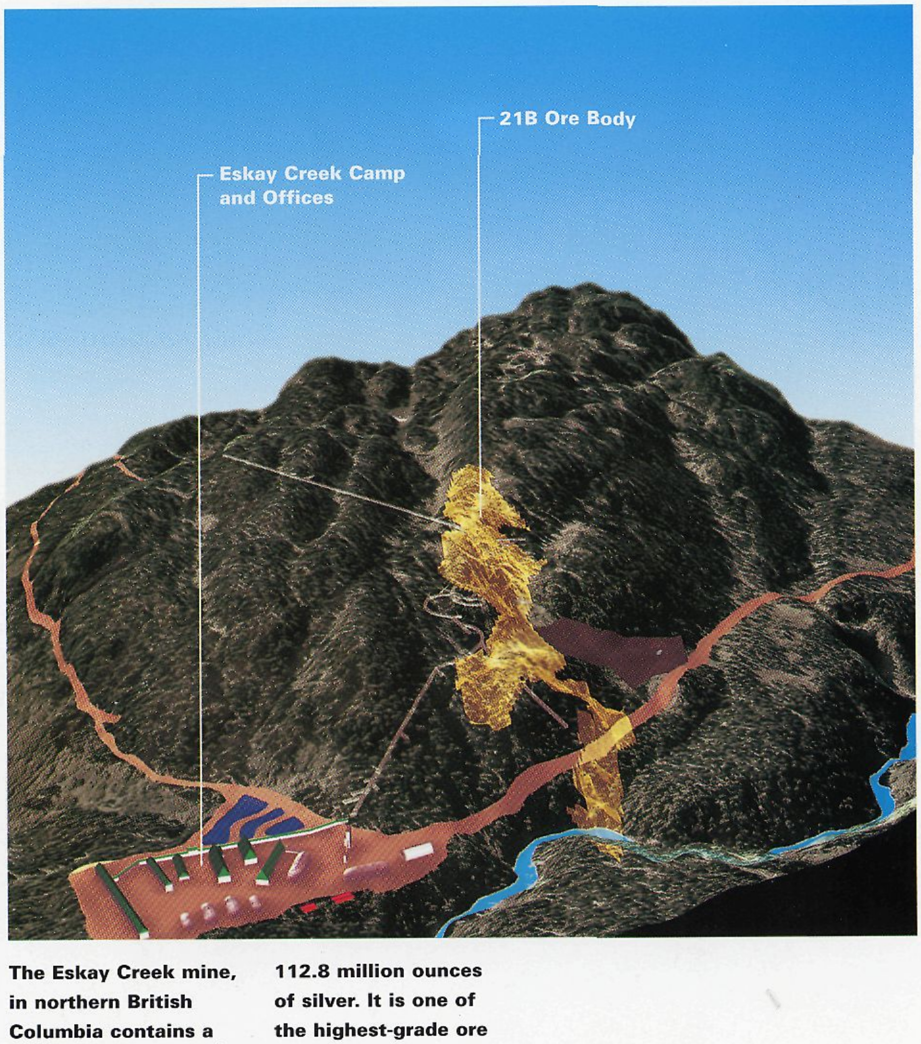
Strategy: Acquire assets with reserve growth p[ote]ntial that are, or will soon be, accretive to our shareholders.

Eskay Creek
882891

"In 1998, Homestake capp of successful acquisition Resources transaction."



The Eskay Creek mine, in northern British Columbia contains a reserve of 2.6 million ounces of gold and 112.8 million ounces of silver. It is one of the highest-grade ore deposits in the world.

Homestake - 1998 Ann. Rpt.

Homestake has focused on providing superior share price performance compared to the S&P Gold Index. To this end, the Company has set the following objectives:

Maintain financial strength through:
- minimization of debt
- strong cash flow from operations

Increase reserves and production of quality ounces through:
- sustained support for exploration
- accretive acquisitions

Increase efficiency and reduce costs at our operations through:
- improved utilization of manpower
- effective capital investment
- achieving environmental excellence standards at our operations

