company whose interests include a 25 percent share in the Round Mountain gold mine in Nevada, largest open-pit, heap leaching gold mine in the U.S.
1985
The McLaughlin gold mine becomes operational and produces its first bars of gold.
With new low cost technology and higher gold prices, Homestake announces plans to resume gold mining for the first time in 40 years at the Open Cut, site of the original Homestake gold "strike."
1986
Homestake purchases its partner's half interest in the Buick lead/zinc operation and, in partnership with another mining company, forms The Doe Run Company, now the largest lead/zinc operation in the U.S.
1987
Homestake sells 20 percent of the common stock of its previously wholly-owned subsidiary Homestake Gold of Australia Limited, which holds the Company's interest in KMA.
Market Capitalization
$1714.9
Cumulative Operating Cash Flow
$1107.2
Cumulative Reinvestment of Earnings
$549.5
1977
1982
1987

Innovation. As is true in most businesses, cost control is a continuing concern in managing our assets for maximum value. Homestake's above industry average gold production costs result principally from two factors. One is that while the Homestake mine at Lead, South Dakota, is still one of the most productive in the U.S. after 111 years of operation, it has reached a depth of 8000 feet, and its ore grade has declined. This makes it progressively more expensive to mine. Another is that the cost of extracting gold from metallurgically complex ore at the McLaughlin mine is higher than the industry norm.

Our increased costs have been offset in part by a number of innovative measures to reduce expenses and increase efficiency. At Lead, for example, full-scale production resumed in 1987 at the Open Cut surface mine, site of the original Homestake gold discovery in 1876. Mining was shut down in this area in 1945 when declining ore grade and the fixed gold price made continued operation unprofitable. Studies in the early 1980s, however, disclosed that the Open Cut still contained an estimated 750,000 ounces of gold that could be mined profitably at today's higher gold prices. In addition, this new source of ore provides alternative feed to the Homestake mill at incremental costs which will lower the overall unit costs for the Homestake mine. The ore is transported to the mill for processing via a 6200-foot long pipe conveyer, the only one in North America and the longest one in the world.

The 1988 expansion program at the McLaughlin mine will enable it to process a recently identified ore type that does not require the autoclave processing that must be applied to most of the mine's ore. Processing this ore in a conventional agitation leach recovery circuit is expected both to increase McLaughlin's production by approximately 50,000 ounces of gold per year for at least five years and to lower its life-of-mine production cost.

Because the Round Mountain gold mine is a low-cost heap leach operation, the current expansion program will not only increase Homestake's 25 percent share of production from about 48,000 to 75,000 ounces per year, but also further reduce our overall average production cost.

The net proceeds from the sale of 20 percent of the common stock in our subsidiary Homestake Gold of Australia Limited (HGAL) in 1987 further enhance our ability to acquire and develop other low-cost deposits.

The advantages of our financial strength are numerous, but one is paramount. It is the freedom to control our own destiny.

Changing Markets. Managing in a cyclical industry requires constant responsiveness to changes in the markets we serve. This means promptly restructuring activities in the face of declining markets and expanding production in rising markets. Our lead/zinc and energy operations are current examples.

In 1962 Homestake joined with another mining company to develop a major high-grade, low-cost lead and zinc deposit in southeastern Missouri. This was the Buick mine, mill and smelter, which became one of America's principal suppliers of lead. This segment of our business contributed significantly to Homestake's earnings until the early 1980s, when low-priced foreign imports began to impact the U.S. market adversely. Earnings declined in 1984 and turned into a loss in 1985.

In 1986 we acquired the 50 percent interest in Buick that we did not own for $10 million, plus certain net working capital items of approximately $3 million. The operation was then combined with those of another company to form a jointly-managed partnership named The Doe Run Company. This combination, in which Homestake holds a 42.5 percent interest, is now the largest U.S. lead producer, with economies of scale that enable it to compete successfully with any competitor. In 1987 Homestake's restructured base metals interests yielded operating earnings of $12.2 million.

In the 1950s Homestake was one of the first U.S. mining companies to recognize the potential of large-scale uranium production. For about 12 years we operated under highly favorable, long-term sales contracts as a major domestic supplier to the nuclear power industry. During most of that time this segment also contributed substantially to the Company's operating earnings—up to nearly 60 percent of the total in periods of soft gold prices.

In the 1980s, however, nuclear power development began to wane in the U.S. for a number of reasons. Uranium market prices declined, and our long-term contracts approached termination dates with little prospect for new favorable contracts. Homestake met this challenge by scaling back uranium operations and evaluating other opportunities to maintain a strong position in energy resources.

In 1984 we expanded the Company's oil and natural gas interests—until then limited to exploration investments—by acquiring Felmont Oil Corporation, an independent producer with a solid record in petroleum exploration and development. With that acquisition came Felmont's one-quarter interest in the Round Mountain gold mine.

Since the acquisition, Felmont oil and gas operations have contributed more than $40 million in operating earnings, net of exploration expenses, and generated $140 million in cash. By the end of 1987, Felmont owned varying interests in 323 oil and gas properties. During 1987 these properties produced 703,000 barrels of crude oil and condensate and 11.8 billion cubic feet of natural gas.

Along with the rest of the oil and gas industry, Felmont has felt the impact of declining market prices in the past three years. In response, it has aggressively trimmed its exploration and production activities and consolidated administrative operations to maintain profitability through this down cycle without impairing its future potential.

Value for Tomorrow. These are a few examples of how Homestake has been managing for value over the past 35 years. Our past provides a vast resource on which to build our future.

Our financial strength enables us to make the most of our opportunities. Our diversification serves as a buffer against the inherent cyclicality of gold mining. The search for new resources to discover, acquire and develop is proceeding with dedication and vigor appropriate to our most satisfying past accomplishments. With our technical expertise, financial resources and dedication, we can approach the future with great confidence.

With our technical expertise, financial resources and dedication, we can approach the future with great confidence.

Prices of all commodities that Homestake produces, with the exception of uranium and natural gas, increased in 1987 from 1986. The following is a summary of Homestake's markets in 1987:

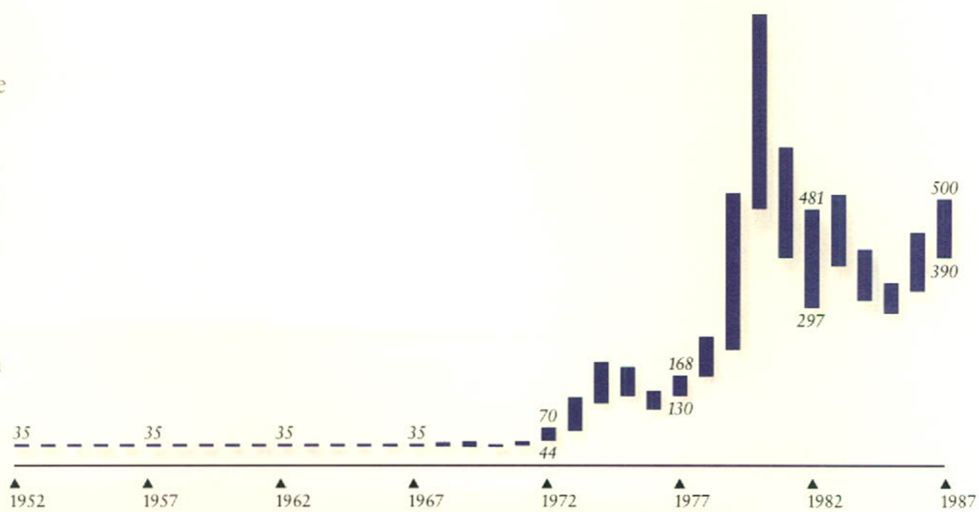
Gold. The market price rose steadily from the $400 per troy ounce level in January to nearly $500 toward the end of the year, averaging $446 for 1987. This represented a 21 percent increase over the 1986 average price. The increase was due to a number of factors, principally a decline in the value of the U.S. dollar against major foreign currencies caused by concerns over U.S. budget and trade deficits, expectations of higher inflation, and international debt problems. Other factors included South African mine labor strife, investor anxiety following the October stock market crash, and speculative activities surrounding the French Giscard gold bond redemption. Demand for gold was strong throughout the year. Two new bullion coins were successfully introduced abroad—the Australian Nugget in April and the British Brittania coin in October. Two more coins were introduced in the U.S.—in South Dakota and California—and the American Eagle was available for its first full year. Another significant development in 1987 was the formation of the World Gold Council, funded by world gold producers to promote investment in gold and gold jewelry sales. Homestake, in keeping with its position of industry leadership, was a charter member.

Silver. The average market price of silver rose 28 percent in 1987 from 1986 levels to $7.01 per troy ounce. The increase reflected both revived speculator interest and more balanced supply and demand. Peru's suspension of spot silver sales in April added to extreme price volatility that led to a 30 percent price increase from March levels. However, the price then drifted back down to $6.70 at year-end in spite of the steady increase in the price of gold. This again demonstrated that silver is now more often perceived as an industrial commodity than as a monetary investment asset.

Lead. A continuing decline in the world lead metal inventory in the face of strong physical demand, especially in the U.S. battery sector, resulted in substantial price increases in 1987. The North American average lead price gained 64 percent to 36 cents per pound, compared with 22 cents in 1986. The increased price allowed some mines to expand or reopen, and secondary lead producers, especially in the U.S., to run their smelters at capacity, partially offsetting reduced capacity of primary smelters.

Zinc. Increased demand for zinc, especially for galvanizing, raised the average U.S. price to 42 cents per pound in 1987, compared with 38 cents in 1986. In overseas markets, spot prices on the London Metal Exchange were often higher than futures prices. This reflected strong demand for near-term deliveries caused by several production interruptions.

