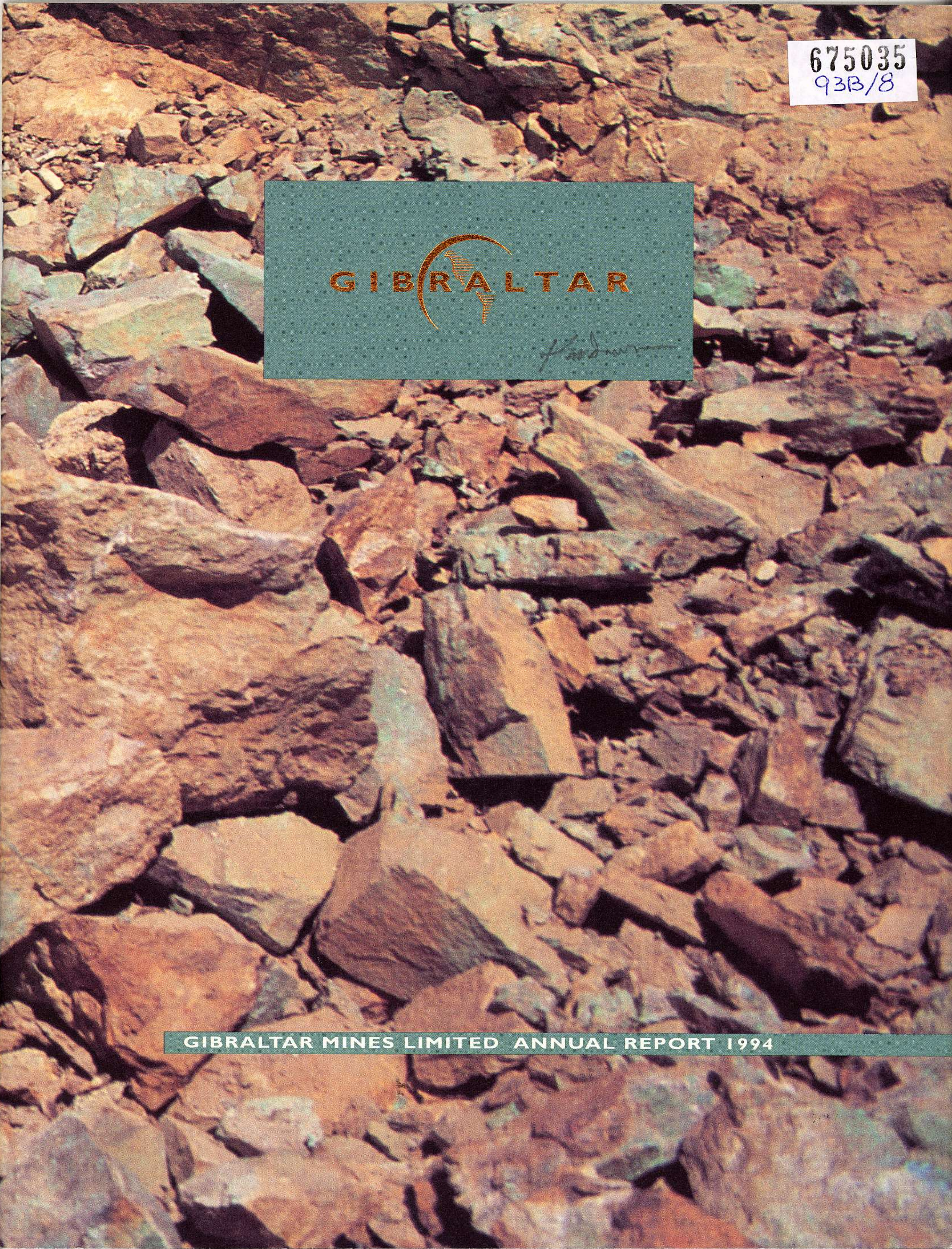

GIBRALTAR

GIBRALTAR MINES LIMITED ANNUAL REPORT 1994

GIBRALTAR

CORPORATE PROFILE

Gibraltar Mines Limited (the "Company") is an intermediate sized copper producer which owns and operates an open pit copper mine ("McLeese Lake") in central British Columbia and has acquired an oxide copper deposit ("Lomas Bayas") in northern Chile. The Company has developed a long-term strategic plan to become an independent, growth-oriented mining company. The objective of the plan is to transform the Company from a one-mine operation to a geographically-diverse, low cost, multi-mine company. The Company has assembled a senior management team with international exploration, mine development, operating and finance experience to implement its strategic plan.

The following is a list of Gibraltar's subsidiaries as of December 31, 1994 showing their jurisdictions of incorporation and Gibraltar's ownership interests therein:

Name	Jurisdiction	Ownership(%)
Compañia Minera Gibraltar Limitada	Chile	100
Gibraltar Mines Holdings Limited	British Columbia	100
Gibraltar Mines Exploration Ltd.	Nevada	100
Cuisson Lake Mines Ltd.	British Columbia	70

CORPORATE STRATEGIC PLAN - GROWTH STRATEGIES

Clear Copper Focus - Opportunistic for Gold
Open Pit Mines Only
SX-EW Amenable Oxide Deposits
Small to Mid-size (50Mt to 150Mt) Deposits
Focus on - S.W. United States - Mexico - Chile

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Cover photo: Rock face at Lomas Bayas, Chile.

HIGHLIGHTS

CORPORATE

- Implementation of a new corporate strategic plan
- Resumption of full production at McLeese Lake mine
- Purchase of Lomas Bayas property in Chile
- Option of Fortuna de Cobre property in Chile
- Increased focus on exploration
- New corporate head office established in Williams Lake, British Columbia

	1994	1993
OPERATIONS *(in thousands, except grade)*		
Millfeed (tons)	**4,141**	11,170
Grade (% copper)	**0.28**	0.30
Production		
Copper in concentrate (lbs.)	**15,406**	50,522
Cathode copper (lbs.)	**5,107**	5,996
Molybdenum (lbs.)	**-**	-
PRODUCTION COSTS *(US$/lb.)*		
- cash	**0.86**	0.90
- total	**1.21**	1.07
FINANCIAL *(in thousands)*		
Revenues	**$ 21,603**	$47,800
Net loss	**(10,080)**	(11,298)
Dividends	**-**	-
Investing activities excluding short-term investments	**31,537**	11,934
PER SHARE		
Net loss	**$ (0.44)**	$ (0.82)
Dividends	**-**	-
Book value	**4.15**	4.59
AVERAGE METAL PRICES *(US$/lb.)*		
Copper Grade A (London Metal Exchange)	**1.05**	0.87
Molybdenum contained in molybdic oxide (Metals Week)	**4.50**	2.28

Note: All amounts are for the years ended December 31, except for book value per share which is as at December 31, and grade and metals prices which are the average for each of the years.

GIBRALTAR

DIRECTORS' REPORT TO SHAREHOLDERS

During 1994 your Company took its first steps towards implementing the new strategy of growth and development initiated in late 1993. Highlights of the year include the establishment of a new corporate strategic plan, the resumption of full operations at the McLeese Lake mine, the purchase of the Lomas Bayas property in Chile and the decision to proceed with a full feasibility study on the property, the signing of a letter of intent on the nearby Fortuna de Cobre property, and the establishment of a new corporate office in Williams Lake, British Columbia.

STRATEGIC PLAN

The Company's strategic plan is focused on growth through the exploration for and acquisition of copper properties that can be exploited through SX-EW technology. SX-EW amenable deposits generally have lower capital and operating costs than sulphide deposits of similar grade. (The Company operates both an SX-EW facility and a traditional sulphide concentration circuit at McLeese Lake and is the only company operating a commercial SX-EW facility in Canada.) Under the plan, the Company will concentrate on properties that are amenable to open pit mining and will target deposits such as Lomas Bayas which are in the range of 50 to 150 million tonnes of ore. It is felt that this size of deposit is generally below the minimum size competitively pursued by major multinational mining companies and perhaps beyond the financing ability of more junior mining companies. Deposits in this size range have the potential to significantly impact on your Company's reserves and production profile.

Overview of McLeese Lake property with plantsite in the foreground.

As the Company's only operating asset, the continued operation of the McLeese Lake mine remains a significant part of the strategic plan.

McLEESE LAKE OPERATION

The decision to resume full production at the McLeese Lake operation was made in July 1994, primarily due to improved copper prices, the lower exchange rate and cost reductions. This decision was made after an agreement was reached with the Government of British Columbia through the office of the B.C. Job Protection Commission for a deferral of certain government levies. New smelting and refining contracts for 1995 and 1996 production were negotiated and a hedging program was implemented to support the restart of the operation. The mine resumed full production on September 25, 1994 and the first concentrate sale was recorded in November. In conjunction with the resumption of operations a new 4.5 kilometre pressurized tailing line and pumping system was installed and the grinding circuit cyclones upgraded. These capital programs are expected to improve unit production costs although due to the limited operating data available at this time the full impact of these changes has yet to be quantified. Work continues on the GM claims and the Connector Zone on the property. Results from the exploration programs undertaken during the year have been encouraging. Data generated will be incorporated into a revised long-term mine plan which will be completed during 1995.