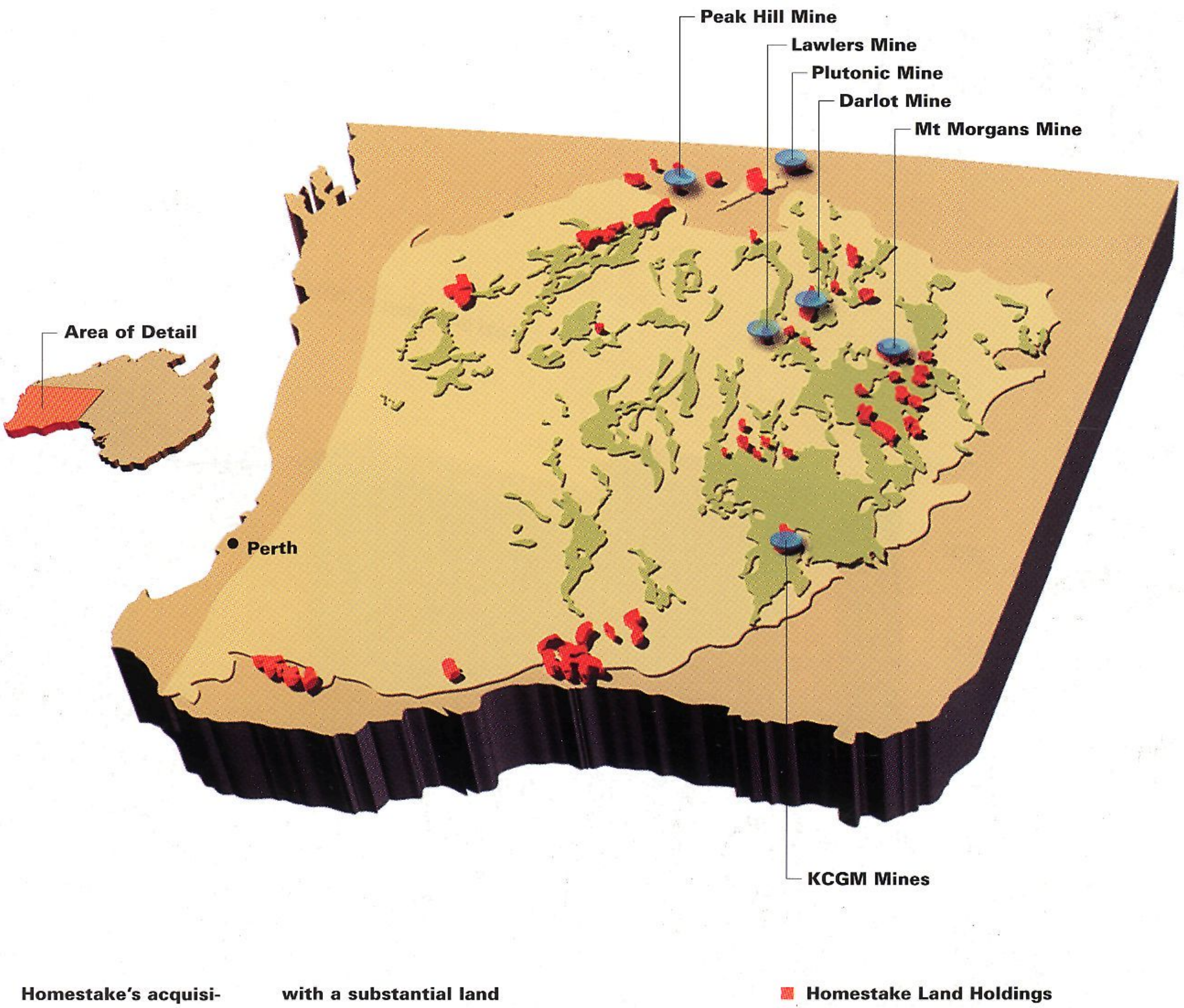
These objectives were established in 1996 and remain our focus to this date. The Company again achieved its targets and improved its position as a leading international gold producer.

the new Ruby Hill mine where potential remains for additional open-pit and longer-term underground ore.

Homestake concentrates most of its Canadian exploration in geologic belts around the Eskay Creek mine. During 1998, another year of mine life was added through expansion of the known deposits. Prospects for further ore additions have been enhanced by the acquisition of ten new mining claims covering an unexplored area down-dip from the main 21B ore body.

Homestake has reduced its exploration effort in northern Latin America but remains optimistic that major gold deposits will continue to be found in the Andean region. The recently discovered Jeronimo deposit at the Agua de la Falda operation in northern Chile was expanded again and now has an indicated and inferred gold resource of 2.8 million ounces. This large manto-style gold system is still open and drilling will be resumed pending the outcome of metallurgical testing, which is currently in progress.