Gold Prices
High/Low $/oz.
Source: London Final

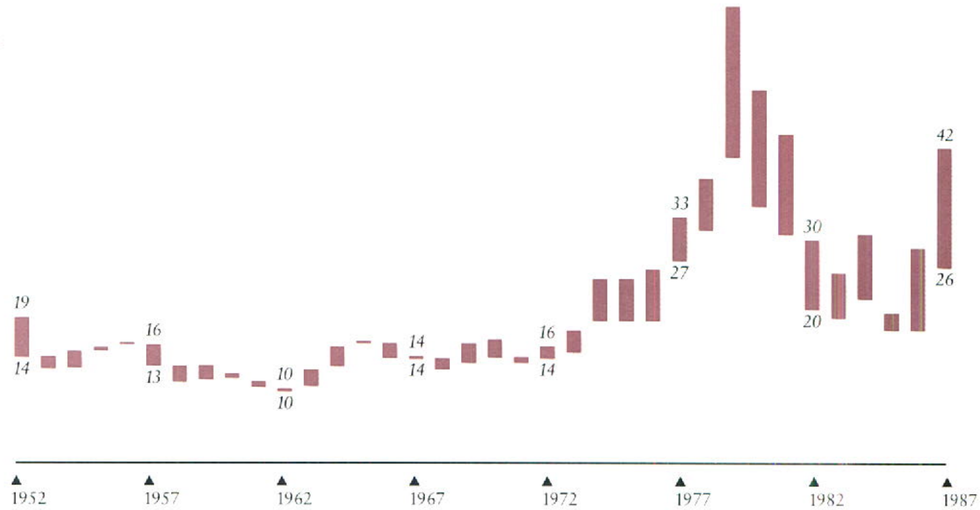


Uranium. Prices fell below $17.00 per pound in 1987, reflecting a market imbalance caused by continuing large inventories and perceptions of large potential production capacity. In July the U.S. Tenth Circuit Court of Appeals reaffirmed a lower court ruling prohibiting enrichment of foreign uranium by U.S. utilities. The action created a premium for U.S.-origin material and caused increased swapping of foreign and domestically produced uranium among U.S. utilities. The Appeals Court ruling was stayed in October pending a review by the U.S. Supreme Court. The U.S. industry is also awaiting the outcome of the Free Trade Agreement with Canada, which could permit importation of lower priced Canadian uranium without restrictions.

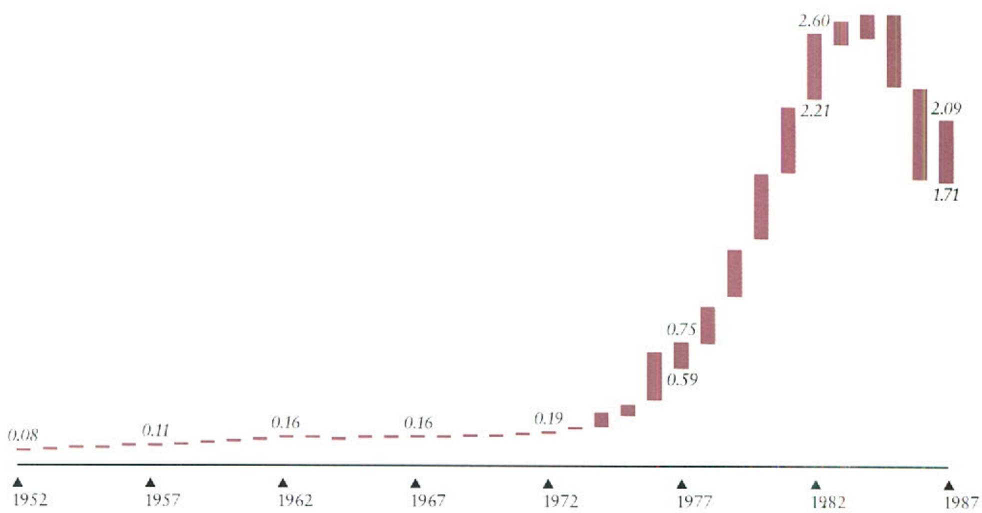
Oil and Condensate. The average price received by Homestake for crude oil and condensate increased to $17.98 per barrel during 1987 from $15.38 in 1986. The increase resulted from OPEC's reestablishment of and generally greater adherence to production quotas designed to maintain an official price of $18.00 per barrel.

Natural Gas. Natural gas prices were lower during 1987, although they increased in the fourth quarter. The average price received by Homestake fell to $1.95 per thousand cubic feet (MCF) from $2.13 in 1986. The decline was attributed to a continued excess of supply and a weak recovery in demand. While the average price declined, the spot gas price rose, ending the year at $2.00 per MCF.

U.S. Refined Lead Prices
High/Low ¢/lb.
Source: Metals Week



Natural Gas Prices
High/Low $/MCF
Source: U.S. DOE



Precious Metals. Homestake's total gold sales in 1987 increased to 674,480 ounces from 669,321 ounces in 1986. Coupled with a 23 percent higher realized average gold price of $447, gold revenues rose to $252.1 million in 1987 from $203.6 million last year.

Operating earnings from gold before minority interest nearly doubled to $89 million. In 1987 gold contributed 87 percent of the total operating earnings, compared with 78 percent, or $47.9 million, in the prior year. Homestake's total gold production increased to 677,739 ounces in 1987 from 669,594 ounces in 1986.

The Homestake mine in Lead, South Dakota provided $34.6 million, or 34 percent of total operating earnings, compared with $25 million, or 41 percent, in the prior year. The McLaughlin mine in California generated $18 million, or 18 percent of the total, compared with $0.2 million in 1986. Our 25 percent interest in the Round Mountain open-pit gold mine in Nevada contributed $10.1 million, or 10 percent of total operating earnings, compared with $5.6 million, or 9 percent, last year.

Homestake's 80 percent owned subsidiary, Homestake Gold of Australia Limited (HGAL), has a 48 percent interest in Kalgoorlie Mining Associates (KMA) in Western Australia. HGAL's share of operating earnings before minority interest was $26.3 million, or 26 percent of the Company's total operating earnings. This compares with operating earnings of $17.1 million, or 28 percent of the total, in 1986.

Homestake Mine– Gold production from the Homestake mine was 325,621 ounces in 1987, compared with 341,647 ounces in 1986. Ore milled from both underground and surface operations exceeded 1986 performance by 2 percent. During 1987 the recovered grade of ore dropped 6 percent to 0.139 ounces per ton, reflecting a lower grade of ore from underground operations. The overall gold recovery percentage increased slightly, however, because of a new gravity separation circuit installed mid-year. The average cash cost increased to $328 per ounce from $285 in 1986, chiefly due to the decline in underground ore grade and expensing of the pre-stripping costs at the Open Cut operation.

Homestake Mine	1987	1986	1985	1984	1983
(Quantities in 000s)					
Tons of ore milled	2,346	2,304	2,346	1,897	1,773
Recovered grade (oz/ton)	0.139	0.148	0.146	0.156	0.173
Recovery of gold (percent)	94.8	94.7	94.6	95.9	96.1
Ounces of gold recovered	326	342	343	296	307
Ore reserves					
Underground (tons)	19,032	18,869	18,602	19,267	19,990
Grade (oz/ton)	0.213	0.212	0.219	0.220	0.221
Open Cut (tons)	6,560	6,151	6,517	–	–
Grade (oz/ton)	0.126	0.127	0.124	–	–

Underground and surface exploration added 2.9 million tons of ore to reserves, more than replacing 1987 production of 2.3 million tons. Mining and exploration work continued from the surface to the 8000-foot level. Sinking of No. 4 Winze to the 7450-foot level is progressing, and completion is expected in mid-1989. Excavation was completed for a ventilation cooling project at the 6950-foot level, and equipment was purchased to further reduce underground air temperatures. Completion of the ventilation project is scheduled for late 1988. Long-hole exploration drilling continued below 8000 feet and from various other working levels, as well as from the surface.

The Open Cut became fully operational during 1987 with the start-up of crushing and conveying facilities. Waste removal continued at a high level to more rapidly expose the ore body. Ore and waste removed from the project totaled over 14 million tons, from which 40,723 ounces of gold were recovered. Exploration work to fully define extensions of the ore body began during the year and will continue throughout 1988.

McLaughlin Mine–Gold production increased 9 percent to 188,990 ounces in 1987 from 173,401 ounces in 1986, due principally to record mill throughput and higher grade and recovery. The average cash cost per ounce decreased to $229 from $240 in 1986.

Design engineering began in September on a $25 million expansion program to install a parallel 3000-ton per day oxide circuit to treat lower grade ores that do not require autoclave processing. The program will also include new facilities for treating an additional 200 tons per day of sulfide ore in the autoclave circuit. Scheduled for completion in early 1989, this program is expected to increase gold production by 50,000 ounces per year for at least five years. The expansion is also expected to reduce McLaughlin's average life-of-mine production cost per ton of ore.

Exploration efforts during the year and subsequent pit design changes added approximately 300,000 ounces to the known McLaughlin sulfide reserves. In addition, reclassification of lower grade oxide ores to ore reserve status added an additional 110,000 ounces.

Round Mountain Mine—Gold production increased 14 percent to 190,578 ounces in 1987 from 167,649 ounces in 1986. Homestake's 25 percent share of production was 47,644 ounces in 1987, compared with 41,913 ounces in 1986. The average cash cost increased to $216 per ounce in 1987 from $203 in 1986, principally because the net profits royalty on the property was converted into a royalty based on sales revenues. With expansion level mine equipment in place, mine production rates increased to approximately 130,000 tons per day of ore and waste by year-end, compared with 65,000 tons per day in 1986.

In early 1987 an expansion plan was initiated to increase ore production from 15,000 to 35,000 tons per day. This program, scheduled for completion in late 1988, will enable the property to produce gold at the rate of 300,000 ounces per year for 16 years, starting in 1989, based on currently known proven and probable ore reserves. Homestake's 25 percent share of the $140 million expansion program is about $35 million. Plant improvements, consisting of additional crushing, heap leaching, gold recovery and ancillary facilities, are in progress. 1987 capital expenditures for mine and plant expansion were $47.6 million.

McLaughlin Mine	1987	1986	1985[1]	1984	1983
(Quantities in 000s)					
Tons of ore milled	1,082	1,022	660	–	–
Recovered grade (oz/ton)	0.180	0.170	0.119	–	–
Recovery of gold (percent)	92.0	88.5	78.5	–	–
Ounces of gold recovered	189	173	84	–	–
Ore reserves (tons)	22,409[2]	17,964[2]	18,576	19,273	19,273
Grade (oz/ton)	0.120[2]	0.138[2]	0.152	0.152	0.152

[1]*For the start-up period April through December 1985.*
[2]*Includes 4,456 tons of stockpiled ore at a grade of 0.078 ounces per ton in 1987 and 2,293 tons at 0.085 ounces per ton in 1986.*

Round Mountain Mine[1]	1987	1986	1985	1984	1983
(Quantities in 000s)					
Tons of ore leached	2,760	1,666	1,339	1,143	894
Recovered grade (oz/ton)	.017	.022	.026	.027	.026
Recovery of gold (percent)	63.8	69.0	72.9	66.7	64.1
Ounces of gold recovered	48	42	35	30	23
Ore reserves (tons)	51,974	48,567	43,800	5,750	–
Grade (oz/ton)	0.034	0.035	0.039	0.037	–

[1]*Homestake's 25 percent share.*

Kalgoorlie Mining Associates—Gold production for 1987 at KMA's Mt. Charlotte and Fimiston mines totaled 251,361 ounces, compared with 234,653 ounces in 1986. HGAL's share was 120,653 ounces, compared with 112,633 ounces in 1986. Homestake's share in 1987, net of minority interest, was 115,484 ounces. The average cash cost increased 2 percent to $198 per ounce.