A decision was made early in the year not to proceed with the mill expansion at McLeese Lake. Although the study confirmed earlier estimates of operating cost savings, it was determined that shareholder value is more likely to be enhanced by pursuing lower cost copper opportunities in line with the newly developed strategic plan.

LOMAS BAYAS

The acquisition in October 1994 of the Lomas Bayas property located 110 kilometres northeast of Antofagasta, Chile, represents the most significant achievement of your Company during the year. A full feasibility study estimated to cost U.S. $7.0 million is currently underway and is expected to be completed in the fourth quarter of 1995. The cost of the property was U.S. $19.3 million or U.S. $0.015 per pound of estimated recoverable copper. This level of acquisition cost is considered low for a property of this calibre with its significant exploration potential. The decision to exercise the option on Lomas Bayas was based on an acquisition study completed in October 1994. The study assumed a 20,000 tonne per day crush/leach SX-EW operation producing 45,350 tonnes (100 million pounds) per year of cathode copper. The estimate of the capital cost was U.S. $156.5 million and the estimate of the operating cost was U.S. $0.52 per pound. In conjunction with the feasibility study currently underway, work is progressing on obtaining financing and development contracts for the project. Development of the project will take approximately 18 months to complete and will commence after financing is in place.

EXPLORATION

Since adopting its new strategy approximately one year ago, your Company has actively pursued and reviewed a number of properties and exploration prospects in both North and South America. The highlights of the program to date have been the acquisition of Lomas Bayas and the signing of a letter of intent to option the Fortuna de Cobre copper oxide property located two kilometres from Lomas Bayas.

Exploration activities are being directed by a team of three geologists headquartered in Reno, Nevada. During 1994 $7.1 million was spent on exploration, a significant increase over the $79,000 and $772,000 incurred in 1993 and 1992 respectively. Exploration efforts are currently being concentrated in northern Chile and the southwestern United States as well as around the McLeese Lake mine. During 1995 exploration activities will be centered around Lomas Bayas and Fortuna de Cobre. A formal option agreement relating to Fortuna de Cobre is expected to be executed during the first quarter of 1995.

During 1994 your Company optioned the Mount Polley property located approximately 50 kilometres east of the McLeese Lake mine. Evaluations of a stand-alone operation and of using the McLeese Lake concentrator were carried out. The property did not meet the Company's investment criteria and the option was dropped.

HUMAN RESOURCES

In February 1995 Mr. Art Willms was appointed to the Board of Directors. Mr. Willms is President and Chief Operating Officer of Westcoast Energy Inc. and brings extensive experience in the resource sector, including major project development and government regulatory affairs. Mr. Willms' successful business career will greatly support the new strategic direction of the Company.

Mr. Ian Austin, Chairman of the Board, will not be standing for re-election to the Board of Directors due to other business commitments. The Board would like to formally acknowledge Mr. Austin's contributions to the Company over the last four years and especially during this most recent transition towards independence and growth. His input and leadership have been instrumental to our progress to date.

Mr. Sandy Laird, Senior Vice-President, Placer Dome Group, has consented to stand for election to the Board. Mr. Laird has been directly responsible for the construction of all of Placer Dome's new mines and significant expansions for the last seven years. Mr. Laird's input and experience will be particularly relevant to the Company's growth with the upcoming development of Lomas Bayas.

Part of the Lomas Bayas exploration team.

In recognition of the rapid development of your Company, the Board announced a number of new executive appointments during 1994. In October 1994, Paul M. Blythe, formerly Manager, Project Evaluations, was appointed President and Chief Executive Officer of Compañia Minera Gibraltar Limitada, the Company's wholly-owned Chilean subsidiary, Paul B. Sweeney, formerly Vice President and Chief Financial Officer, was appointed Senior Vice President and Chief Financial Officer. Thomas C. Shrake, formerly Manager, Exploration, was appointed Vice President, Exploration and Jack H.L. Miller, formerly Mine Superintendent at the McLeese Lake mine, was appointed Vice President, Projects. In July 1994 Tom E. Milner was appointed Mine Manager of the McLeese Lake mine and was responsible for directing the very successful restart program. In February 1995 Mr. Barry Weenk was appointed Mine Manager for Lomas Bayas. Mr. Weenk was formerly Plant Superintendent at the McLeese Lake mine.

The significant strides made by your Company during 1994 could not have occurred without the full support of all the employees of the Company. The efforts and sacrifices made by all employees during the shutdown and subsequent restart of the McLeese Lake mine are appreciated by the Board of Directors. Gibraltar currently has people permanently employed in Canada, the United States and Chile. With the continuation of the team approach to problem solving displayed during the year, the Board of Directors feels confident that the significant growth of your Company that was started in 1994 will continue into the future.

All employees are to be congratulated and thanked.

On behalf of the Board

William H. Myckatyn
President and Chief Executive Officer
Williams Lake, British Columbia,
February 16, 1995

McLEESE LAKE OPERATION

RESUMPTION OF OPERATIONS

Following the suspension of operations on December 1, 1993, the McLeese Lake mine announced a restart in July 1994 and returned to full production on September 25, 1994. The decision to resume full production was due to improved copper prices, the lower exchange rate and certain cost reductions. An agreement was reached with the Government of British Columbia through the office of the B.C. Job Protection Commission for a deferral of certain government levies. The agreement provides for a deferral in the payment of 50% of hydro rates from October 1, 1994 to December 28, 1995, and a deferral of 50% in 1995 and 1996 of municipal taxes to be paid to the Cariboo Regional District. The deferred payments for hydro and municipal taxes are to be repaid by the end of 1998. The agreement also provides that the Company will fund its environmental bond at a rate of $1.0 million per year for each of 1994, 1995 and 1996, and $2.0 million in 1997 rather than at the higher rate of $2.7 million per year previously established. The Company's long-term environmental bonding requirements will be re-evaluated in October, 1997 at which time a new formal closure plan will be completed.

PRODUCTION AND SALES

The suspension of concentrate production at the McLeese Lake operation for much of 1994 makes statistical comparisons with 1993 and prior years difficult, and the following production and sales information must be considered in light of the production cutback.

During 1994, a total of 4.9 million tons of ore were mined (1993 - 11.3 million) at a strip ratio of 1.51:1 (1993 - 1.24:1). Average mine production in 1994 was 84,900 tons per operating day (1993 - 76,400) at a mining cost of $0.50 per ton mined (1993 - $0.50).

During 1994, the mill processed 4.1 million tons of ore at an average grade of 0.28% copper (1993 - 11.2 million tons, 0.30%). The average daily throughput was 39,500 tons (1993 - 42,900). Recovery of copper at 66.9% (1993 - 75.1%) was lower than normal due to higher than expected oxide ore. Recoveries in 1995 are expected to be approximately 75%.

Production for the year totalled 20.5 million (1993 - 56.5 million) pounds of copper. Copper contained in concentrate totalled 15.4 million (1993 - 50.5 million) pounds while copper cathode production amounted to 5.1 million (1993 - 6.0 million) pounds. Copper concentrate production was 27,600 (1993 - 89,100) short dry tons. Copper cathode production was not affected by the suspension of mining and milling operations but was nevertheless lower than in 1993 due to a drop in solution grades from the leach dumps, a trend that will continue as the more accessible copper has been leached out. In addition, on June 28, 1994 a spill occurred within the solvent extraction/electrowinning plant which resulted in significantly reduced copper production from the SX-EW plant during July and a loss of various chemicals used in the process. A claim is being prepared for submission to the Company's insurers relating to this incident.

The Company had sales of 14.3 million (1993 - 63.7 million) pounds of copper in 1994 of which 9.1 million (1993 - 57.8 million) pounds were in the form of copper in concentrate and 5.2 million (1993 - 5.9 million) pounds were in the form of cathode copper. Since the resumption of production, one sale of copper in concentrate was recorded to December 31, 1994. Inventory on hand at December 31, 1994 amounted to 9.3 million (1993 - 3.0 million) pounds of copper in concentrate and 576,000 (1993 - 656,000) pounds of copper cathode.

Capital expenditures on the property during 1994 amounted to $ 4.2 million (1993 - $3.5 million) which included a new 4.5 kilometre pressurized tailing line and pumping system and an upgrading of the grinding circuit cyclones.

ORE RESERVES

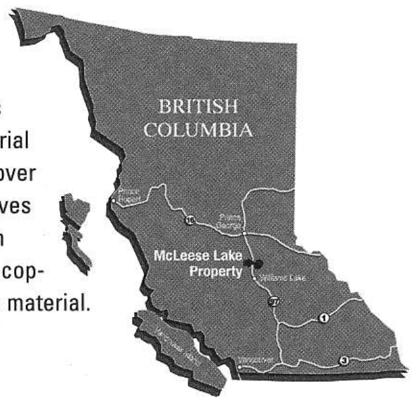
The Company's mineralized zones have been extensively explored by diamond drilling. As at December 31, 1994, the proven and probable reserves were as indicated in the table to the right.

These reserves are based on mineral inventories that were re-interpolated and pit designs that were re-optimized and smoothed in 1993. Pit optimizations were based on zero minimum profit, assuming 1993 economic parameters and copper prices of U.S.$1.10 per pound.

