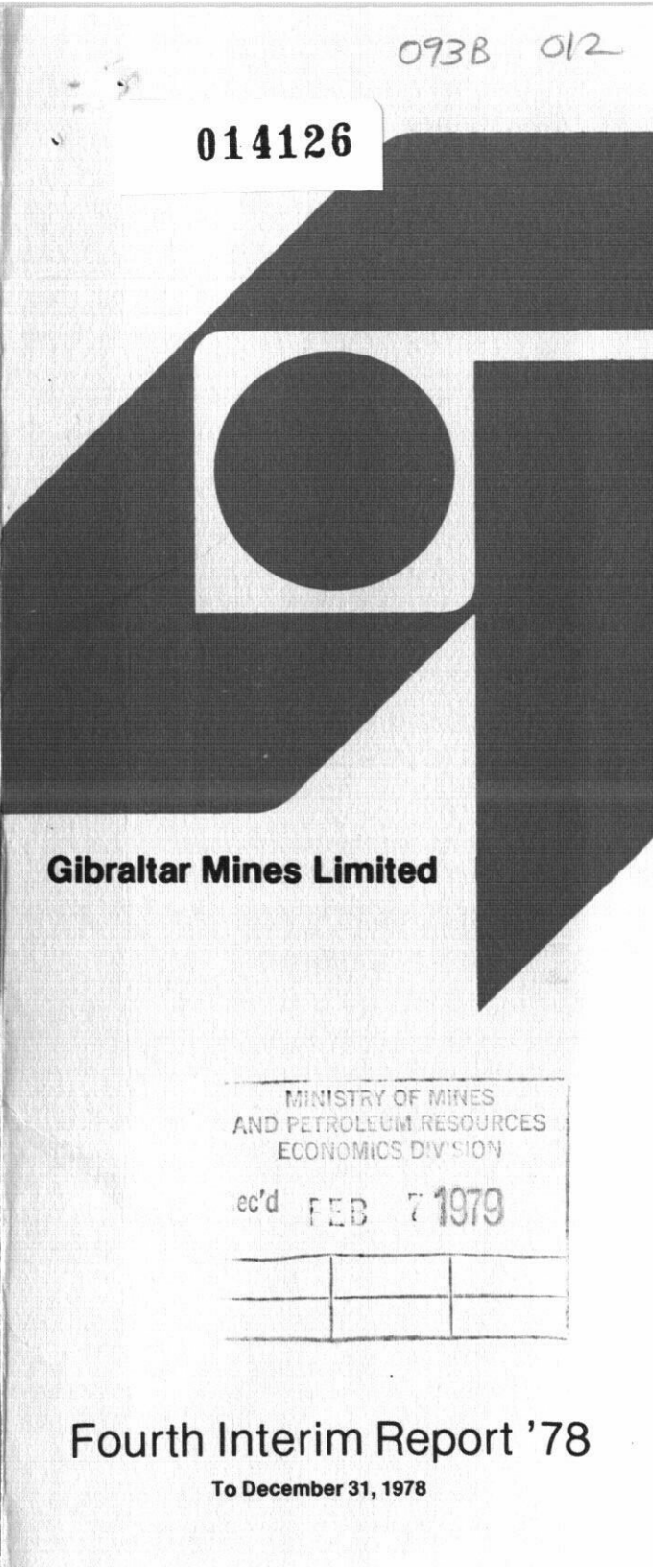
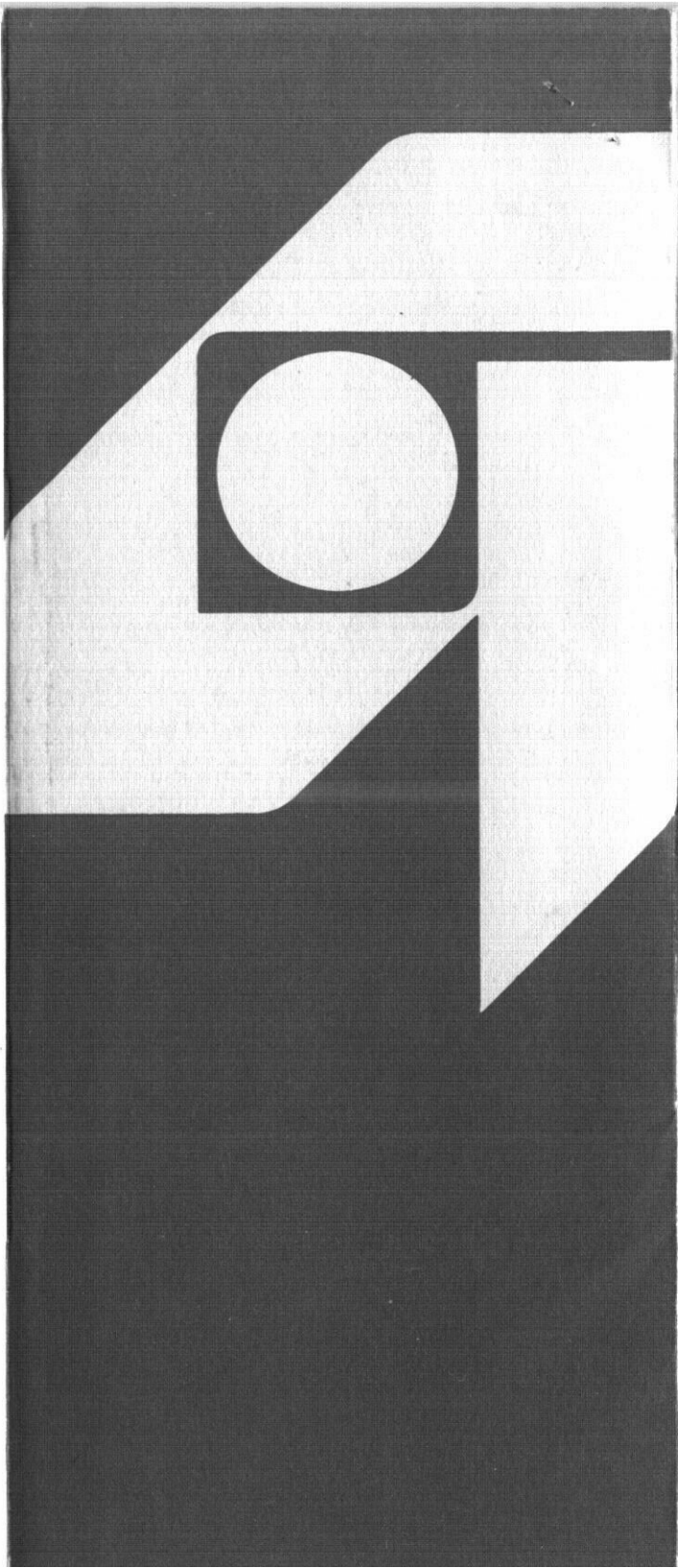