Mt. Charlotte produced 100,937 ounces from 1,039,261 tons milled, which was slightly below 1986 production of 104,339 ounces. Hoisting of crushed ore from the new Cassidy Shaft commenced in January 1987. A horizontal exploration drill hole completed underground on the 24 level intercepted mineralization south of the present operating mine. The intercept had a gold content averaging 0.10 ounces per ton over 508 feet. The intercept indicates good potential for substantial additional ore reserves at Mt. Charlotte.

Fimiston's production in 1987 totaled 150,424 ounces of gold, of which 85,438 ounces came from underground ore, 56,015 ounces from open-pit ore and 8971 ounces from plant clean-up. This is a 15 percent increase over 1986 production.

Underground production, development and exploration continued on both the eastern and western leases. Installation of an underground crusher was completed on the 23 level at the Chaffers Shaft on the western leases. The underground transport drift on the 20 level connecting the Chaffers Shaft to the main producing eastern leases also was completed and is in service. Open-pit ore tonnage increased again in 1987 by 16 percent.

A carbon-in-leach circuit was added to the oxidized ore carbon-in-pulp plant to facilitate treatment of gold-bearing ash/charcoal waste materials and tailings. The new circuit was successfully commissioned late in the year and is expected to add almost 10,000 ounces of gold per year to Fimiston's production.

In 1987 consultants completed a preliminary feasibility study of large scale open-pit mining on the Fimiston leases. Geological, drilling and production data indicate a large, low grade gold resource known as the "Big Pit" centered on the eastern lode system, much of which could be extracted by large-scale open-pit mining methods. The KMA partners are currently undertaking geological testing, trial mining and detailed metallurgical testing.

Bulldog Mine—The Bulldog silver mine and mill in Creede, Colorado, has been on standby since operations were suspended in January 1985 because of low silver prices. Bulldog mine mineral resources are 1.2 million tons containing 14.2 ounces of silver per ton and 1.9 percent lead.

Mt. Charlotte Mine[1]	1987	1986	1985	1984	1983
(Quantities in 000s)					
Tons of ore milled	**476**	456	447	434	450
Recovered grade (oz/ton)	**0.097**	0.110	0.102	0.123	0.130
Recovery of gold (percent)	**89.1**	88.8	88.8	89.2	89.5
Ounces of gold recovered	**46**	50	46	54	58
Ore reserves (tons)	**4,572**	4,603	4,414	4,048	3,862
Grade (oz/ton)	**0.115**	0.124	0.126	0.129	0.129

[1] *Homestake's 48 percent share from 1983 through September 1987, then reduced to 38.4 percent share following the sale of 20 percent of Homestake Gold of Australia Limited.*

Energy. Homestake's energy sector is comprised of a fossil fuel segment and a mineral segment. Felmont Oil Corporation, a wholly-owned subsidiary, manages the Company's oil and gas operations, which are principally located in the Gulf Coast region, the Appalachian Basin, the Permian Basin of Texas and New Mexico, and other western states.

Homestake's uranium operations currently consist of production from mining and milling low tonnages of high grade reserves and production from low-cost solution mining.

Oil & Gas—Oil and gas operating earnings declined to $1.8 million in 1987 from $4.3 million in 1986. These results are net of exploration expenses of $4.9 million in 1987 and $9.6 million in the prior year. In 1986 operating earnings included approximately $8 million in settlement of natural gas contract disputes. Revenues from the sale of oil and gas products for 1987 declined to $38.6 million from $40.8 million in 1986.

Fimiston Mine[1]	1987	1986	1985	1984	1983
(Quantities in 000s)					
Tons of ore milled	**423**	371	339	283	194
Recovered grade (oz/ton)	**0.153**	0.159	0.174	0.172	0.170
Recovery of gold (percent)	**90.4**	88.4	91.4	89.8	88.8
Ounces of gold recovered	**69**	63	59	53	33
Ore reserves					
Underground (tons)	**1,735**	2,222	1,701	1,640	1,862
Grade (oz/ton)	**0.216**	0.218	0.241	0.225	0.231
Open-pit (tons)	**1,186**	1,228	1,076	651	–
Grade (oz/ton)	**0.127**	0.129	0.143	0.145	–

[1] *Homestake's 48 percent share from 1983 through September 1987, then reduced to 38.4 percent share following the sale of 20 percent of Homestake Gold of Australia Limited.*

Although crude oil prices strengthened during 1987 to an average of $17.98 per barrel, compared with $15.38 in 1986, the average price for natural gas declined to $1.95 per MCF from $2.13 in 1986. Crude oil and natural gas sales volumes were 10 and 3 percent below 1986 levels, respectively.

Felmont capital spending decreased from $13.5 million to $10 million in 1987. This included participation as operator or working interest owner in the drilling and completion of 21 gross (6 net) development wells, of which 15 gross (4 net) were successful. The development program added 2450 MCF of natural gas and 103 barrels of oil per day of net capacity.

Significant offshore development projects in the Gulf of Mexico during 1987 included participation in the drilling of a new development gas well on Eugene Island Block 108 and three successful development oil wells on Main Pass Block 30. Onshore, Felmont participated in two development gas wells in the Pineton gas field in Indiana County, Pennsylvania. Four offshore gas wells in which Felmont owns a 26.7 percent working interest were put on production on Vermilion Block 172 in the Gulf of Mexico. Our 1984 discovery in Galveston Bay, in which Felmont has a 100 percent working interest, was put on production on State Tract 128.

Approval was received from New York State authorities to continue the development of our 100 percent owned Allegany State Park gas storage field in the western part of that state. A new delivery line is being installed to connect the field with a nearby major interstate gas pipeline. Felmont Natural Gas Storage Company, a wholly-owned subsidiary of Felmont Oil Corporation, has signed a five-year contract with a New York State utility to receive, store and redeliver one billion cubic feet of natural gas per year. This volume will utilize only 10 percent of the storage field's total capability. Additional contracts are being negotiated.

At year-end Felmont owned interests of up to 100 percent in 323 oil and gas properties on which 945 gross and 186 net wells were capable of producing. Despite an active exploration program begun in the last half of 1987, Felmont's natural gas reserve base at year-end 1987 declined 10 percent to 65,840,269 MCF of natural gas while oil reserves increased 11 percent to 3,447,788 barrels.

Uranium—The Grants mine and mill in New Mexico continued to operate on reduced schedules in 1987 since poor market conditions persisted. Toll milling of third-party ore began during the latter part of the year and will increase in 1988.

Revenues decreased to $14.9 million in 1987 from $49.7 million in 1986 following expiration of Homestake's favorably priced sales contracts. As a result, Homestake incurred an operating loss from uranium of $0.5 million, compared with operating earnings of $12.7 million in 1986. Sales of uranium concentrate decreased to 392,500 pounds in 1987 from 1,045,000 pounds in 1986. Prices averaged $37.84 a pound, compared with $47.54 in the prior year.

Oil & Gas[1]	1987	1986	1985	1984	1983
Annual production sold[2]					
Crude oil and condensate (000s Bbls.)	703	785	890	864	840
Natural gas (MMCF)	11,835	12,184	10,850	12,614	12,108
Average prices received					
Crude oil—per Bbl.	$17.98	$15.38	$27.69	$29.90	$30.11
Natural gas—per MCF	$1.95	$ 2.13	$ 2.94	$ 3.31	$ 3.00

[1]Reserve tables are contained in the notes to the consolidated financial statements.
[2]Net working interests, excluding royalties.

Grants Mine *(Quantities in 000s)*	1987	1986	1985	1984	1983
Tons of ore processed	24	73	62	107	171
U_3O_8 produced (pounds)	489	605	602	684	1,156
Ore reserves (tons)[2]	69[3]	92[3]	103[1]	310[1]	487[1]
Grade (percent)	.339	.371	.186	.200	.219

[1]Reduced to reflect only ore reserves that could be economically recovered and sold profitably under existing sales contracts.
[2]Does not include quantities of uranium that may be recovered through solution mining and ion-exchange recovery.
[3]Reflects only ore reserves that can be economically recovered and sold under current market conditions when produced concurrent with solution mining.

Base Metals. Homestake's base metals operations, boosted by stronger lead prices, achieved a major turnaround in 1987 with operating earnings of $12.2 million from the Company's 42.5 percent partnership interest in The Doe Run Company. This compares with a 1986 operating loss of $3.4 million, principally caused by the shutdown of Homestake's Buick lead/zinc operations for five months before organization of The Doe Run Company on November 1, 1986. Profits from two months of Doe Run's operations in 1986 partially offset a charge of $5.7 million for severance, standby and other costs related to the Buick shutdown.

The Doe Run Company, which includes the former Buick facilities, is the largest integrated primary lead producer in North America, with six mines, four mills and two smelters, all located in Missouri. In calendar 1987, its first full year of operation, Doe Run produced 200,183 tons of refined lead metal products, 40,657 tons of zinc and 46,781 tons of copper concentrates.

Major maintenance and improvements to strengthen its competitive position, including an extensive reconstruction of the sinter plant, were completed at Doe Run's Herculaneum smelter in 1987. In addition, construction of a copper flotation and recovery circuit began at the Buick mine/mill complex in order to increase mining flexibility and improve copper by-product production.

Exploration. *Minerals*—To maintain our position as a leading North American gold producer, Homestake continued to emphasize precious metals exploration, principally in the U.S. and Canada, and to search for additional exploration or acquisition opportunities worldwide. In Australia we participate in gold exploration through our 80 percent owned subsidiary HGAL, which is testing a number of promising gold properties. 1987 expenditures were $23.5 million, which included $4.4 million in Australia. This compares with a total of $17.7 million in 1986, which included $3.4 million in Australia.

To maintain a queue of exploration prospects in the U.S. and Canada, Homestake's geological staff conducts field examinations, reviews submittals, supports grubstake prospectors, and monitors technical papers and journals. Through our acquisition program and detailed geologic reviews, gold targets were identified and drilling initiated on 51 reconnaissance prospects in 1987. Favorable results advanced 10 projects to target exploration, the second exploration phase. Negative results caused 20 prospects to be terminated, while 28 projects remain under study. Target exploration continued on 14 projects, and predevelopment evaluations continue on three projects.