The average strip ratio for the above reserves is 1.15 to one. The cut-off grade is lower for Gibraltar East because the ore in this zone is relatively soft and can be milled at higher rates than ore from the other two zones.

Reserves for Cuisson Lake Mines Ltd. are included in the table as a portion of the Granite Lake zone. At the end of December 1994, reserves for Cuisson Lake were 4.2 million tons grading 0.339% copper and 0.011% molybdenum, at a 3.8:1 strip ratio, based on a 0.20% cut-off grade. This material will be mined in the sequence established by the overall mining plan covering the life of the McLeese Lake operation.

Based on these reserves and forecast milling rates, it is estimated that operations can be sustained for about 13 years. Material in the dumps which is being treated to recover cathode copper is excluded from the reserves summary. At the end of December 1994, an estimated 16.7 million pounds of leachable copper was contained in waste and low-grade material.



EXPLORATION

On March 11, 1994 the Company acquired the GM claims which consist of 40 one-unit claims immediately east of the Pollyanna pit. During the summer and fall of 1994, diamond drilling was carried out in the area of the Pollyanna pit and on the GM claims. Diamond drilling was also carried out on the ZE claims located about eight kilometres north of the plant site, the Pollyanna-Gibraltar East connector zone and around the Gibraltar West pit. Results of these programs are currently being evaluated.

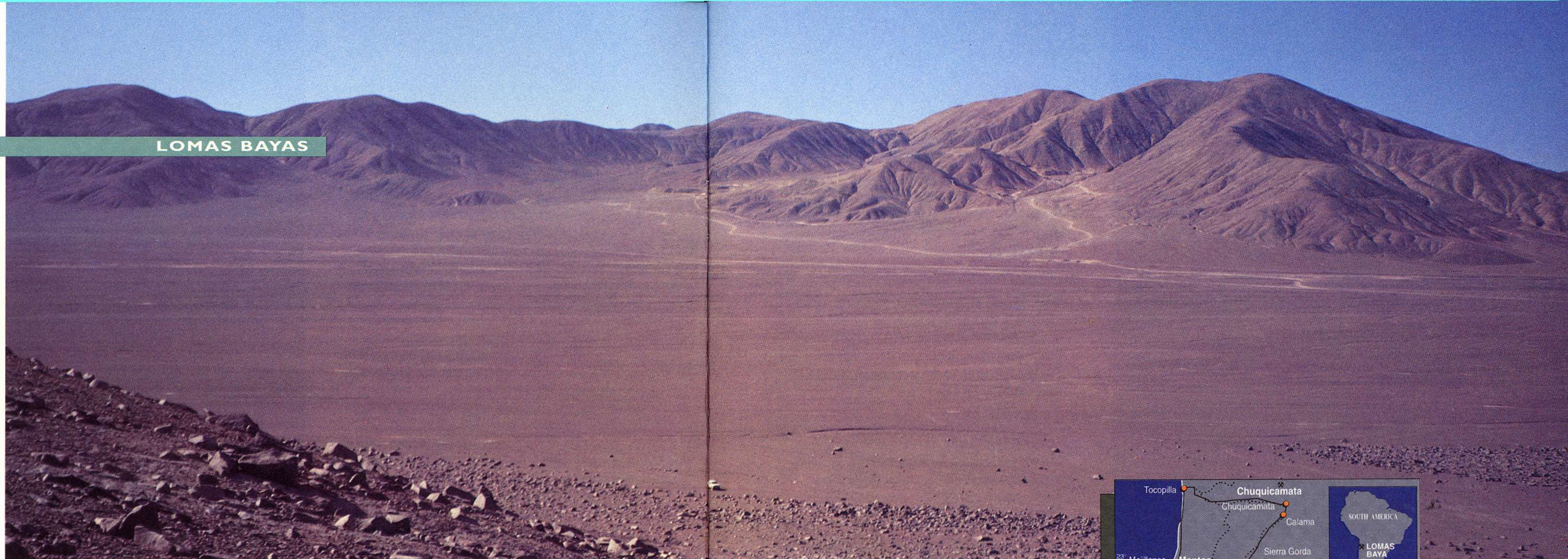
The Company's corporate office and the McLeese Lake Mine are located in south-central British Columbia

Exploration in 1995 will focus on several areas of exploration potential located within a 10 kilometre radius of the existing pits. Diamond drilling is planned for the Pollyanna-Gibraltar East connector zone, for the area north of the Gibraltar West pit and for the GM claim group. In addition to this drilling an induced polarization geophysical survey is planned for the GM claim group. The 1995 program is designed to define further the known mineral resources, as well as to discover new mineralized zones.

ORE RESERVES *December 31, 1994*

	Ore (sdt)	% Copper	% Molybdenum	Cutoff (%Cu)
Pollyanna				
Proven	32,845,000	0.294	0.009	0.20
Probable	1,894,000	0.218	0.007	0.20
Combined	34,739,000	0.290	0.009	0.20
Granite Lake				
Proven	75,150,000	0.311	0.010	0.20
Probable	6,572,000	0.239	0.007	0.20
Combined	81,722,000	0.305	0.010	0.20
Gibraltar East				
Proven	60,921,000	0.281	0.010	0.18
Probable	5,925,000	0.214	0.007	0.18
Combined	66,846,000	0.275	0.010	0.18
Total Reserves				
Proven	168,916,000	0.297	0.009	
Probable	14,391,000	0.226	0.007	
Combined	183,307,000	0.291	0.009	

LOMAS BAYAS



The Lomas Bayas property with the main pit area at the right. Crushing facilities would be directly in front of the pit area with the leach pads to the left.

ACQUISITION

Lomas Bayas is an oxide copper deposit located 110 kilometres northeast of Antofagasta in Region II, Chile. The property is located in the Atacama desert at a base elevation of 1,500 metres. Access to the property is by road, 70 kilometres of which is paved highway while 40 kilometres is unimproved road. The property covers approximately 2,022 hectares and consists of 203 exploitation claims.

The Company optioned the property from Empresa Minera Mantos Blancos S.A. ("EMMB") on May 9, 1994. The option agreement provided for payment to Compañia Minera Doña Ada Ltda. ("Doña Ada") of U.S. $840,000 on May 10, 1994, payment to EMMB of U.S. $1.0 million on or before July 31, 1994 and a minimum expenditure of U.S. $1.0 million on the property before October 31, 1994. In order to exercise the option under the agreement, the Company was required to pay an additional U.S. $3.2 million to Doña Ada and U.S. $10.8 million to EMMB on or before October 31, 1994 and to assume a royalty obligation to Doña Ada. The royalty was U.S. $0.02 per pound capped at U.S. $3.8 million, with minimum semi-annual installments of U.S. $400,000 commencing six months after exercise of the EMMB option.

During the option period the Company carried out an acquisition study comprising a drill program of 8,160 metres of reverse circulation and 2,025 metres of diamond drilling, metallurgical testing and engineering studies to establish preliminary capital and operating costs.

On October 28, 1994 the Company exercised the option. The purchase was completed on November 7, 1994 at which time the Company also bought out the underlying royalty for U.S. $3.5 million, bringing the Company's aggregate acquisition cost for Lomas Bayas to U.S.$19.3 million or U.S. $0.015 per pound of estimated recoverable copper. The Company's decision to exercise the option was based on an acquisition study completed in October 1994. The study assumed a 20,000 tonne per day crush/leach/SX-EW operation producing 45,350 tonnes (100 million pounds) per year of cathode copper. The estimate of the capital cost was U.S.$156.5 million and the estimate of the operating cost was U.S.$0.52 per pound. Capital and operating costs for the study were developed by the Company using information obtained from various sources, including mining companies operating in Chile, independent consultants and Chilean and international suppliers.

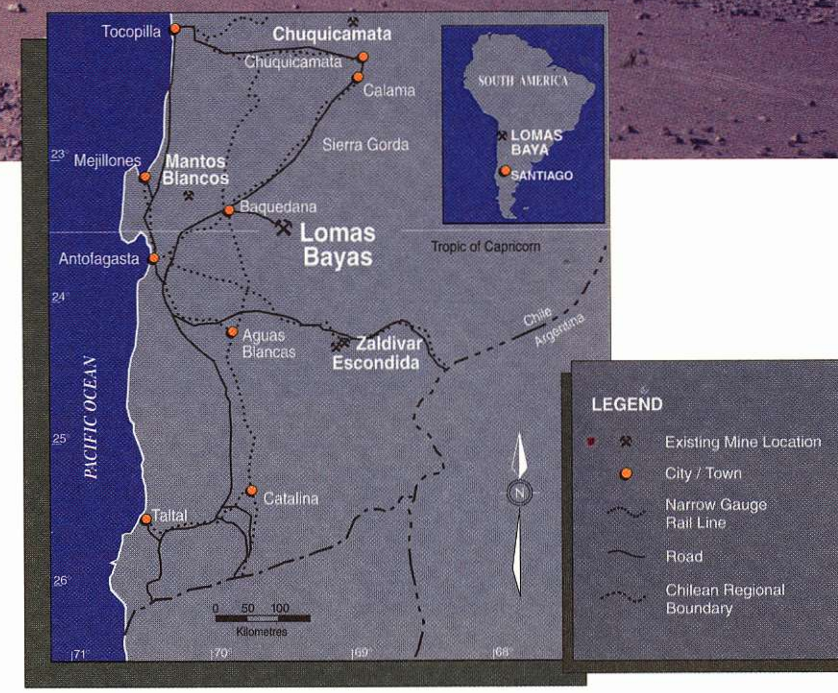
GEOLOGY AND MINERAL RESOURCE

Copper mineralization at Lomas Bayas is associated with three mineralized zones: Tirana, Andacolla and Candelaria. The majority of the mineralization is fracture controlled, although a portion is disseminated.