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Gibraltar Mines Limited

MINISTRY OF MINES
AND PETROLEUM RESOURCES
ECONOMICS DIVISION

ec'd FEB 7 1979

Fourth Interim Report '78
To December 31, 1978

**TO THE SHAREHOLDERS
GIBRALTAR MINES LIMITED:**

A loss of \$2,381,000 or \$0.21 per share was recorded for the year ended December 31, 1978. This compares with a loss of \$142,000 or \$0.01 per share in the prior year. Revenues in the two periods were \$22,399,000 and \$41,247,000 respectively.

The loss is attributable to the labour dispute with Local 18, Canadian Association of Industrial, Mechanical and Allied Workers (CAIMAW) which commenced on May 26 and continues at the present time. Management has met with the union many times in attempts to resolve the dispute. Virtually all of the points at issue have been resolved, but agreement has not been reached due to CAIMAW's demand for special amnesty from discipline related to acts of violence by some union members against property and employees. Management is concerned that similar acts may be repeated in the future if ignored at this time.

During the dispute staff employees and some hourly paid employees have been engaged in the removal of waste from the Pollyanna pit and the preparation of the Gibraltar East pit for Stage II mining. They have also maintained the plant and equipment in a state of readiness for the resumption of normal operations.



R.G. Duthie
President

Vancouver, B.C.
January 23, 1979

STATEMENT OF EARNINGS (Unaudited)

	Three Months Ended December 31, 1978	Year Ended December 31, 1978	Year Ended December 31, 1977
	(in thousands)		
REVENUES:			
Concentrate sales	\$ 88	\$21,478	\$ 40,452
Interest and other income	284	921	795
	<u>372</u>	<u>22,399</u>	<u>41,247</u>
EXPENSES:			
Cost of concentrate sales	719	21,304	35,998
Depreciation and depletion	986	4,320	4,698
Loss (gain) on disposal of property, plant and equipment ..	11	(32)	173
General and administrative	165	683	747
	<u>1,881</u>	<u>26,275</u>	<u>41,616</u>
Loss before taxes	1,509	3,876	369
Income and resource taxes	(655)	(1,495)	(227)
LOSS	<u>\$ 854</u>	<u>\$ 2,381</u>	<u>\$ 142</u>
Per share — loss	\$ 0.08	\$ 0.21	\$ 0.01
— dividends	\$ —	\$ —	\$ 0.50

Expenditures for the removal of overburden and waste, commencing in July, 1978, have amounted to \$2,531,000 at December 31, 1978. These costs have been capitalized and will be charged to earnings when the ore is mined:

STATISTICS

	Year Ended December 31,			
	1978*	1977		
	Metric	Imperial	Metric	Imperial
PRODUCTION:				
Ore milled — tonnes	5,136,000	5,661,000	12,765,000	14,071,000
— average daily tonnes	35,400	39,000	35,200	38,800
Grade — % copper	0.38	0.38	0.38	0.38
Recovery of copper — %	83.68	83.68	82.06	82.06
Copper concentrate produced — tonnes ..	60,400	66,600	140,200	154,500
Concentrate grade — % copper	27.04	27.04	28.08	28.08
Copper produced — kilograms/pounds ...	16,327,000	35,994,000	39,364,000	86,782,000
Molybdenum produced — kilograms/pounds.	129,200	284,800	141,000	310,800
Copper concentrate inventory, end of period — tonnes	800	900	15,200	16,700
SALES:				
Copper concentrate sold — tonnes	74,400	82,000	144,600	159,400
Molybdenum sold — kilograms/pounds. ...	119,200	262,700	137,200	302,400
COPPER PRICE:				
Average, per pound on London Metal Exchange — U.S. ¢ ...		61.86		59.35

Metric tonne = 2,205 pounds; Imperial ton = 2,000 pounds; Kilogram = 2.2 pounds
*There has been no concentrate production since May 26, 1978 when a labour dispute halted operations.