Base Metals Operations[1] *(Quantities in 000s)*	1987	1986	1985	1984	1983
Tons of ore milled	**1,723**	576	1,141	750	1,062
Lead content (percent)	**5.8**	6.9	6.9	8.1	7.9
Zinc content (percent)	**0.8**	1.4	1.4	1.8	1.8
Copper content (percent)	**0.6**	1.0	–	–	–
Lead concentrate (tons)	**120**	49	98	76	106
Zinc concentrate (tons)	**17**	12	24	20	28
Copper concentrate (tons)	**20**	4	–	–	–
Refined lead products (tons)	**85**	41	66	58	40
Ore reserves (tons)	**31,902**	30,175	10,032[2]	18,043	18,952
Lead content (percent)	**5.1**	5.5	8.0[2]	5.6	5.7
Zinc content (percent)	**0.9**	1.0	2.2[2]	1.4	1.4
Copper content (percent)	**0.3**	0.4	–	–	–

[1] *Statistics represent Homestake's share of Buick prior to the formation of Doe Run and its 42.5 percent share of Doe Run starting November 1, 1986.*
[2] *The decrease in ore reserves and the increase in reserve grade reflect adoption of a higher ore cut-off due to low lead prices.*

Three of the 14 target exploration projects are located on the Back River Joint Venture Project in the Northwest Territories of Canada. Homestake has the option to earn a 40 percent interest in this joint venture. Surface sampling and drilling have outlined several potentially large high grade gold prospects hosted in iron formation. These new discoveries are geologically similar to the nearby Lupin gold mine as well as to our Homestake mine. Drilling will continue in 1988 on Back River and the other target projects to expand and define the resources and to delineate reserves.

HGAL began drilling on four new prospects in 1987. Favorable results advanced one prospect to target exploration, while two prospects were terminated, and three projects remain under study. Target exploration continues on eight projects. Ore target exploration is being conducted on the Fortnum prospect where gold mineralization outlined through exploration drilling is predominantly oxidized and within open-pit depths. Drilling is continuing to establish ore reserves.

Homestake has expanded its exploration program at the Homestake mine and surrounding areas near Lead. The emphasis is on expanding ore reserves to extend the life of the Homestake gold mine, as well as identifying new development opportunities in varying geologic environments.

Additional investigations of mineral acquisition and development opportunities are conducted by Homestake International Minerals Ltd., with emphasis on the U.S. and Canada, as well as Latin America and other new emerging gold provinces around the world.

Properties which have merit but do not meet Homestake's advancement criteria are "farmed out" for development by others. The Company sold the stock of Homestake New Zealand Exploration Limited for $7.2 million during 1987. This sale does not restrict the rights of Homestake and HGAL to operate in New Zealand. In early 1988 Homestake entered into an agreement with American Copper & Nickel Company (ACNC) to participate on a 50/50 basis in the development of an underground mine and mill facility at the Jardine Gold Project near Gardiner, Montana. The Jardine project, which was "farmed out" to ACNC in 1984, is expected to produce 42,000 ounces of gold annually for approximately seven years for the joint account. All permits required for the operation have been obtained.

Underground exploration initiated in 1984 continues on the North Amethyst project in the Creede district of Colorado. The access decline was advanced to the 10,000-foot level, with on-vein drifting conducted on three levels. Ore grade mineralization in gold and silver veins has been identified, but continuity and commercial grades have not been found.

Oil & Gas—Felmont's major exploratory drilling activities did not commence until the last half of 1987. As a result, Felmont's exploration expenses decreased to $4.9 million in 1987 from $9.6 million in 1986. Twelve gross (six net) exploratory wells were drilled, and eight gross (three net) were successful. At year-end there was one gross (0.1 net) well drilling. Two significant discoveries were made offshore in the Gulf of Mexico, and another important discovery was made in New Mexico.

Offshore Louisiana, the Main Pass Block 36 No. 1 exploratory well, in which Felmont owns a 27.5 percent working interest, tested 13,700 MCF and 785 barrels of condensate per day. This will be developed with additional wells and a production platform in 1988. On Chandeleur Block 71 in Louisiana State waters, Felmont, as operator and one-third working interest owner, tested the State Lease 6618 No. 1 exploratory well at the rate of 332 barrels of oil and 62 MCF of gas per day. These wells will be placed on production early in the second quarter of 1988.

In Chaves County, New Mexico, Felmont participated for a 14.6 percent working interest in the Culp Ranch Unit No. 1 exploratory well, which tested 480 barrels of oil per day. Development drilling is planned in 1988.

Felmont also acquired an interest in 4867 net prospective acres in Federal and Louisiana State offshore lands during the year. Onshore, the Company acquired leasehold interests in 16,732 net prospective acres in Pennsylvania, Louisiana, Texas, New Mexico, Wyoming and North Dakota.

Occupational Health & Safety. Homestake is committed to protecting its most important resource: its skilled and experienced employees.

Through extensive training programs, we continually emphasize the importance of emergency preparedness and safety and health performance.

Homestake employees worked over 3.7 million hours in 1987—49 percent of these hours in underground operations—with no increase in injury rates.

Homestake Mining Company and Subsidiaries

For the years ended December 31, 1987, 1986 and 1985
(In thousands, except per share amounts)

	1987	1986	1985
Revenues:			
Product sales	**$305,614**	$311,873	$297,727
Share of earnings—Mining Venture Partnerships	**38,773**	18,980	11,259
Gain on sale of minority interest	**146,336**		
Interest and dividends	**13,303**	6,745	8,298
Other income—net	**12,200**	10,066	25,887
Total	**516,226**	347,664	343,171
Costs and Expenses:			
Product and shipping	**223,244**	248,828	259,661
Oil and gas exploration	**4,945**	9,620	18,137
Mineral exploration	**23,504**	17,702	16,845
Administrative and selling	**51,045**	45,985	36,015
Total	**302,738**	322,135	330,658
Income Before Income Taxes and Minority Interest	**213,488**	25,529	12,513
Income Tax Provision (Credit)	**66,420**	2,953	(10,783)
Minority Interest	**661**		
Net Income	**$146,407**	$ 22,576	$ 23,296
Net Income per Share	**$1.51**	$ .23	$ .24
Average Shares Used in the Computation	**97,024**	97,264	98,781

See notes to consolidated financial statements.

Homestake Mining Company and Subsidiaries

December 31, 1987 and 1986
(In thousands)

Assets	1987	1986
Current Assets:		
Cash and equivalents	$139,328	$ 94,843
Short-term investments	199,579	8,738
Receivables:		
Trade	17,568	23,352
Interest and other	8,746	4,274
Inventories:		
Finished products	17,803	23,202
Ore and in process	6,387	2,684
Supplies	14,968	14,273
Other	4,185	2,931
Total current assets	408,564	174,297
Property, Plant and Equipment (at cost)	765,259	733,165
Accumulated depreciation, depletion and amortization	(363,533)	(311,723)
Net property, plant and equipment	401,726	421,442
Investments and Other Assets:		
Mining venture partnerships	89,689	81,554
Other assets	15,452	16,003
Total investments and other assets	105,141	97,557
Total	$915,431	$693,296

Liabilities and Shareholders' Equity	1987	1986
Current Liabilities:		
Accounts payable	$ 17,262	$ 15,726
Accrued liabilities:		
Payroll and other compensation	12,469	11,252
Income taxes	35,508	2,276
Severance and other taxes	3,375	2,739
Other	5,111	7,373
Total current liabilities	73,725	39,366
Long-Term Liabilities	66,286	61,905
Deferred Income Taxes	64,600	37,637
Minority Interest in Consolidated Subsidiary	7,949	
Shareholders' Equity:		
Capital stock, $1 par value:		
Preferred—10,000,000 shares authorized; no shares outstanding		
Common—250,000,000 shares authorized; shares outstanding (net of treasury shares): 1987, 97,302,000; 1986, 96,668,000	99,021	49,511
Other capital	75,617	124,903
Retained earnings	558,076	423,813
Treasury stock (1,719,000 shares in 1987 and 2,353,000 in 1986)	(19,334)	(26,473)
Accumulated translation adjustments	(10,509)	(17,366)
Shareholders' equity	702,871	554,388
Total	$915,431	$693,296

See notes to consolidated financial statements.

Homestake Mining Company and Subsidiaries

For the years ended December 31, 1987, 1986 and 1985
(In thousands)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Translation Adjustments	Total
Balances, January 1, 1985	$ 49,342	$121,615	$397,532	$	$ (10,919)	$557,570
Net income			23,296			23,296
Dividends			(9,875)			(9,875)
Exercise of stock options	47	641				688
Stock issued to employee savings plan	51	1,211				1,262
Foreign currency translation adjustments					(5,627)	(5,627)
Balances, December 31, 1985	49,440	123,467	410,953		(16,546)	567,314
Net income			22,576			22,576
Dividends			(9,716)			(9,716)
Purchase of 2,505,000 shares of treasury stock				(28,191)		(28,191)
Exercise of stock options	44	634		775		1,453
Stock issued to employee savings plan	27	802		943		1,772
Foreign currency translation adjustments					(820)	(820)
Balances, December 31, 1986	49,511	124,903	423,813	(26,473)	(17,366)	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					4,074	4,074
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

See notes to consolidated financial statements.

Homestake Mining Company and Subsidiaries

For the years ended December 31, 1987, 1986 and 1985
(In thousands)

	1987	1986	1985
Cash Flows from Operations:			
Net income	$146,407	$ 22,576	$ 23,296
Reconciliation of net income to cash provided by operations:			
Increase (decrease) in deferred income	3,446	(8,079)	10,890
Undistributed mining venture earnings	(4,969)	(2,687)	333
Gain on sale of minority interest	(146,336)		
Loss (gain) on disposal of assets	(8,823)	5,202	10,576
Depreciation, depletion and amortization	56,662	59,379	61,884
Reclamation reserves	191	1,444	4,800
Other non-cash items—net	3,124	(3,813)	6,690
Deferred income taxes	26,963	3,996	(15,647)
Undistributed minority interest	661		
Effect of changes in operating working capital items:			
Receivables	1,312	17,243	(9,515)
Inventories	1,001	15,463	17,019
Accounts payable	1,536	(5,567)	(663)
Accrued liabilities	35,085	(1,014)	2,472
Other—net	(3,516)	1,255	4,898
Net cash provided by operations	112,744	105,398	117,033
Investment Activities:			
Decrease (increase) in short-term investments	(190,841)	(3,456)	24,878
Additions to property, plant and equipment	(39,305)	(43,536)	(82,295)
Net proceeds from sale of minority interest	156,251		
Net proceeds from sale of assets	10,417	2,000	
Investment in mining ventures		(15,132)	
Net cash used in investment activities	(63,478)	(60,124)	(57,417)
Financing Activities:			
Dividends Paid	(12,144)	(9,716)	(9,875)
Common stock issued		3,225	1,950
Treasury stock issued (purchased)	7,363	(28,191)	
Net cash used in financing activities	(4,781)	(34,682)	(7,925)
Net Increase In Cash and Equivalents	44,485	10,592	51,691
Cash and Equivalents, January 1	94,843	84,251	32,560
Cash and Equivalents, December 31	$139,328	$ 94,843	$ 84,251

See notes to consolidated financial statements.