Copper occurs primarily as sulphate coatings on fracture surfaces and in fault zones with quartz veinlets. The dominant copper minerals are brochantite and antlerite with lesser amounts of atacamite, chrysocolla, chalcocite, covellite and rare cuprite. Chalcopyrite and minor bornite and molybdenite are present beneath the oxide zone. The leach kinetics are very rapid and a dump leach time of 40 days was used in the acquisition study.

The Tirana, Andacolla and Candelaria deposits have not been closed off and are considered to have significant exploration potential. Aside from the exploration potential in the immediate vicinity of the known mineralization, Lomas Bayas offers potential for the discovery of new deposits under the alluvium surrounding the known deposits.

The Company carried out a geological mapping and drilling program on the property between April 1994 and September 1994 with the specific objective of confirming

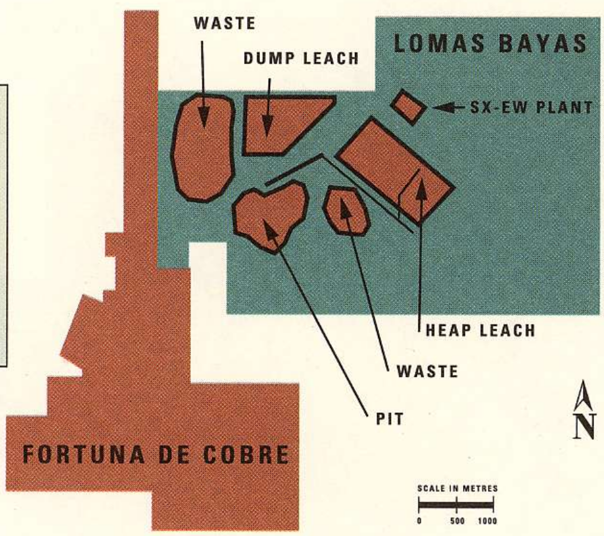


The Lomas Bayas property is located in the Atacama desert at an elevation of 1500 metres and approximately 110 kilometres from the port city of Antofagasta.

resource calculations developed by EMMB. The key elements of the program were to develop a geological model by mapping and core logging, including relogging of 43 of the 61 EMMB holes, and to drill 31 reverse circulation holes (8,160 metres) and seven diamond drill holes (2,025 metres). The diamond drill holes were approximately twinned by reverse circulation holes. The sample composite interval was two metres. A N40° E drilling direction was selected to intersect the dominant northwest trend of the three deposits, as delineated by EMMB drilling.

A pit design based on the resource obtained using a cut-off grade of 0.36% copper and a copper price of U.S. $1.10 per pound contains 80.1 million tonnes of mineralized material at a grade of 0.68% copper (1.2 billion contained pounds) in the Tirana, Andacolla and Candelaria zones. A low grade resource, using a cut-off grade of 0.20% copper, has been estimated to contain a further 90.7 million tonnes at an average grade of 0.27% copper (540 million contained pounds).

Lomas Bayas property map with the near-by Fortuna de Cobre concession



FEASIBILITY STUDY

The Company is carrying out a full feasibility study on Lomas Bayas at an estimated cost of U.S. $7.0 million. The study is expected to be completed in the fourth quarter of 1995. Expenditures on the feasibility study amounted to $973,000 at December 31, 1994. The feasibility study program includes the following components:

- Approximately 55,000 metres of reverse circulation and 3,000 metres of diamond drilling will be carried out to bring the existing resource to a proven/probable reserve, to provide samples for metallurgical testwork and to condemn as barren proposed sites of dumps, heaps and process plant.
- Column testwork on bulk and drill core samples will be carried out at McLeese Lake to confirm recoveries, kinetics and acid consumptions for ore types within the mining reserve and for the low grade dump material. Confirmatory column tests will also be performed.
- Engineering will be carried out to further refine preliminary capital and operating cost estimates for the project, including mining equipment, processing facilities and infrastructure. Equipment selection for long delivery equipment will be completed as part of the study.
- A preliminary exploration and resource evaluation program will be undertaken to establish a source of water. A detailed drilling program for water is not included in the study but will be carried out if required.
- Applications for all necessary permits will be prepared. All necessary studies required to obtain these permits and to prepare an environmental impact statement will be completed.

A summary of the preliminary resource contained within the current pit design is shown below:

Zone	Tonnes (millions)	% Copper	Total Contained lbs. (millions)	Estimated Recovery (%)	Total Recoverable lbs. (millions)
Tirana	39.5	0.72	627	86	539
Andacolla/Candelaria	40.6	0.64	573	83	476
Total	80.1	0.68	1,200	84	1,015
Low Grade	90.7	0.27	540	45	243
	170.8	0.46	1,740	73	1,258

EXPLORATION

Geologists
Peter Thurston
and
Tim Dillenbeck
at
Lomas Bayas.

GENERAL

Since adopting its new growth strategy approximately one year ago, the Company has actively pursued and reviewed a number of properties and exploration prospects in both North and South America. The highlight of the program to date has been the acquisition of Lomas Bayas and the decision to spend an estimated U.S.$7.0 million on the preparation of a full feasibility study.

Exploration activities outside of the McLeese Lake area are being directed by a team of three geologists headquartered in Reno, Nevada. During the year ended December 31, 1994 the Company incurred $7.1 million (1993 - $79,000) on exploration of which $5.9 million was spent on Lomas Bayas.

The Company is currently concentrating its exploration efforts in northern Chile and the southwestern United States. While the Company's exploration activities are focused on SX-EW amenable copper deposits, it is opportunistic towards sulphide copper deposits and gold properties.

On March 21, 1994 the Company entered into an option agreement on the Mount Polley property located in central British Columbia. Studies consisted of evaluating capital and operating costs for a stand-alone mine/mill complex at the Mount Polley site and the transport of Mount Polley ore to the McLeese Lake facility for processing. In late August, the Company elected not to exercise its option on the property.

FORTUNA DE COBRE

In November 1994 the Company through its Chilean subsidiary signed a letter of intent on an option to purchase the Fortuna de Cobre project from Ignacio Rodriguez Papic and Mario Carrizo Darlington. The Fortuna de Cobre property consists of 47 exploitation concessions and four exploration concessions and abuts the Lomas Bayas property along the western edge. The deal is contingent upon the Company establishing that the concession titles are clear.

The letter of intent provides for an initial U.S.$50,000 payment upon signing the option. Payments would increase by U.S. $50,000 every six months until May 1, 1997 when a payment of U.S. $500,000 would be due. On January 1, 1998, the final payment of U.S. $3.75 million would be made, bringing the total acquisition cost to U.S. $5.0 million. In addition, the owners would receive a royalty of U.S. $0.016 per pound of recovered copper after the production of the first 312 million pounds of copper. Though the royalty amount is fixed, the option payments after the first U.S. $50,000 are subject to adjustment for inflation in the United States.

Under the terms of the letter of intent, the Company can exercise the option and receive title to the property at any time during the option period by paying the balance due, to the maximum of U.S. $5.0 million. The Company can terminate the option agreement at any time with no additional payments required.

Fortuna de Cobre is an old porphyry copper mine that is producing cement copper from water-soluble ores on a small scale. The water-soluble grade at the existing operation is reported to be 0.80% copper. Under the terms of the letter of intent, the owners are allowed to continue mining and leaching a maximum of 24,000 tonnes of material per calendar quarter during the option period.

The Company plans to begin an exploration program on the project leading to a drilling program in late 1995. The Company would evaluate the property as a leachable copper deposit using conventional SX-EW technology, either on a stand-alone basis or as an addition to the Lomas Bayas development.

GIBRALTAR

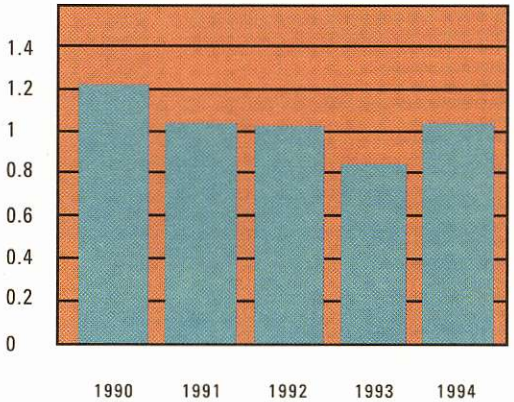
MANAGEMENT'S DISCUSSION AND ANALYSIS

CORPORATE SUMMARY

The resumption of operations at the McLeese Lake mine and the acquisition of the Lomas Bayas oxide copper deposit in Chile were the two most significant events of 1994.