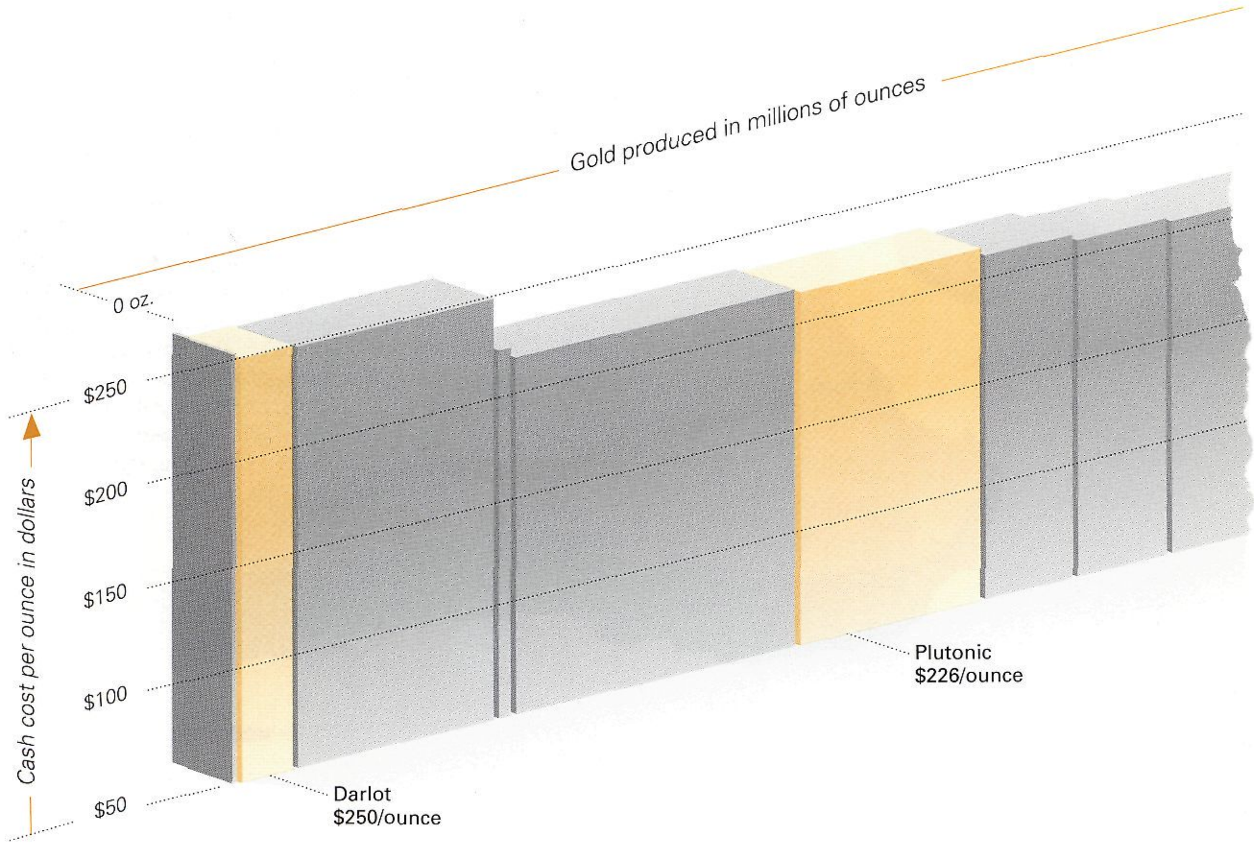
In 1998, Homestake acquired 850,000 acres of mineral rights covering prospective volcanic terrain in southern Argentina from WMC Limited. A program is underway to follow up known gold occurrences and evaluate other priority areas.



Homestake's acquisition of Plutonic Resources Limited has provided Homestake with a substantial land position in the prolific Yilgarn gold province in Western Australia.

Strategy: Improve corporate cost and roduction efficiency by increasing the qua of our operating assets.

"The Company achieved record gold production and cash costs were reduced by 18%."



1998 Gold Production Summary (Listed by individual mines)

- **Prime Resources Acquisition**
- **Plutonic Acquisition**

During 1998, Homestake produced 2.53 million gold equivalent ounces, slightly exceeding 1997 to achieve a new record. The average cost per ounce declined to $202 in 1998 from $246 in 1997.