Significant Accounting Policies

Consolidated financial statements include Homestake Mining Company and its majority-owned subsidiaries after elimination of intercompany amounts. The Company owns 80% of Homestake Gold of Australia Limited (HGAL), with the 20% public interest at December 31, 1987 shown as Minority Interest in Consolidated Subsidiary in the accompanying consolidated financial statements.

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. The cost of other inventories is primarily determined by averaging methods.

Mining Accounting Policies: Mineral 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 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). Equipment and other plant facilities are depreciated by straight-line or accelerated methods principally over estimated useful lives of five to ten years.

Oil and Gas Accounting Policies: Oil and gas financial data include Felmont Oil Corporation and its subsidiaries.

Exploration and development costs are accounted for by the successful efforts method.

Property acquisition costs are capitalized when incurred. Geological and geophysical costs and delay rentals are expensed as incurred. The costs of drilling exploratory wells are capitalized pending determination of whether the wells have discovered reserves. If reserves are not discovered, such costs are expensed as dry hole costs. Development costs, including intangible drilling costs and equipment, are capitalized.

Unproved properties with significant acquisition costs are evaluated on a property-by-property basis, and any impairment of acquisition costs is recognized by providing a valuation allowance. Acquisition costs for other unproved properties are amortized on a straight-line basis over their average holding period.

Costs incurred in connection with proved properties, including lease-hold acquisition, exploration and development costs, are depreciated or depleted by the units-of-production method (based on oil and gas reserves). Plant and equipment is depreciated by the straight-line method over estimated asset lives of four to twenty years.

Upon sale or retirement of complete units of depreciable or depletable property, the net cost thereof, less proceeds or salvage value, is credited or charged to income. Upon retirement of a partial unit of property, the cost thereof is charged to accumulated depreciation and depletion.

Mining Ventures: Investments in mining venture partnerships (principally Kalgoorlie Mining Associates and The Doe Run Company) are reported using the equity method. Undivided interests in mining properties (the Round Mountain gold mine) are consolidated on a proportionate interest basis.

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

Income taxes give effect to percentage depletion, depletion of intangible drilling and development costs, and other items resulting in permanent and temporary differences between financial statement and taxable income. Deferred income taxes are provided for temporary differences in the reporting of revenues and costs and expenses for financial reporting and tax purposes. Investment tax credits in 1985 were accounted for using the flow-through method.

Capitalization of Interest: Interest costs of $1,885,000, $1,790,000 and $1,224,000 were expensed in 1987, 1986 and 1985, respectively. Interest incurred during the period required to develop qualified assets is capitalized ($805,000 for 1985).

Share and per share data for all years presented reflect restatement for 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.

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

Statements of Consolidated Cash Flows

In 1987 the Company elected early adoption of Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows," which requires a statement of cash flows in place of a statement of changes in financial position. Prior years' statements of changes in financial position have been restated to conform to the 1987 presentation.

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

Additional disclosures of cash flow information follow:

(In thousands)	1987	1986	1985
Cash paid during the year for:			
Interest, net of amount capitalized	$ 1,952	$ 1,938	$ 1,000
Income taxes paid (refunded)	4,333	2,707	(809)

Additional disclosures of non-cash investing and financing activities follow:

The Company invested in The Doe Run Company in 1986 by contributing property, investments and working capital.

Property and investments	$25,287
Working capital	14,634
Total	$39,921

Gain on Sale of Minority Interest

In October 1987 the Company completed a public offering in Australia and Europe of 100,000,000 shares of common stock of its previously wholly-owned subsidiary, HGAL. The offering represented 20% of the total outstanding shares of HGAL, with the Company retaining the other 80%. As a result, the Company realized a gain of $146,336,000. The after-tax gain was $94,869,000 or $.98 per share.

Other Income

Other income in 1987 included $8,740,000 from sale of mineral properties in New Zealand and South Dakota. Other income in 1986 included $8,000,000 from settlement of natural gas "take-or-pay," pricing claims and other disputes with a customer. In 1985 other income included $19,200,000 from the partial termination of a uranium sales contract. In connection with the 1985 uranium transaction, the Company accelerated the write-down of its uranium assets by $10,000,000, which is included in product and shipping costs.

Inventories

As of December 31, 1987 and 1986 the cost of inventories determined by last-in, first-out (LIFO) methods aggregated $3,727,000 and $2,505,000, respectively; such inventories would have approximated $12,351,000 and $9,762,000, respectively, if stated at the lower of market or current year average production costs.

Inventory quantity reductions in 1985 resulted in liquidations of LIFO inventories, which were stated at prior years' lower costs as compared to current costs. Such liquidations increased 1985 net income by $1,746,000.

Mining Ventures

Undivided Interests:

Round Mountain Gold Mine—The Company has a 25% undivided interest in a gold mine at Round Mountain in Nye County, Nevada. The operation includes an operating gold mine, gold extraction facilities, and surrounding patented and unpatented mining claims. Mining and gold recovery operations are conducted at cost for the tenants in common.

Mining Venture Partnerships:

Kalgoorlie Mining Associates, a partnership in which HGAL, an 80% owned consolidated subsidiary of Homestake, has a 48% interest, operates gold mining and processing facilities in Western Australia and markets the partnership products. HGAL's investment (represented by partnership equity) aggregated $37,122,000 and $31,796,000 at December 31, 1987 and 1986, respectively. Summarized financial position at December 31, 1987, 1986 and 1985 and operating earnings for the years then ended are as follows:

Kalgoorlie Mining Associates *(In thousands)*	1987	1986	1985
Financial Position:			
Current assets	$ 21,207	$16,420	$17,475
Property and deferred charges-net	72,675	63,829	59,355
Total	$93,882	$80,249	$76,830
Current liabilities	$12,217	$10,247	$ 7,392
Long-term debt	533	266	280
Partners' equity:			
Kalgoorlie Lake View Proprietary Ltd.	44,010	37,940	37,682
HGAL	37,122	31,796	31,476
Total	$ 93,882	$80,249	$76,830
Operations:			
Revenues	$112,678	$85,120	$68,226
Costs and expenses	57,984	49,494	44,769
Net earnings	$ 54,694	$35,626	$23,457

The Doe Run Company—On November 1, 1986 the Company and St. Joe Minerals Corporation contributed their respective lead and by-product mineral businesses to a jointly managed new partnership called The Doe Run Company. Homestake has a 42.5% interest in the partnership and St. Joe Minerals Corporation has a 57.5% interest.

Homestake's contribution was its wholly-owned Buick lead mine, mill and smelter near Boss, Missouri. Homestake acquired AMAX, Inc.'s 50% interest in the Buick Lead operations in May 1986 for approximately $13,000,000.

Homestake's investment aggregated $49,724,000 and $46,933,000 at December 31, 1987 and 1986, respectively. Homestake's 42.5% share of the net assets of The Doe Run Company exceeded its investment by $23,200,000 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, 1987 and 1986 and operating earnings for the year ended December 31, 1987 and the two months ended December 31, 1986 are as follows:

The Doe Run Company *(In thousands)*	1987	1986
Financial Position:		
Current assets	$ 85,790	$ 74,440
Property and deferred charges—net	103,222	109,034
Total	$189,012	$183,474
Current liabilities	$ 15,605	$ 11,909
Long-term debt	7,000	7,000
Partners' equity:		
St. Joe Minerals Corporation	95,684	94,625
Homestake	70,723	69,940
Total	$189,012	$183,474
Operations:		
Revenues	$174,369	$ 22,670
Costs and expenses	149,635	18,700
Net earnings	$ 24,734	$ 3,970

A reconciliation between Homestake's percentage share of earnings in its mining venture partnerships and its recorded share of earnings of these mining venture partnerships is shown below:

(In thousands)	1987	1986	1985
Percentage share of net earnings:			
Kalgoorlie Mining Associates (48%)	$26,254	$17,100	$11,259
The Doe Run Company (42.5%)	10,512	1,687	
Adjustment to Homestake's share of net earnings	2,007	193	
Total	12,519	1,880	
Total share of earnings Mining Venture Partnerships	$38,773	$18,980	$11,259

Property, Plant and Equipment

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

(In thousands)	1987	1986
Mineral:		
Mining properties	$ 36,382	$ 37,167
Mine development costs	111,305	119,742
Plant and equipment	365,243	344,799
Land and royalty interests	9,765	9,735
Construction and mine development in progress	21,169	4,257
Total	543,864	515,700
Oil and gas:		
Undeveloped lease and royalty interests	17,019	16,529
Producing lease and royalty interests	27,807	27,672
Development costs and equipment on producing oil and gas properties	172,982	169,260
Other	3,587	4,004
Total	221,395	217,465
Total property, plant and equipment	$765,259	$733,165

Income Taxes

The provision (credit) for income taxes consists of the following:

(In thousands)	1987	1986	1985
Deferred (principally federal):			
Mine preoperating and development costs—net of amortization	$ 893	$ 2,767	$ 2,952
Net operating loss carryforward	8,789	(9,277)	
Investment tax credit carryforward—net of basis reduction	22,573	(3,555)	(9,845)
Accelerated depreciation	7,591	13,513	4,308
Leasehold and royalty costs—net of amortization	(1,314)	1,910	(2,748)
Intangible drilling and development costs—net of depletion	(5,223)	(4,041)	(2,422)
Gain (loss) on property disposition		91	(1,382)
Mineral exploration—net of amortization	(1,414)	(726)	(1,439)
Reclamation reserves		(391)	(1,760)
Deferred income	(2,996)	3,821	(3,821)
Other	(1,937)	(116)	510
Total deferred	26,962	3,996	(15,647)
Current:			
Federal	33,588	(1,463)	3,974
State, local and foreign	5,870	420	890
Total current	39,458	(1,043)	4,864
Total	$66,420	$ 2,953	$(10,783)

Major items causing the Company's income tax provision to differ from the federal statutory rates of 40% in 1987 and 46% in 1986 and 1985 were:

(In thousands)	1987	1986	1985
Income tax at statutory rate	$85,395	$11,743	$ 5,756
Percentage depletion	(10,697)	(11,961)	(8,154)
Minimum tax		3,652	5,071
Investment tax credits—net of basis reduction			(14,311)
Capital gains	(9,335)		
Other—net	1,057	(481)	855
Income tax provision (credit)	$66,420	$ 2,953	$(10,783)

Income before income taxes includes foreign income of $18,604,000, $10,431,000, and $7,293,000 in 1987, 1986 and 1985, respectively.

At December 31, 1987, for federal income tax purposes, the Company had a net operating loss carryforward of $1,419,000 (available through the year 2001). This carryforward has been recognized in the financial statements as a reduction of deferred income taxes.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 in December 1987. The Statement established new financial accounting and reporting standards for the effects of income taxes and requires an asset and liability approach for financial accounting and reporting for income taxes. The Company is required to implement the statement no later than 1989. The effect of the adoption of the Statement on Homestake has not been determined.