Copper prices rebounded from the U.S. $0.80 range in January 1994 to reach a high of U.S. $1.39 in December 1994 and averaged U.S. $1.05 for the full year. The copper price increase together with operating cost reductions and the lower exchange rate enabled the McLeese Lake mine to resume production. Full production was achieved on September 25, 1994 and the first concentrate shipment was made in November. The increased copper price and resumption of operations allowed the Company to record net earnings of $416,000 for the fourth quarter of 1994. This was the first quarterly earnings recorded by the Company since the first quarter of 1993. Cathode production was maintained during the year. The changes made to the grinding circuit classification system and the new tailing pumps and pipeline are positively affecting mill throughput although their full impact has not yet been quantified.

COPPER PRICES
(US$/lb.) L.M.E. Grade A cash



The Lomas Bayas property acquired during 1994 provides the first step for the Company to change from a high cost producer with one mine to a multi-mine operator with low cost production and significant upside potential. A feasibility study on the property is currently in progress and is scheduled for completion in the fourth quarter of 1995. Discussions have commenced with financial institutions and other interested parties on financing the project. Development of the project will take approximately 18 months to complete and will commence after financing is in place.

Exploration activity at the McLeese Lake mine increased with work on the newly acquired GM claims and the Connector Zone in the vicinity of Gibraltar East. The results of these programs are being evaluated and will be incorporated into a revised long-term mine plan which is expected to be completed in 1995. An option agreement was signed on the Mount Polley property located near the McLeese Lake mine. After a significant exploration program on the property it was decided not to perform further work on the property and the option was terminated.

A feasibility study on the economic benefits of a mill expansion was completed in 1994. The results indicated that a 50% expansion would cost approximately $35 million for fixed plant and would result in a reduction in cash operating costs of approximately U.S. $0.08 per pound of copper from that which otherwise would have been incurred over the remaining life of the mine. A further $10 million would be required for mining equipment needed to handle higher stripping levels. Because of the potential capital requirements for Lomas Bayas or other similar low cost opportunities in line with its new strategic plan, and because of the still relatively high cost of production at the McLeese Lake operation even after the expansion, management decided not to proceed with the mill expansion.

REVIEW OF OPERATING RESULTS

1994 COMPARED TO 1993

The suspension of concentrate production at the McLeese Lake operation from December 1, 1993 to the resumption of full production on September 25, 1994 makes a meaningful comparison of operating results difficult. All operating comparisons have been negatively impacted by the mine closure.

The Company's net loss for the year ended December 31, 1994 was $10.1 million or $0.44 per share on revenues of $21.6 million compared to a net loss of $11.3 million or $0.82 per share on revenues of $47.8 million in 1993. The loss for 1994 is primarily a result of the suspension of mining and milling operations at the McLeese Lake mine which came into effect on December 1, 1993. The 1994 loss also reflects the significant increase in exploration expenses incurred in accordance with the new growth strategy adopted in late 1993. The 1994 per share amounts reflect the issuance of an additional 10,840,109 common shares in October 1993.

The suspension of mining and milling operations had a severe impact on the financial results for 1994 compared to 1993. Sales revenues and cost of sales reflect the sale of only 14.3 million pounds of copper in 1994 compared to 63.7 million pounds during 1993. As at December 31, 1994 only one concentrate sale had been recorded since full production at the McLeese Lake mine was resumed. Regular shipments of concentrate commenced in November . Depletion expense is calculated on a unit of production basis and as only 20.5 million pounds of copper were produced in 1994 as compared to 56.5 million pounds in 1993 the depletion expense for 1994 is significantly lower than in 1993. Certain of the Company's physical assets are also depreciated on the unit of production basis and depreciation expense in 1994 is therefore also lower than in 1993. Temporary shutdown/holding/restart costs include all costs, salaries and benefits associated with maintaining the McLeese Lake operation on a care and maintenance basis and all costs associated with restarting the operation which for accounting purposes resumed full production on October 1, 1994.

The increase in exploration costs during 1994 over 1993 reflects the Company's new strategy for growth and the corresponding emphasis on exploration. Exploration costs associated with Lomas Bayas amounted to $5.9 million. All costs after October 25, 1994 associated with the purchase of Lomas Bayas and the work performed on the feasibility study are being capitalized for accounting purposes. Significant expenditures were also incurred relating to the Mount Polley property, the GM claims and other general exploration.

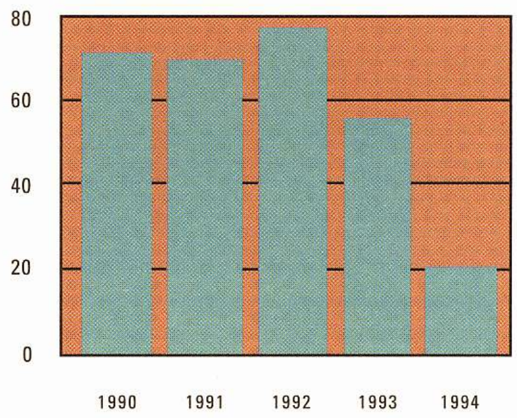
General and administrative costs increased due to the establishment in late 1993 of an independent management group and the opening in 1994 of a corporate office in Williams Lake, British Columbia. A corporate office for the Company's wholly-owned subsidiary, Compañia Minera Gibraltar Limitada, was opened in Santiago, Chile in January 1995.

1993 COMPARED TO 1992

The Company's net loss for the year ended December 31, 1993 was $11.3 million or $0.82 per share on revenues of $47.8 million compared to net earnings of $3.1 million or $0.26 per share on revenues of $67.3 million in 1992.

Significantly lower copper prices combined with lower copper concentrate and cathode sales volume were the major factors influencing the decline in revenues from the 1992 level. The molybdenum circuit did not operate during 1993 due to the low grade of molybdenum in the ore and low molybdenum prices. Cost of sales increased in 1993 despite the lower sales volumes due to the increased cost associated with mining lower grade ore, a cutback in production to the 50% level and a 24-day vacation shutdown. All identified costs associated with the temporary suspension of mining and milling operations were provided against earnings in 1993. These costs totalling $3.1 million relate mainly to severance and mothballing expenses. Development of Stage 3 of the Gibraltar East pit continued through the year. Stripping costs of $7.4 million were capitalized in 1993. The total capital cost of the development is estimated at $27.8 million.

COPPER PRODUCTION
(millions of pounds)



Depletion expense, higher in 1993, reflected the increased mining of ore from the Gibraltar East pit. At the time mine operations were suspended all ore being processed in the mill came from the Gibraltar East pit.

The provision for permanent mine closure was adjusted in the second quarter of 1993 to reflect an estimated expenditure of $35 million over the remaining mine life, up from the previous estimate of $10 million. The annual provision was increased to $2.7 million. As at December 31, 1993 approximately $5.2 million had been provided through charges against earnings.

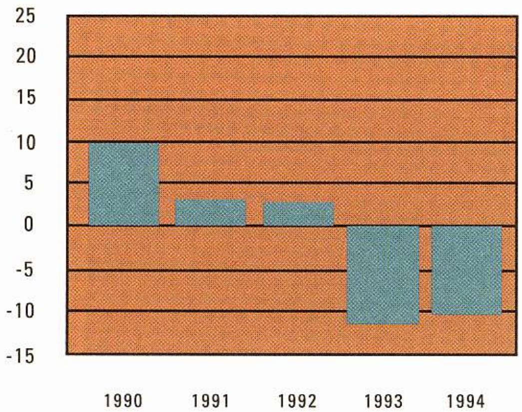
Exploration expense was lower in 1993 than in 1992 due to the extensive drilling program at the Gibraltar North copper zone during 1992. Only nominal funds were spent on exploration during 1993.

GIBRALTAR

FINANCIAL CONDITION AND LIQUIDITY

The available cash resources of the Company were reduced significantly during 1994 primarily due to the U.S.$19.3 million incurred on purchasing the Lomas Bayas property and the $8.0 million incurred on holding and restart costs associated with the McLeese Lake mine. Capital expenditures associated with the McLeese Lake mine were $4.2 million as compared to $3.5 million in 1993. The capital expenditures included a 4.5 kilometre tailing line and pumping system and an upgrading of the grinding circuit cyclones. The Company's cash and short-term investments were $5.5 million at December 31, 1994 and $44.5 million at December 31, 1993.

NET EARNINGS
(millions of dollars)



The Company currently has no lines of credit available. Discussions with banks on obtaining lines of credit and the financing of Lomas Bayas are currently underway.

Because the McLeese Lake operation is currently the only source of cash flow for the Company and because of its low grades and high unit operating cost, the Company is considering implementing a longer term hedging program relating to McLeese Lake production. The purpose of the program will be to provide protection such that the operation can generate positive cash flow in periods of low copper prices and thereby reduce the risk of having to suspend operations.

No dividends have been paid by the Company since a $0.05 per share dividend was paid in the first quarter of 1992. Future dividend payments will be dependent on the financial position of the Company, which will be dependent on the level of exploration and development activities and the copper price.