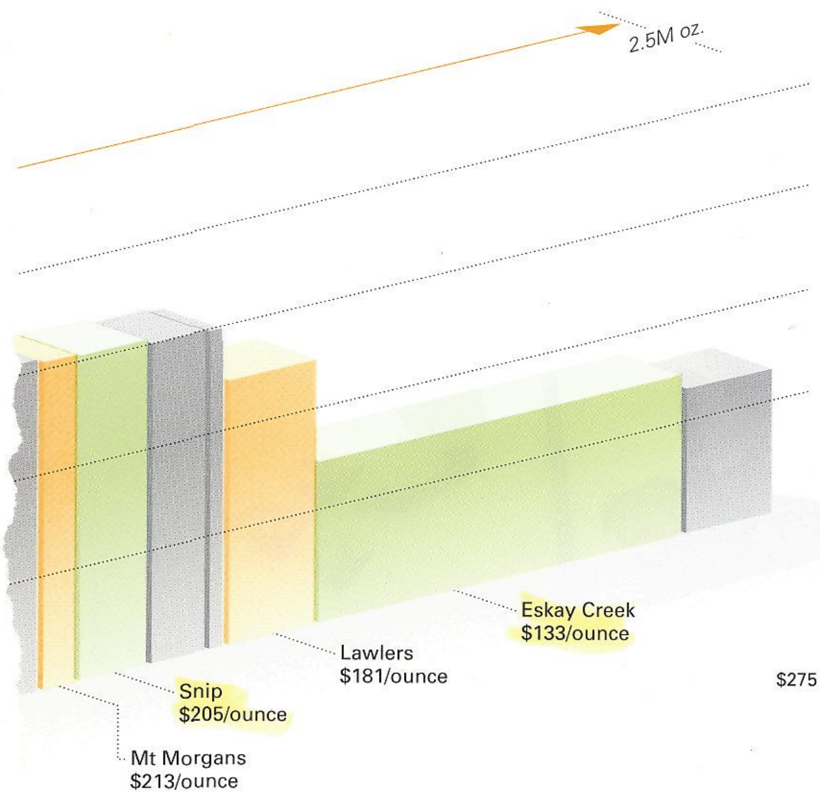
Homestake has improved production and cost performance by increasing the quality of its assets through:

Acquisitions that have contributed low-cost operating mines. Homestake's acquisition of the minority interests in Prime Resources provided the Company with 100% of the high-grade and low-cost Eskay Creek mine that produced over 500,000 gold equivalent ounces at a cost of $133 per ounce in 1998.

Commissioning of new, low-cost mines, such as Ruby Hill, that utilize efficient technology to reduce the Company's average cash operating cost.

Capital investment in existing mines to improve efficiency. Recent construction of concentrating mills at the Round Mountain and Eskay Creek mines increased gold production and lowered cash operating costs at both operations.

Restructuring and closure of high-cost operations. The suspension and subsequent resumption of operations at the Homestake mine during 1998 improved efficiency and lowered cash costs. A major restructuring plan at the Mt Charlotte mine abandoned seismically active areas and reduced operating costs at that mine.