Long-Term Liabilities

Long-term liabilities at December 31 consist of:

(In thousands)	1987	1986
Pollution control bonds:		
Lawrence County, South Dakota (due 2003)	$18,000	$18,000
State of California (due 2004)	17,000	17,000
Reclamation reserves	13,310	13,119
Deferred income	8,354	4,134
Other	9,622	9,652
Total	$66,286	$61,905

Interest on pollution control bonds is payable monthly based on variable short-term, tax-exempt obligation rates. The rates at December 31, 1987 and 1986 were 6.8%, and 5.5%, respectively; the average rates were 4.8 % and 4.9%, respectively for the years then ended. There are no principal payments 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 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.

Deferred income consists of advance payments received on product sales contracts, which will be recognized as revenue when the related products are delivered.

See Management's Discussion and Analysis of Liquidity and Capital Resources for information on the Company's unused lines of credit.

Employee Plans

The Company has several pension plans covering substantially all employees. Plans covering salaried and other nonunion employees provide pension benefits that are based on the employee's compensation during the five years before retirement. Plans covering union employees provide benefits of stated amounts for each year of service.

Pension expense for 1987, 1986 and 1985 included the following components:

(In thousands)	1987	1986	1985
Service cost—benefits earned during the year	$2,678	$2,481	$1,947
Interest cost on projected benefit obligation	7,452	6,990	6,693
Actual return on assets	(5,064)	(15,820)	(10,083)
Net amortization and deferral	(3,090)	8,571	3,631
Early retirement program cost			2,996
Net pension expense	$1,976	$2,222	$5,184

Assumptions used in the accounting were:			
Discount rate	8%	8%	8%
Rates of increase in compensation levels	6%	6%	6%
Expected long-term rate of return on assets	8%	8%	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, 1987 Plans Where		December 31, 1986 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	$ (79,087)	$(2,098)	$ (76,202)	$(1,940)
Accumulated benefits	$ (81,587)	$(2,098)	$ (79,453)	$(1,940)
Projected benefits	$ (96,438)	$(3,417)	$ (90,711)	$(3,076)
Plan assets at fair value[1]	105,028		104,466	
Projected benefit obligation (in excess of) or less than plan assets	8,590	(3,417)	13,755	(3,076)
Unrecognized net gain	(7,640)	(1,032)	(13,387)	(938)
Unrecognized prior service costs	287		574	
Unrecognized net obligation (asset) amortized over 15 years	(7,259)	2,188	(7,611)	2,376
Adjustment required to recognize minimum liability				(518)
Pension liability recognized in the consolidated balance sheets	$ (6,022)	$(2,261)	$ (6,669)	$(2,156)

[1]*About 63% and 59% of the plan assets are invested in fixed-rate insurance contracts and the balance is invested in listed stocks and bonds in 1987 and 1986, respectively.*

The Company provides certain health care benefits for retired employees, primarily from the Homestake gold mine. Those and similar benefits for active employees are expensed as paid. Such payments for retired employees were $580,000, $560,000 and $310,000, respectively, in 1987, 1986 and 1985.

Under the Company's stock option plans, options to buy 1,478,000 and 1,778,000 common shares at an average price of $12 and $11 per share were outstanding, of which 804,000 and 1,099,000 shares were exercisable at December 31, 1987 and 1986, respectively. An additional 3,166,000 shares were available for future grants at December 31, 1987.
Stock options exercised:

	1987	1986	1985
Shares	430,000	147,000	98,000
Stock appreciation rights	188,000	16,000	5,000
Total shares	618,000	163,000	103,000
Average price per share	$10	$7	$6

Capital Stock

During the second quarter of 1986 the Company purchased 2,500,000 shares of Homestake common stock from Case, Pomeroy & Company at $11.25 per share, or $28,125,000 in total. The shares represented approximately 2.5% of Homestake's outstanding shares and approximately 23% of the Homestake shares held by that company.

On October 16, 1987, the Board of Directors declared a dividend of one Right for each share of common stock outstanding on and after November 12, 1987. The terms of the Rights are set forth in a Rights Agreement dated as of October 16, 1987 between the Company and Bank of America National Trust and Savings Association, as Rights Agent ("Rights Agreement"). The following summary is qualified by reference to the Rights Agreement.

Rights will become exercisable on the earlier of (i) the tenth day after public disclosure that a person or group acquired, or obtained the right to acquire, 20% or more of the then outstanding common stock of the Company, or, (ii) the tenth day after commencement of, or first public disclosure of an intent to commence, a tender or exchange offer for 20% or more of such common stock. Rights will expire on November 2, 1997.

Rights may be redeemed by the Company at any time before they become exercisable for one cent per Right. Before exercise, the holder of a Right, as such, will not be a shareholder of the Company and will have no right to vote or receive dividends.

When Rights become exercisable, holders will be entitled 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. Until that time, Rights will be evidenced by certificates for common stock and not by separate Rights certificates.

If a Right is exercised and (i) the Company is thereafter acquired in a merger or other business combination and 50% or more of its assets or assets representing 50% or more of its earning power are disposed of to a publicly traded corporation or (ii) a person or group acquires 30% or more of the Company's common stock and thereafter engages in certain self-dealing transactions, the Rights will entitle each holder of a right to purchase certain securities of such publicly traded corporation or such an acquiring person or certain of its affiliates, all as provided in the Rights Agreement.

Contingencies

Environmental: In 1983 the United States Environmental Protection Agency (EPA) published a list, in order of priority, of known or threatened releases of hazardous substances, pollutants or contaminants (NPL), as required by the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). An approximately 18-mile stretch of Whitewood Creek in the Black Hills of South Dakota is site number 21 on the NPL. The NPL states 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 of South Dakota and the Company completed a joint study that concluded that the tailings represent no significant threat to human health or the environment. The Company and the State have petitioned EPA to remove the site from the NPL. EPA is now evaluating whether the site should be removed from the NPL or whether remedial action should be required. EPA may conduct additional studies of site conditions.

The tailings at the Company's uranium mill near Grants, New Mexico are site number 567 on the NPL. The NPL states 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. Under a separate agreement with EPA, the Company began a long-term study of indoor radon levels in houses in the residential subdivisions. The study is expected to be completed during 1989.

The State of New Mexico has filed a claim with the Company for unspecified natural resource damages resulting from the Grants tailings. The State of South Dakota has made a similar claim in connection with the Whitewood Creek tailings. The Company denies all liability under CERCLA in connection with the two sites. Any liability the Company may incur in connection with the sites is too uncertain to predict.

The Company has brought suit to secure indemnity for costs from its liability insurance carriers and declaratory judgments that the carriers must indemnify the Company against any future liabilities in connection with the two sites.

Commitments: The Company has made various other commitments in the course of its business, including commitments in connection with long-term contracts for sale of products, and federal and state environmental, health and safety permits.

Segment Information

For information regarding segments of the Company's business, see pages 34 and 35.

Supplementary Oil and Gas Data

Substantially all of the Company's oil and gas producing activities are conducted within the United States.

Capitalized Costs: The costs relating to oil and gas exploration, development and producing activities of the Company, which were capitalized as of December 31, 1987 and 1986 and the related reserves for depreciation, depletion and amortization were as follows:

(In thousands)	1987	1986
Capitalized costs:		
Proved properties	$200,789	$196,932
Unproved properties	17,019	16,529
Total	217,808	213,461
Accumulated depreciation, depletion and amortization	(149,965)	(128,604)
Net capitalized costs	$ 67,843	$ 84,857

Amounts capitalized include lease acquisition costs, interest costs relating to the development of qualifying assets, intangible drilling costs applicable to productive wells and to development dry holes and equipment costs related to the development of oil and gas reserves.

Costs Incurred: The amounts capitalized or charged against income as incurred in the oil and gas acquisition, exploration and development activities of the Company for 1987, 1986 and 1985 were as follows:

(In thousands)	1987	1986	1985
Property acquisition	$ 1,829	$ 888	$ 6,438
Exploration	4,699	6,647	12,917
Development	3,500	5,999	14,039
Total costs incurred	$10,028	$13,534	$33,394

Results of Operations: The results of operations for the Company's oil and gas producing activities, including royalty interests, for 1987, 1986 and 1985 were as follows:

(In thousands)	1987	1986	1985
Revenues	$39,271*	$49,398*	$61,208
Production costs	7,767	8,177	13,158
Exploration expenses:			
Dry holes, geological, geophysical and other	1,911	5,745	11,883
Amortization of unproved properties	3,034	3,875	6,254
Total exploration	4,945	9,620	18,137
Technical support and other	3,919	3,754	3,857
Depreciation and depletion	21,581	23,088	23,885
Total costs and expenses	38,212	44,639	59,037
Income before income taxes	1,059	4,759	2,171
Income tax provision (credit)	238	2,242	(77)
Results of operations from producing activities	$ 821	$ 2,517	$ 2,248

**Includes revenues related to natural gas sales contract disputes settled in 1987 and 1986.*

Reserves (Unaudited): The Company's net proved developed and undeveloped reserves of oil and gas for 1987, 1986 and 1985 have been estimated by the Company's engineers and are shown below. The 1987 reserve estimates have been audited by K&A Energy Consultants, Inc., independent petroleum engineers, in accordance with SEC guidelines. The Company believes that reserve estimates are inherently imprecise and may be subject to substantial revision.