RECLAMATION

Under the Mines Act (British Columbia), the Company is obligated to provide security for reclamation costs for the McLeese Lake mine. The purpose of the security is to provide for both site reclamation costs at the time of mine closure and thereafter to fund the ongoing treatment facilities and related operating costs. The Company presently holds a mine reclamation permit pursuant to which it is required to provide security in the form of a reclamation bond for the performance of its reclamation obligations. The Company has provided the required security under its permit in the form of a $10.0 million letter of credit as at December 31, 1994.

As part of an ongoing process of technical and legislative review, the amount of the reclamation and ongoing treatment costs has been estimated by the Company to be approximately $35.0 million. A significant amount of testwork is required over the next three years in order to confirm the assumptions and parameters used to determine a final reclamation amount. The ultimate amount of the bond will be determined by negotiation with the Ministry of Energy, Mines and Petroleum Resources after completion of the testing program currently underway.

Expenditures relating to ongoing environmental and mine closure reclamation requirements are charged against earnings as incurred. The estimated reclamation costs are being accrued by annual charges to earnings over the estimated life of the mine.

RISKS AND UNCERTAINTIES

The Company's operations are subject to various risks and uncertainties, including the following:

SPECULATIVE NATURE OF THE MINING INDUSTRY

The mining industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself. Competition in the mining industry could adversely affect the Company's ability to acquire suitable producing properties or prospects for mineral exploration in the future. There is no assurance that the Company's mineral exploration, development and acquisition activities will be successful.

The market price of copper and other base metals is volatile and cannot be controlled. If the price of base metals should drop significantly, the economic prospects of operations in which the Company has an interest could be significantly reduced.

EXPLORATION AND DEVELOPMENT

Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There can be no assurance that the Company's mineral exploration and development activities will result in any discoveries of commercial bodies of ore. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations nor that the funds required for development can be obtained on a timely basis.

Lomas Bayas is in the feasibility study stage. Development of the property will proceed upon completion of a positive feasibility study and the Company obtaining all necessary permits and financing.

OUTLOOK

The price of copper has a direct effect on the profitability of the Company. Fluctuations in exchange rates also affect revenues because sales are denominated in U.S. dollars whereas, at present, a high proportion of costs are incurred in Canadian dollars. The price of copper is cyclical in nature and tracks closely the world economic climate. Any change in the price of copper from the current levels will have an impact on the earnings and cash flow of the Company.

The resumption of full operations at McLeese Lake has resulted in net earnings for the fourth quarter of 1994. Only one concentrate sale was recorded in that quarter while three sales are expected during the first quarter of 1995. Concentrate sales agreements were renegotiated in 1994 and are in place through 1996. Cathode copper production will continue, although with the decline in solution grades from the existing dumps, production will be reduced from the current level. Molybdenum grades are still low and the molybdenum circuit is not operating, although with the improvement in the molybdenum price, studies are underway to determine if it is economic to resume molybdenum production. Work on the GM, claims located to the east of the Pollyanna pit, and acquired in 1994 has been encouraging. The results from exploration programs completed during 1994 on these claims will be incorporated into the long-term mine plan for the property.

Lomas Bayas will be the key focus of the Company's activities over the next year. A full feasibility study estimated to cost U.S. $7.0 million has commenced. The feasibility study will be prepared in sufficient detail to justify a decision whether or not to develop the project and will include a drill program, metallurgical testing of the ore and engineering design. The study is estimated to be completed in the fourth quarter of 1995. For accounting purposes all costs associated with the feasibility study will be capitalized.

The Company will continue its program to explore for and acquire resource properties to expand its reserve base. Offices have been established in Reno, Nevada and Santiago, Chile to support this program. Exploration properties are actively being pursued in North and South America.

The Company's available cash resources were reduced significantly during 1994. Discussions have commenced with financial institutions and other interested parties on financing Lomas Bayas. In addition to bank financing the Company is currently assessing a number of other options to obtain the total funding necessary to develop the property.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

TO THE SHAREHOLDERS OF
GIBRALTAR MINES LIMITED:

The consolidated financial statements and all information in the Annual Report are the responsibility of the Board of Directors and management. The consolidated financial statements have been prepared by management based on information available to January 27, 1995 and are in accordance with accounting principles generally accepted in Canada. Financial information presented throughout the Annual Report is consistent with the data presented in the consolidated financial statements. A system of internal accounting and administrative controls is maintained by management in order to provide reasonable assurance that financial information is accurate and reliable.

The Audit Committee of the Board of Directors is composed of three Directors, two of whom are independent Directors. The Committee meets with management and the independent auditors to assure that management is maintaining adequate financial controls and systems and to approve the annual and quarterly consolidated financial statements of the Company. The Audit Committee also reviews the audit plan of the independent auditors and discusses the results of their audit and their audit report prior to submitting the consolidated financial statements to the Board of Directors for approval.

The consolidated financial statements have been audited by Price Waterhouse, Chartered Accountants, who were appointed by the shareholders. The auditors' report outlines the scope of their examination and their opinion on the consolidated financial statements.

W. H. Myckatyn
President and Chief Executive Officer

P. B. Sweeney
Senior Vice President and Chief Financial Officer

Williams Lake, B.C.
February 16, 1995

AUDITORS' REPORT

TO THE SHAREHOLDERS OF
GIBRALTAR MINES LIMITED:

We have audited the consolidated balance sheets of Gibraltar Mines Limited as at December 31, 1994 and 1993 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, these consolidated financial statements represent fairly, in all material respects, the financial position of the Company as at December 31, 1994 and 1993 and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Price Waterhouse

Price Waterhouse
Chartered Accountants
Vancouver, B.C.
January 27, 1995

GIBRALTAR MINES LIMITED

CONSOLIDATED STATEMENTS OF EARNINGS

Years ended December 31 (in thousands, except per share amounts)	**1994**	1993
REVENUES		
Concentrate sales		
Copper	**$ 10,325**	$ 38,795
Molybdenum	**-**	66
Cathode copper sales	**8,517**	6,779
Investment and other income	**2,761**	2,160
	21,603	47,800
EXPENSES		
Cost of sales (Note 7)	**10,603**	52,270
Depreciation	**5,873**	6,761
Depletion	**1,148**	2,905
Provision for reclamation costs (Note 2)	**2,708**	2,708
General and administrative	**2,016**	1,089
Exploration	**7,147**	79
Temporary shutdown/holding/restart costs (Note 10)	**7,986**	3,084
	37,481	68,896
Loss before taxes and earnings of associate	**(15,878)**	(21,096)
Income taxes (Note 6)		
Current	**(285)**	7,838
Deferred	**6,083**	1,941
	5,798	9,779
Loss before earnings of associate	**(10,080)**	(11,317)
Equity in earnings of associate (Note 7)	**-**	19
NET LOSS	**$(10,080)**	$(11,298)
NET LOSS PER SHARE	**$ (0.44)**	$ (0.82)

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

Years ended December 31 (in thousands)	**1994**	1993
BALANCE, BEGINNING OF YEAR	**$ 45,287**	$ 56,585
Net loss	**(10,080)**	(11,298)
BALANCE, END OF YEAR	**$ 35,207**	$ 45,287

GIBRALTAR

GIBRALTAR MINES LIMITED
CONSOLIDATED BALANCE SHEETS

December 31 (in thousands)

	1994	1993
ASSETS		
CURRENT ASSETS		
Cash	**$ 5,534**	$ 6,456
Short-term investments, at cost which approximates market	-	38,063
Accounts receivable	**5,605**	1,919
Income taxes recoverable	-	8,289
Product inventories	**11,399**	2,153
Supplies	**6,411**	6,771
	28,949	63,651
OTHER ASSETS	-	11
RECLAMATION DEPOSIT (Note 2)	**10,000**	9,000
PROPERTY, PLANT AND EQUIPMENT (Note 3)		
Buildings and equipment	**42,848**	44,495
Mining properties and development	**40,189**	15,026
	83,037	59,521
	$121,986	$132,183
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 7,134**	$ 4,870
Income taxes payable	**2**	-
	7,136	4,870
DEFERRED INCOME TAXES	**9,990**	16,104
LONG-TERM ACCOUNTS PAYABLE	**1,984**	1,006
LONG-TERM RECLAMATION OBLIGATION (Note 2)	**7,920**	5,211
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	**11,387**	11,382
Contributed surplus (Note 5)	**48,362**	48,323
Retained earnings	**35,207**	45,287
	94,956	104,992
	$121,986	$132,183

Approved by the Board:

I. Austin

I.G. Austin, Director

W.H. Myckatyn, Director

GIBRALTAR MINES LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31 (in thousands)

	1994	1993
OPERATIONS		
Net earnings (loss)	**$ (10,080)**	$ (11,298)
Add (deduct) items of earnings not affecting cash from operations:		
Depreciation and depletion	**7,021**	9,666
Deferred income taxes	**(6,083)**	(1,941)
Provision for reclamation costs (Note 2)	**2,708**	2,708
Other	**(11)**	90
Net change in non-cash working capital items excluding short-term investments	**(2,025)**	(1,751)
CASH FROM OPERATIONS	**(8,470)**	(2,526)
FINANCING ACTIVITIES		
Issue of common shares (Note 4)	**44**	48,015
Long-term accounts payable	**978**	1,006
	1,022	49,021
INVESTING ACTIVITIES		
Buildings and equipment	**(4,226)**	(3,539)
Mining properties and deferred development	**(26,311)**	(7,395)
Reclamation deposit (Note 2)	**(1,000)**	(9,000)
Promissory note of associate	**-**	8,000
Short-term investments	**38,063**	(37,953)
	6,526	(49,887)
NET CASH DECREASE	**(922)**	(3,392)
CASH, BEGINNING OF YEAR	**6,456**	9,848
CASH, END OF YEAR	**$ 5,534**	$ 6,456

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 1994 and 1993

1. ACCOUNTING POLICIES

Basis of consolidation
The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Gibraltar Mines Exploration Ltd., Compañia Minera Gibraltar Limitada, Gibraltar Mines Holdings Limited and its 70% owned subsidiary Cuisson Lake Mines Limited. Cuisson Lake Mines Limited became a subsidiary of the Company in May 1994.

Foreign currency translation
Foreign currency revenues and expenses are translated at the rates in effect on transaction dates and monotary assets and liabilities are translated at period-end rates. Foreign exchange gains and losses are included in earnings.

Cash
Cash includes short-term money market instruments which, on acquisition, have a term to maturity of three months or less.

Inventories
Product inventories are valued at the lower of average cost and net realizable value. Supplies are valued at the lower of moving average cost and replacement cost.

Depreciation and depletion
Depreciation of the cost of buildings and equipment is provided over their estimated useful lives on the following basis:

- buildings and machinery, straight line, at rates of 2.07% to 33%, and
- mobile equipment, diminishing-balance, at rates of 13 % to 33%.

Depletion of the cost of mining properties and preproduction development is provided on a straight-line basis over the estimated life of the mine.

Major pit development costs are capitalized and depleted on the unit-of-production basis.

Revenue recognition
Sales are recognized on transfer of all significant risks and benefits of ownership. Copper concentrate sales not covered by forward metal sales contracts are initially priced at estimates which may differ from the final amounts received as a result of price changes during sales quotational periods.

Reclamation costs
Current expenditures relating to ongoing environmental and reclamation programs are charged against earnings as incurred. Estimated post-closure reclamation and site restoration costs, where reasonably determinable, are accrued by annual charges to earnings over the estimated life of the mine.

Net earnings and dividends per common share
The calculation of net loss per common share is based upon the weighted average number of common shares of the Company outstanding during the year.

2. OPERATIONS AND RECLAMATION COSTS

The Company is meeting its security for reclamation costs by way of a letter of credit in favour of the Province of British Columbia. The letter of credit is provided by a Canadian chartered bank and is directly secured by a pledge of assets. The Company has increased its estimate of reclamation costs to $35 million and had agreed with the Ministry of Energy, Mines and Petroleum Resources to increase the annual reclamation security amount by $2.7 million per year effective June 1994. Although the increase of $2.7 million had been agreed upon and written into the permit, a separate agreement was reached with the Government of British Columbia through the office of the British Columbia Job Protaction Commission to temporarily restrict the annual increase to $1 million per year for each of 1994, 1995 and 1996 and $2 million in 1997. The ultimate amount of the security will be determined by October 31,1997 when a revised mine closure plan is to be submitted to the Ministry.

The estimate of reclamation costs will be amortized at the rate of $2.7 million per year through 1997, at which time the estimate will be reviewed in conjunction with the estimate of reclamation costs to be determined in the revised closure plan. Because the substantial majority of these costs will not be incurred until after the mine has closed, there is no assurance that income will be available at that time to offset these costs. Accordingly, the tax benefit of those costs is not being recognized as the annual amortization occurs.

On June 28, 1994 a spill occurred in the solvent extraction/electrowinning plant resulting in significantly reduced copper production from the SX-EW plant during July and a loss of various chemicals which are used in the process. An insurance claim in the amount of approximately U.S.$800,000 is being prepared relating to this incident. The Company's insurers have not, as yet, acknowledged the claim. Consequently, no provisions have been made in the financial statements relating to this incident.

In 1994, 100% (1993 - 100%) of the Company's sales were to export markets, primarily Japan.

3. PROPERTY, PLANT AND EQUIPMENT

	December 31 **1994**	1993
	(in thousands)	
Buildings and equipment, at cost		
Buildings and machinery	**$ 89,075**	$ 84,875
Mobile equipment	**40,389**	42,318
	129,464	127,193
Accumulated depreciation	**86,616**	82,698
	$ 42,848	$ 44,495
Mining properties and development, at cost		
Mining properties and development (i)	**$ 36,218**	11,530
Major pit development (ii)	**22,928**	21,305
	59,146	32,835
Accumulated depletion	**18,957**	17,809
	$ 40,189	$ 15,026

(i) Includes $24.7 million relating to the acquisition of Lomas Bayas and costs incurred on the feasibility study.

(ii) The Company commenced the development of Stage 3 of the Gibraltar East pit in 1991. Development continued through 1994, and will allow for mining to mid-1998. Total development costs of the project are currently estimated at $26.7 million of which $22.9 million has been incurred to December 31, 1994. Development costs capitalized in 1994 were $1.6 million (1993 - $7.4 million). Depletion expense in 1994 was $1.1 million (1993 - $2.9 million).

4. SHARE CAPITAL

(a) Authorized Capital
The authorized share capital of the Company consists of 50 million common shares with a par value of $0.50 each. An increase in authorized capital from 14 million common shares was approved at a meeting of shareholders of the Company held on September 30, 1993.

(b) Issued and outstanding shares
At December 31, 1994 22,890,163 (1993 - 22,881,413) common shares were issued and outstanding.

	1994 Shares	**1994 Amount**
	(in thousands)	
Balance, beginning of year	**22,881**	**$ 11,382**
Issued pursuant to the exercise of stock options	**9**	**5**
Balance, end of year	**22,890**	**$ 11,387**
Weighted average	**22,883**	

	1993 Shares	1993 Amount
	(in thousands)	
Balance, beginning of year	12,041	$ 5,962
Issued pursuant to special warrants (i)	10,840	5,420
Balance, end of year	22,881	$11,382
Weighted average	13,853	

(i) Pursuant to an underwriting agreement dated August 12, 1993, a group of underwriters arranged for investors to purchase 8,888,889 special warrants of the Company at a price of $4.50 per special warrant. Costs relating to the special warrant issue, including a fee of $0.18 per special warrant paid to the underwriters, were $1,985,000. Pursuant to a subscription agreement dated August 31, 1993, Placer Dome Inc. purchased 1,951,220 special warrants of the Company at a price of $5.125 per special warrant. Each special warrant was exercisable into one share of the Company at no additional cost.

(c) Share Options
An Option Plan was approved by the shareholders of the Company in September 1993. It provides for the issuance of incentive stock options to key employees and directors to purchase up to a total of 500,000 shares.

The following table contains information with respect to the Plan.

	Shares	**Option price**
Options outstanding January 1, 1993	-	-
Granted	221,250	$4.90 to $5.00
Exercised	-	-
Cancelled	(15,000)	$5.00
Options outstanding, December 31, 1993	206,250	$4.90 to $5.00
Granted	**259,900**	**$5.50 to $8.875**
Exercised	**(8,750)**	**$5.00**
Options outstanding, December 31, 1994	**457,400**	**$4.90 to $8.875**

The above options expire on various dates from September 30, 2003 to October 25, 2004.
Fully diluted earnings per share information is not provided as the effect of exercise of the stock options would be anti-dilutive.

5. CONTRIBUTED SURPLUS

Changes in contributed surplus during the years ended December 31, 1994 and 1993 are as follows:

	1994	1993
	(in thousands)	
Balance, beginning of year	**$ 48,323**	$ 4,828
Arising on issue of 10,840,109 common shares (Note 4), less expenses of issue (net of $900,000 of tax) of $1,085,000	**-**	43,495
Arising on exercise of stock options	**39**	-
Balance, end of year	**$ 48,362**	$48,323

6. INCOME TAXES

The reconciliation of the combined federal and provincial statutory income tax rate to the effective tax rate is as follows:

	1994	1993
Combined basic statutory income tax rate	**(45.3)%**	(45.3)%
Resource allowance	**(0.6)**	(0.2)
British Columbia mining tax	**(10.7)**	(15.8)
Provision for mine closure	**7.7**	5.8
Non-deductible expenses	**-**	2.2
Foreign expenses currently non-deductible	**10.6**	-
Other	**1.8**	6.9
Effective income tax rate	**(36.5) %**	(46.4)%

7. RELATED PARTY TRANSACTIONS

Placer Dome Canada Limited ("Placer Dome Canada") a wholly-owned subsidiary of Placer Dome Inc. ("Placer Dome") owns 44.4% of the shares of the Company. In 1994 the Company acquired from Placer Dome Canada the GM claims situated in the vicinity of the Company's McLeese Lake Mine for the sum of $1,000. During 1994 Placer Dome Canada provided at the Company's request various administrative, marketing and technical services under an agreement dated as of January 1, 1994. Services were also provided to the Company in 1994 by Placer Dome Latin America Limited, a subsidiary of Placer Dome. The cost of these services to the Company is reimbursed at the cost of providing such services. For the financial year ended December 31, 1994, the Company paid the aggregate amount of $168,000 (1993 - $1,147,000) to Placer Dome Canada and Placer Dome Latin America Limited for such services.