	Oil (Bbls)	Gas (MCF)
Net proved reserves:		
As of January 1, 1985	4,675,758	93,809,770
Increase (decrease) during 1985 attributable to:		
Revisions of previous estimates	97,714	3,968,199
Extensions, discoveries and other additions	447,787	4,027,165
Production*	(1,007,497)	(11,216,252)
Sale of in-place reserves		(1,989,301)
As of December 31, 1985	4,213,762	88,599,581
Increase (decrease) during 1986 attributable to:		
Revisions of previous estimates	(200,671)	(5,633,283)
Extensions, discoveries and other additions	56,141	3,642,630
Production*	(895,422)	(12,623,509)
Sale of in-place reserves	(81,451)	(1,085,070)
As of December 31, 1986	3,092,359	72,900,349
Increase (decrease) during 1987 attributable to:		
Purchase of in-place reserves	46,789	320,404
Revisions of previous estimates	922,779	1,155,769
Extensions, discoveries and other additions	198,172	3,769,691
Production*	(812,311)	(12,220,467)
Sale of in-place reserves		(85,477)
As of December 31, 1987	3,447,788	65,840,269
Net proved developed reserves:		
As of January 1, 1985	4,412,357	79,511,624
As of December 31, 1985	4,075,725	79,983,509
As of December 31, 1986	2,791,510	65,119,216
As of December 31, 1987	3,296,953	62,071,950
*Includes royalty production as follows:		
1985	117,348	365,628
1986	110,750	439,918
1987	108,937	385,016

Discounted Future Net Cash Flows (Unaudited): In preparing the following data, the Company's oil and gas prices were based on prices received at December 31, 1987, 1986 and 1985, taking into consideration price changes provided by contractual arrangements and fixed and determinable price escalations. Development and production costs were estimated on the assumption that existing economic conditions will continue. Income tax expenses are calculated based upon statutory rates in effect in future years (34% for 1987 and 1986 and 46% for 1985) adjusted for permanent differences and other credits allowed. Future net cash flow estimates derived by applying year-end prices and costs as constants to future production activity are largely unreliable for realistic economic evaluation because of constantly changing prices and costs. The standardized measure of discounted future net cash flows and the changes therein related to proved oil and gas reserves at December 31, 1987, 1986 and 1985 are shown below:

(In thousands)	1987	1986	1985
Discounted future net cash flows:			
Future cash inflows	**$194,530**	$189,183	$334,981
Future production costs	**(39,229)**	(37,383)	(66,251)
Future development costs	**(17,266)**	(10,239)	(9,433)
Future income tax expenses	**(38,029)**	(33,070)	(97,545)
Future net cash flows	**100,006**	108,491	161,752
Discount for estimated timing of cash flows (10% discount rate)	**(29,310)**	(32,232)	(51,251)
Standardized measure of discounted future net cash flows	**$ 70,696**	$ 76,259	$110,501

Following are the principal sources of change in the standardized measure of discounted future net cash flows for 1987, 1986 and 1985:

(In thousands)	1987	1986	1985
Standardized measure of discounted future net cash flows at beginning of year	**$76,259**	$110,501	$133,917
Sales of oil and gas produced—net of production costs	**(30,853)**	(32,598)	(48,309)
Net changes in prices and production costs	**10,030**	(49,386)	(27,303)
Extensions, discoveries and improved recovery less related costs	**5,108**	3,408	10,691
Development costs incurred during the period	**3,500**	5,999	13,003
Changes in estimated future development costs	**(5,528)**	(4,449)	(5,552)
Revisions of previous reserve estimates	**8,289**	(21,555)	3,684
Accretion of discount	**9,617**	17,590	22,573
Net change in income taxes	**(4,981)**	53,575	30,158
Purchase of minerals in-place	**844**		
Sale of minerals in-place	**(79)**	(3,826)	(2,688)
Other	**(1,510)**	(3,000)	(19,673)
Standardized measure of discounted future net cash flows at end of year	**$70,696**	$ 76,259	$110,501

OPINION OF INDEPENDENT PUBLIC ACCOUNTANTS

The Shareholders and Board of Directors of
Homestake Mining Company:

We have examined the consolidated balance sheets of Homestake Mining Company and subsidiaries as of December 31, 1987 and 1986 and the related statements of consolidated income, consolidated shareholders' equity and consolidated cash flows for the years ended December 31, 1987, 1986 and 1985. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such consolidated financial statements present fairly the financial position of Homestake Mining Company and subsidiaries at December 31, 1987 and 1986 and the results of their operations and their cash flows for the years ended December 31, 1987, 1986 and 1985, in conformity with generally accepted accounting principles applied on a consistent basis.

Deloitte Haskins & Sells

San Francisco, California
February 22, 1988

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Homestake Mining Company and Subsidiaries

The 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 public accountants in connection with their examination 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 public accountants to discuss the scope of the annual audit, internal control, internal auditing and financial reporting matters. The independent public accountants and the internal auditors have direct access to the Audit Committee.

Results of Operations

1987 Compared with 1986: Net income for 1987 increased to $146.4 million, or $1.51 per share, from $22.6 million, or 23 cents per share, in 1986. Net income in 1987 included $94.9 million, or 98 cents per share, from a gain on the sale of a 20 percent minority interest in HGAL that was recognized in the fourth quarter. Revenues in 1987 were $516.2 million, compared with $347.7 million in 1986. The 1987 revenues included a $146.3 million before tax gain on the sale of the minority interest in HGAL and an $8.7 million before tax gain on the sale of mineral properties in New Zealand and South Dakota.

Gold operating earnings increased to $89 million in 1987 from $47.9 million in 1986, principally due to higher gold prices. The average price received for gold rose to $447 per ounce in 1987 from $364 per ounce in 1986, an increase of 23 percent. Total gold sales were 674,480 ounces in 1987, compared with 669,321 ounces in 1986. Total revenues from gold, excluding Kalgoorlie Mining Associates (KMA) sales, were $252.1 million and $203.6 million in 1987 and 1986, respectively. Total gold production, including Homestake's share of KMA, was 677,739 ounces, compared with 669,594 ounces in 1986.

The Homestake mine reported 1987 operating earnings of $34.6 million, compared with $25 million in 1986. The McLaughlin mine contributed $18 million to operating earnings in 1987, up from $0.2 million in 1986, which was its first full year of operation. Operating earnings from Homestake's 25 percent interest in the Round Mountain gold mine were $10.1 million in 1987, up from $5.6 million in 1986. The Company's share of operating earnings from KMA increased to $26.3 million before minority interest in 1987 from $17.1 million in 1986, when a minority interest did not exist.

Mineral exploration expense increased to $23.5 million in 1987 from $17.7 million in 1986, with continued emphasis placed on the search for precious metals.

Operating earnings from oil and gas continued to be depressed by low prices during 1987. The average price received for natural gas declined to $1.95 per MCF from $2.13 in 1986, but the average crude oil price increased to $17.98 per barrel from $15.38 in the prior year. Operating earnings from oil and gas were $1.8 million in 1987 after deducting exploration expenses of $4.9 million and a one-time charge of $1.7 million related to the consolidation of administrative operations. This compared with operating earnings of $4.3 million after deducting exploration expenses of $9.6 million in 1986. Oil and gas operating earnings in the fourth quarter of 1986 included approximately $8 million ($4.8 million after taxes) from the settlement of "take-or-pay," pricing claims and other disputes with a customer. Revenues totaled $38.6 million in 1987, compared with $40.8 million in 1986, excluding the $8 million settlement.

Operating earnings from lead and zinc were $12.2 million in 1987, reflecting Homestake's 42.5 percent share of the first full year of operations from The Doe Run Company. This compares with an operating loss of $3.4 million in 1986 that included $1.9 million operating profit from Homestake's 42.5 percent share of the initial two months of operations from The Doe Run Company.

Uranium incurred a $0.5 million operating loss in 1987, compared with operating earnings of $12.7 million in 1986. Revenues declined to $14.9 million in 1987 from $49.7 million in 1986. The average price received for uranium dropped to $37.84 per pound from $47.54 in 1986. Expiration of long-term sales contracts during 1987 contributed to the reductions in revenues and average price per pound.

1986 Compared with 1985: Net income for 1986 was $22.6 million, or 23 cents per share. This was slightly below 1985's net income of $23.3 million, or 24 cents per share, which included an income tax credit of $10.8 million primarily from investment tax credits generated by construction of the McLaughlin gold mine in northern California. Revenues totaled $347.7 million in 1986, compared with $343.2 million in the prior year.

Operating earnings from gold increased to $47.9 million in 1986 from $19.3 million in 1985, largely due to higher gold prices and increased production.

The average price received for gold rose 15 percent to $364 per ounce in 1986 from $318 per ounce in the prior year. Homestake's total production, including its 48 percent share from KMA, increased 18 percent to 669,594 ounces from 566,417 ounces in 1985.

The increase in production principally reflected the first full year of operations at Homestake's McLaughlin mine. McLaughlin generated $0.2 million in operating earnings in 1986 following a loss of $7.8 million in its start-up year of 1985.

Operating earnings from the Homestake gold mine in Lead, South Dakota, increased to $25 million from $13.9 million in 1985, and the Company's 25 percent interest in the Round Mountain open-pit gold mine in Nevada amounted to $5.6 million, compared with $1.9 million in 1985.

Homestake's total 1986 revenues from its U.S. gold mines —the wholly-owned Homestake and McLaughlin mines and its interest in the Round Mountain mine—increased 31 percent to $203.6 million from $156 million in 1985. The Company's share of operating earnings from KMA was $17.1 million, up from $11.3 million the year before.

The grade of ore mined at the McLaughlin mine was found to be lower than expected. Studies indicated that this was principally because several high-grade ore intercepts were given too much influence in making the original reserve calculations. Therefore the average grade of the mine's estimated ore reserve was reduced from 0.152 to 0.138 ounces per ton.

During 1986 Homestake also refined the unit of production depreciation method for the McLaughlin mine from a "tons milled" to "recoverable ounces" basis. In 1986 this resulted in increasing the depreciation charge by $3.3 million. The reduction in estimated ore reserve grade also increased depreciation by $1.1 million. The combined charge of $4.4 million was recognized in the fourth quarter, increasing McLaughlin's total depreciation to $21.1 million for the year.

Mineral exploration costs (principally precious metals) were $17.7 million in 1986, compared with $16.8 million in 1985.

Operating earnings from oil and gas continued to be depressed by low prices during 1986. The average price received for natural gas declined to $2.13 per MCF from $2.94 in 1985, and the average crude oil price declined to $15.38 per barrel from $27.69 in the prior year. Operating earnings from oil and gas were $4.3 million in 1986 after deducting exploration expenses of $9.6 million, compared with $3 million after exploration expenses of $18.1 million the year before. Oil and gas operating earnings in the fourth quarter of 1986 included approximately $8 million ($4.8 million after taxes) from the settlement of "take-or-pay," pricing claims and other disputes with a customer. Revenues totaled $40.8 million in 1986 (excluding the $8 million settlement), compared with $61.2 million in 1985.

Operating earnings from uranium were $12.7 million in 1986, compared with $22.8 million in the prior year. 1985 results included a $9.2 million pre-tax contribution related to the early termination of a uranium sales contract. Revenues increased slightly to $49.7 million in 1986 from $46.7 million in 1985, although the average price received for uranium declined to $47.54 per pound from $49.65 the year before.

Homestake's Buick lead operations were shut down in May 1986, when the Company acquired full ownership of the facility by purchasing AMAX's 50 percent interest.

On November 1, 1986 Homestake Mining Company and St. Joe Minerals Corporation contributed their respective Missouri lead businesses to a jointly managed new partnership called The Doe Run Company. Homestake has a 42.5 percent share in the partnership, and St. Joe 57.5 percent.

To effect these consolidations of its lead business, Homestake incurred approximately $5.7 million of severance and other shut-down expenses.

Doe Run was profitable during its initial two months of operation as lead enjoyed higher prices that were much improved from severely depressed earlier levels. Homestake's $1.9 million share of the earnings partially offset earlier losses, resulting in an operating loss from lead/zinc of $3.4 million for the full year, compared with a loss of $4.1 million in 1985.

Liquidity and Capital Resources

Working capital increased $199.9 million in 1987 to $334.8 million. Cash and equivalents and short-term investments represented $338.9 million of the working capital at December 31, 1987. The sale of a minority interest in HGAL contributed a net $156.3 million to the increase during 1987.

The Company has two revolving loan agreements providing for a total of $235 million. During 1987 one of the revolving loan agreements was renegotiated and increased by $85 million. No funds have been borrowed under either agreement.

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 96 in December 1987. See income taxes note on pages 26 and 27.

Average Published Metal Prices[1]

	1988[3]	1987	1986	1985	1984
Gold—Per ounce (London Final)	$465.89	$446.47	$367.51	$317.27	$360.44
Silver—Per ounce (Handy & Harman)	$6.61	$7.01	$5.47	$6.14	$8.14
Lead—Per pound (Producer)[2]	37.26¢	35.94¢	22.05¢	19.07¢	25.55¢
Zinc—Per pound (U.S.)	44.85¢	41.92¢	38.00¢	40.37¢	48.60¢
Uranium Concentrate—Per Pound	$16.43	$16.78	$17.00	$15.60	$17.27

[1] *Source: Metals Week, except for uranium which is NUEXCO.*
[2] *For 1987 and 1988, North American Producer; for 1984-1986, U.S. Producer.*
[3] *Through February 12, 1988.*

NOTES TO THREE-YEAR SEGMENT INFORMATION

Homestake Mining Company and Subsidiaries

The Company is engaged principally in mining, production of oil and gas, and related activities. Its primary products, for which segment information is presented, are gold, oil and gas, lead and zinc, and uranium. Each segment's operations include by-products. Vertically integrated 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 1987 gold sales to two customers accounted for $63,313,000 and $55,825,000; in 1986 gold sales of $36,150,000 to one customer and uranium sales of $36,551,000 to another; in 1985 gold sales of $39,803,000 to one customer and uranium sales of $36,416,000 to another.

Homestake Mining Company and Subsidiaries

(In thousands)	1987	1986	1985
Product Sales and Other Revenues:			
Gold[1]	$279,137	$221,449	$168,644
Lead and zinc[2]	12,302	19,689	30,654
Uranium	15,325	49,848	68,241
Oil and gas	40,123	49,193	62,323
Corporate[5]	169,339	7,485	13,309
Total	$516,226	$347,664	$343,171
Operating Earnings:			
Gold[1]	$ 88,965	$ 47,911	$ 19,253
Lead and zinc[2]	12,157	(3,377)	(4,104)
Uranium[3]	(527)	12,676	22,772
Oil and gas—net of exploration expense[4]	1,817	4,326	3,043
Operating earnings	102,412	61,536	40,964
Mineral exploration	(23,504)	(17,702)	(16,845)
Net corporate income (expense)[5]	134,580	(18,305)	(11,606)
Income Before Income Taxes and Minority Interest	$213,488	$ 25,529	$ 12,513
Depreciation, Depletion and Amortization:			
Gold	$ 30,398	$ 27,067	$ 17,686
Lead and zinc		896	1,185
Uranium		4,316	12,537
Oil and gas	24,682	25,579	28,726
Corporate	1,582	1,521	1,750
Total	$ 56,662	$ 59,379	$ 61,884
Additions to Property, Plant and Equipment:			
Gold	$ 29,720	$ 33,366	$ 53,469
Lead and zinc		121	1,029
Uranium		828	30
Oil and gas	8,562	8,633	25,483
Corporate	1,023	588	2,284
Total	$ 39,305	$ 43,536	$ 82,295
Identifiable Assets as of December 31:			
Gold	$397,434	$382,888	$384,535
Lead and zinc	50,009	47,715	32,718
Uranium	16,005	24,896	43,737
Oil and gas	87,278	105,200	132,123
Corporate	364,705	132,597	118,516
Total	$915,431	$693,296	$711,629

[1] *Includes profits from Kalgoorlie Mining Associates, an Australian gold partnership, as follows: 1987, $26,254; 1986, $17,100; 1985, $11,259.*

[2] *Includes profits from The Doe Run Company, a Missouri lead partnership, to which the Company's lead business was contributed on November 1, 1986 as follows: $12,519 for the year ended December 31, 1987 and $1,880 for the two months ended December 31, 1986.*

[3] *Includes $19,200 from the partial termination of one of the Company's remaining uranium sales contracts and a $10,000 writedown of uranium assets in 1985.*

[4] *Includes approximately $8,000 for settlement of natural gas "take-or-pay", pricing claims and other disputes with a customer in 1986.*

[5] *Includes $146,336 gain on the sale of minority interest and $8,740 gain from sale of mineral properties during 1987.*

FIVE-YEAR SELECTED FINANCIAL DATA

Homestake Mining Company and Subsidiaries

(In thousands, except per share amounts)	1987	1986	1985	1984	1983
Revenues	**$516,226**	$347,664	$343,171	$319,723	$345,041
Net Income	**146,407**[1]	22,576	23,296	29,158	56,779
Net Income per Share[2]	**1.51**[1]	.23	.24	.30	.58
Total Assets	**915,431**	693,296	711,629	692,528	664,171
Long-Term Debt	**35,000**	35,000	35,000	35,000	18,000
Other Long-Term Liabilities	**31,286**	26,905	29,765	8,066	7,964
Minority Interest in Consolidated Subsidiary	**7,949**				
Dividends per Share[2]	**.125**	.10	.10	.10	.085

[1] *Includes $94,869 or $.98 per share from gain on sale of minority interest in HGAL.*
[2] *All per share information has been restated to reflect the two-for-one stock split effective November 16, 1987.*

SELECTED QUARTERLY DATA

Homestake Mining Company and Subsidiaries

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1987:					
Revenues	$75,322	$104,177	$87,051	$249,676[2]	$516,226[2]
Net Income	5,793	18,446	10,179	111,989[2]	146,407[2]
Net Income per Share[1]	.06	.19	.11	1.15[2]	1.51[2]
Dividends per Share[1]	.025	.025	.025	.05	.125
1986:					
Revenues	$78,966	$89,038	$81,726	$97,934	$347,664
Net Income	4,560	1,136	5,150	11,730	22,576
Net Income per Share[1]	.05	.01	.05	.12	.23
Dividends per Share[1]	.025	.025	.025	.025	.10

[1] *All of the per share information has been restated to reflect the two-for-one stock split effective November 16, 1987.*
[2] *Revenues include a gain of $146,336 from sale of minority interest. The after-tax gain was $94,869 or $.98 per share.*

COMMON STOCK PRICE RANGE

Homestake Mining Company and Subsidiaries

(Prices as quoted on the New York Stock Exchange, restated for two-for-one stock split effective November 16, 1987)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1987: High	$17.13	$20.50	$24.06	$24.00	$24.06
Low	12.38	16.13	17.69	12.56	12.38
1986: High	$13.82	$11.94	$14.81	$14.81	$14.81
Low	11.44	10.13	10.07	11.88	10.07

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

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

Wallace Macgregor
Independent Metals and
Minerals Advisor

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

Stuart T. Peeler
Chairman of the Board and
Chief Executive Officer
Statex Petroleum, Inc.

***Glen L. Ryland**
President
RYCO, Inc.

Berne A. Schepman
President
Adair Company

***Charles T. Undlin**
President
Norwest Bank Nebraska, N.A.

Lynn Walker
Executive Vice President
Homestake Mining Company,
Chairman of the Board and
President
Felmont Oil Corporation

**Member of Audit Committee*

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

Lynn Walker
Executive Vice President,
Oil and Gas

Robert R. Beebe
Vice President,
Project Development

Lee A. Graber
Vice President,
Corporate Development

Rex Guinivere
Vice President,
Engineering

Richard R. Hinkel
Vice President,
Human Resources

Richard A. Holway
Vice President,
Marketing

William G. Langston
Vice President,
General Counsel and
Assistant Secretary

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

Vincent A. Schioppo
Assistant Treasurer and
Assistant Secretary

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

Director and Officer Changes

Charles R. Thurman retired as Assistant Secretary and Assistant Treasurer on April 30, 1987.

Maurice C. Stokes, formerly Treasurer and Secretary, was promoted to Vice President, Finance and Administration, of Felmont Oil Corporation on May 11, 1987.

Vincent A. Schioppo, formerly Treasurer, Felmont Oil Corporation, was elected Assistant Treasurer and Assistant Secretary on May 12, 1987.

Robert L. Watson, formerly Assistant Controller, was elected Controller on May 12, 1987.

Jonathan J. Williams, formerly Controller, was elected Treasurer and Secretary on May 12, 1987.

James A. Anderson resigned as a director and officer of the Company on July 15, 1987.

Allen S. Winters, formerly General Manager, Homestake Mine, was elected Vice President, Mine Operations on November 20, 1987.

Kenneth S. Canfield retired as Vice President, Commercial on January 31, 1988.

Richard A. Holway, formerly General Manager, Sales was elected Vice President, Marketing effective February 1, 1988.

Mining Operations

Homestake Mine
Lead, South Dakota

Gary A. Loving
General Manager

Ralph J. Tibble
Assistant General Manager
Administration and Engineering

McLaughlin Mine
Lower Lake, California

Jack E. Thompson, Jr.
General Manager

Bulldog Mine
Creede, Colorado

Thomas M. Robertson
General Manager

Grants Operations
Grants, New Mexico

Thomas G. White
General Manager

Homestake Gold of Australia Limited

John B. Roberts
Managing Director

Mineral Exploration

Jeffrey T. Abbott
Vice President and
Managing Director
Homestake International
Minerals Ltd.
Vancouver, BC, Canada

Robert T. Boyd
Director
Canadian Exploration
Vancouver, BC, Canada

Ralph E. Green
Director
U.S. Exploration

Oil and Gas

Felmont Oil Corporation

Headquarters
Houston, Texas

Lynn Walker
Chairman of the Board and
President

William J. Gedwed
Vice President,
Marketing

Leroy L. Manka
Vice President,
Exploration

Richard A. Mills
Vice President,
Special Projects

Maurice C. Stokes
Vice President,
Finance and Administration

Edward J. Vandermark
Vice President,
Legal, Land and Secretary

Corporate Office

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

Transfer Agent and Registrar

Bank of America NT & SA
Corporate Agency Service Center
P.O. Box 37002
San Francisco, California
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.

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 10, 1988 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.

Shareholder Rights Plan

A copy of the plan may be obtained without charge by writing to the Secretary, 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

Felmont Oil Corporation
Homestake Mining Company of California
Homestake Gold of Australia Limited
Homestake International Minerals Ltd.
Homestake Lead Company of Missouri
Homestake Mineral Development Company
Homestake Nevada Corporation

Homestake Mining Company
650 California Street
San Francisco, California
94108-2788