On May 30, 1994 the Company acquired an additional 29% of Cuisson Lake Mines Limited ("Cuisson") from Placer Dome Canada for $1,000 bringing the Company's ownership in Cuisson to 70%. The Cuisson accounts have been consolidated with the Company's since that date. Prior to then the Company used the equity method of accounting for its 41% interest in Cuisson.

8. PENSION PLAN

The Company has a non-contributory, defined benefit pension plan for salaried employees. The 1994 expense of $174,000 (1993 - $261,000) includes the current service costs, and costs for past service and other plan adjustments amortized over the expected average remaining service life of the employee group.

At December 31, 1994, the present value of accumulated pension benefits was $4.1 million (1993 - $3.9 million), and the market value of the plan net assets available for benefits was $3.9 million (1993 - $3.9 million).

9. HEDGING POLICY

During 1994 a hedging policy relating to the McLeese Lake operation was approved by the Board of Directors. The purpose of the policy is to provide protection to the cash flow from the operation in order to reduce the risk that operations could be suspended due to low metal prices. The policy provides for the hedging of up to 85% of the production of copper in concentrate for 1995 and up to U.S. $40 million of currency receipts for each of 1995 and 1996.

At December 31, 1994, the Company had in place forward sales contracts for 26 million (1993 - nil) pounds of copper averaging U.S. $1.105 per pound covering the period from January 1995 through December 1995 and call options exercisable by the Company covering 20 million (1993 - nil) pounds of copper at an average strike price of U.S. $1.26 per pound, and covering the period January 1995 through December 1995.

At December 31, 1994 the Company had in place forward sales contracts for U.S. $18.6 million (1993 - nil) averaging $1.3486 per U.S. $1.00 covering the period from January 1995 through December 1995.

10. TEMPORARY SHUTDOWN/HOLDING/RESTART COSTS

Effective December 1, 1993 the mining and milling operations were temporarily suspended pending improvement in the copper price.

On July 19, 1994 the Company announced that operations would resume. Full production commenced on September 25, 1994. All costs associated with shutting down the operations, the care and maintenance of the mine and facilities during the shut-down period and costs incurred through September 30, 1994 in starting up the mining and milling operations have been accumulated and separately presented in the consolidated statements of earnings.

11. COMPARATIVE AMOUNTS

Certain 1993 amounts have been reclassified to conform with the current year's presentation.

ANNUAL INFORMATION *(thousands of Canadian dollars, except per share amounts)*

	1994	1993	1992	1991	1990
Financial					
Net sales	**$ 18,842**	$ 45,640	$65,888	$67,437	$80,938
Exploration expense	**7,147**	79	772	310	130
Net earnings (loss)	**(10,080)**	(11,298)	3,107	3,244	9,888
Capital expenditures					
Buildings and equipment	**4,226**	3,539	5,431	15,375	5,595
Mining properties and development	**26,311**	7,395	8,219	5,691	-
Total assets	**121,986**	132,183	94,853	87,916	90,409
Per share					
Net earnings (loss)	**(0.44)**	(0.82)	0.26	0.27	0.82
Dividends	**-**	-	0.05	0.20	0.50

QUARTERLY INFORMATION *(thousands of Canadian dollars, except per share amounts)*

	1994				1993			
	1	**2**	**3**	**4**	1	2	3	4
Net sales	**$3,026**	**$422**	**$3,002**	**$12,392**	$10,932	$14,108	$11,813	$8,787
Net earnings(loss)	**(1,883)**	**(2,661)**	**(5,952)**	**416**	424	(3,452)	(3,174)	(5,096)
Net earnings(loss) per share	**(0.08)**	**(0.12)**	**(0.26)**	**0.02**	0.03	(0.25)	(0.23)	(0.37)

Quarterly per share amounts have been adjusted to reflect the weighted average shares outstanding for the full year.

Further discussion of the Company's financial results is contained in the Management's Discussion and Analysis section of this report (page ten).

MANAGEMENT'S OWNERSHIP OF SECURITIES

The directors and senior officers of the Company beneficially own, directly or indirectly, or exercise control or direction over less than 1% of the issued and outstanding shares of the Company.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration, principal holders of the Company's securities and interests of insiders in material transactions, is contained in the Company's Information Circular dated February 28, 1995. A copy of the document may be obtained from the Secretary of the Company upon request.

GIBRALTAR

FIVE-YEAR SUMMARY

	1994	1993	1992	1991	1990
OPERATIONS *(in thousands, except grade)*					
Millfeed (tons)	**4,141**	11,170	13,969	13,143	12,899
Grade (% copper)	**0.28**	0.30	0.34	0.31	0.30
Production					
Copper in concentrate (lbs.)	**15,406**	50,522	70,861	63,393	63,434
Cathode copper (lbs.)	**5,107**	5,996	6,889	7,343	8,242
Molybdenum (lbs.)	-	-	376	808	1,463
Production costs *(US$/lb.)*					
Cash	**0.86**	0.90	083	0.89	0.90
Total	**1.21**	1.07	0.93	0.99	0.97
FINANCIAL *(in thousands)*					
Concentrate sales					
Copper	**$10,325**	38,795	56,245	56,621	65,221
Molybdenum	-	66	933	1,942	4,354
Cathode copper sales	**8,517**	6,779	8,710	8,874	11,363
Net expenses and income taxes	**28,922**	56,957	62,800	64,164	71,212
Equity in earnings (loss) of associate	-	19	19	(29)	162
Net earnings (loss)	**(10,080)**	(11,298)	3,107	3,244	9,888
FINANCIAL POSITION *(in thousands)*					
Cash and short-term investments	**$ 5,534**	44,519	9,958	11,526	31,279
Working capital	**21,813**	58,781	22,444	21,032	33,048
Total assets	**121,986**	132,183	94,853	87,916	90,409
Shareholders' equity	**94,956**	104,992	67,373	64,868	64,032
PER SHARE					
Net earnings (loss)	**$(0.44)**	(0.82)	0.26	0.27	0.82
Dividends	-	-	0.05	0.20	0.50
Book value	**4.15**	4.59	5.60	5.39	5.32
Price on Toronto Stock Exchange					
-high	**9.38**	6.50	8.20	8.75	11.38
-low	**5.00**	4.60	4.75	5.50	6.25
OTHER					
Average metals prices *(US$/lb.)*					
Copper Grade A (London Metal Exchange)	**1.05**	0.87	1.04	1.06	1.21
Molybdenum contained in molybdic oxide (Metals Week)	**4.50**	2.28	2.18	2.35	2.81
Average Cdn.$ per U.S.$1.00	**1.3659**	1.2894	1.2086	1.1458	1.1668
Number of					
Employees	**269**	90	279	302	301
Shareholders	**565**	626	699	750	780

• Note: All amounts are for the years ended December 31, except for book value per share, financial position, and number of employees and shareholders which are as at December 31. Grade and metals prices are the average for each of the years.

CORPORATE INFORMATION

DIRECTORS

Ian G. Austin
West Vancouver,
British Columbia

Douglas J. Fraser
West Vancouver,
British Columbia

Robert A. Matthews
West Vancouver,
British Columbia

William H. Myckatyn
Williams Lake, British Columbia

Conrad A. Pinette
Vancouver, British Columbia

Arthur H. Willms
North Vancouver,
British Columbia

CORPORATE OFFICERS

William H. Myckatyn
President and
Chief Executive Officer

Paul B. Sweeney
Senior Vice President and
Chief Financial Officer

Thomas C. Shrake
Vice President, Exploration

Jack H.L. Miller
Vice President, Projects

Sheryl A. Thomson
Secretary

COMPAÑIA MINERA GIBRALTAR LIMITADA
(Santiago, Chile)

Paul M. Blythe
President and
Chief Executive Officer

Barry L. Weenk
Mine Manager, Lomas Bayas

McLEESE LAKE OPERATION

Tom E. Milner
Mine Manager

Robert Bennett
Mine Superintendent

Eugene R. Fredeen
Administration Superintendent

E. John Hutchings
Plant Superintendent

Rodney W. Knopp
Mill Superintendent

Robert J. Patterson
Technical Services
Superintendent

M. Margaret Rushforth
Human Resources Administrator

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Compañia Minera Gibraltar Limitada
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Fax: (562) 231-0184

AUDITORS

Price Waterhouse
Chartered Accountants
Vancouver, B.C.

REGISTRAR AND TRANSFER AGENT

Montreal Trust
Company of Canada,
Vancouver and Toronto

ANNUAL MEETING

The Annual General Meeting of Shareholders will be held at 11:00 a.m. on Wednesday, April 19, 1995 in the Stanley Room, Hyatt Regency Hotel, 655 Burrard Street, Vancouver, British Columbia.

STOCK EXCHANGE LISTINGS

Toronto Stock Exchange
Vancouver Stock Exchange

GIBRALTAR

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