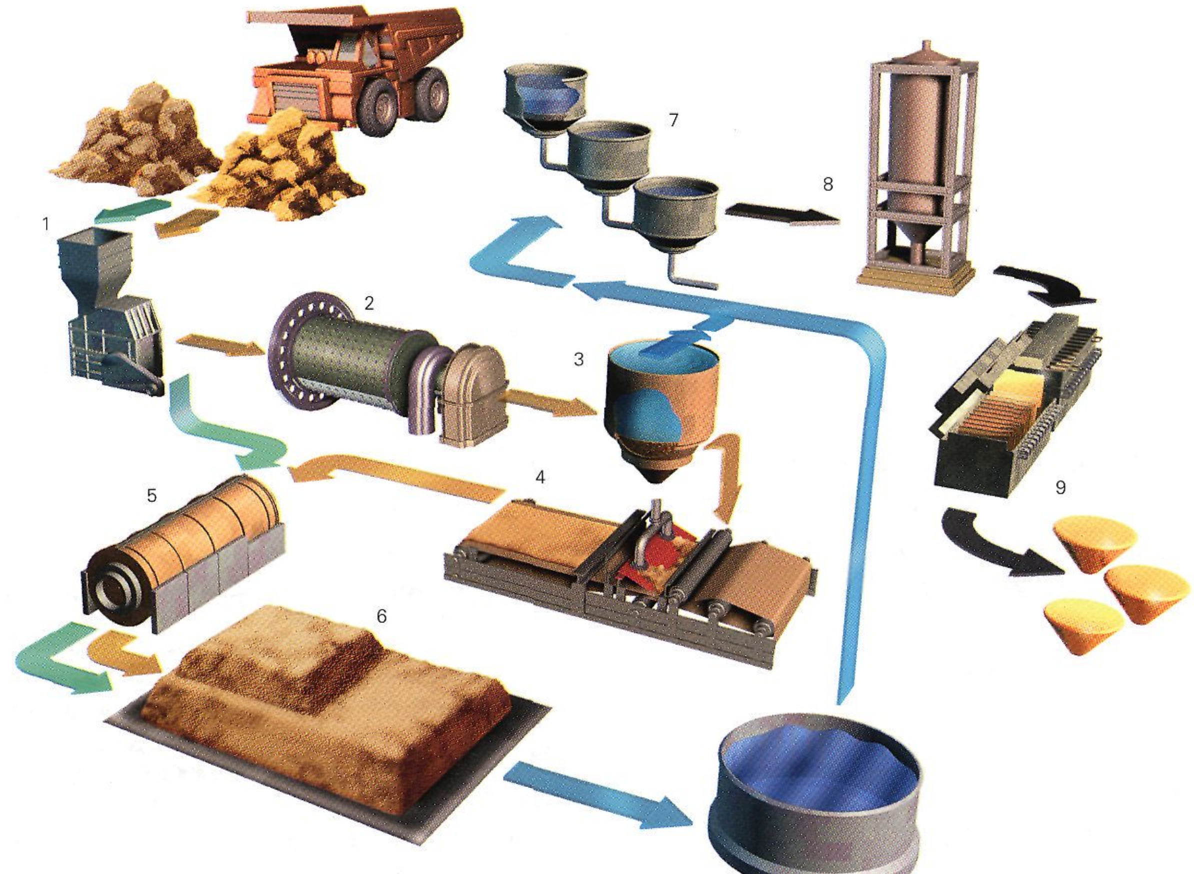


Homestake has effectively reduced its consolidated cash costs per ounce by developing and acquiring low-cost mines and closing or restructuring higher-cost operations. The 1998 Gold Production Summary chart illustrates the cash cost per ounce of each mine and its contribution to Homestake's consolidated 2.5 million ounces of production in 1998.

Total Cash Costs, 1995 -1998
(dollars per ounce)

Strategy: Increase operating performance
hrough capital investment that will impro
cost and production efficiency.

"Capital investment has c the improvement in effic cash costs at Homestake



Ruby Hill Mining Process

1. High-grade and low-grade ores are processed by reducing ore particle size through crushing.
2. High-grade ore is further pulverized in a ball mill,
3. leached with dilute cyanide solution and
4. filtered to separate the gold-bearing solution (liquid) from the pulverized rock (solids).
5. Filtered solids are then mixed with low-grade ore and cement to form ore pellets (agglomerates).
6. Agglomerated ore is transported by conveyors and stacked on the heap-leach pad where dilute cyanide solution is applied to dissolve (leach) the remaining recoverable gold.
7. Dissolved gold is recovered from the solution with activated carbon.
8. Gold adsorbs onto the activated carbon and is chemically removed (stripped) from the carbon by a heated leach solution.
9. Metals contained within the strip solution are electroplated and melted to produce a mixture of gold, silver and other metals that is refined to pure gold and silver.

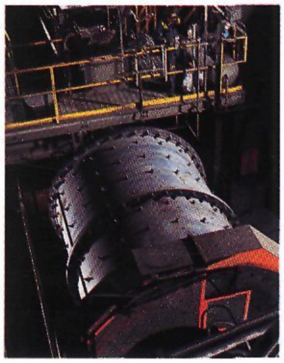
ontributed to iency and reduction of 's operations."

Homestake's lowest-cost operation, the Ruby Hill mine near Eureka, Nevada, has made a significant contribution to the Company's reduction in cash costs. Ruby Hill was constructed for $64.7 million and produces between 115,000 and 120,000 ounces of gold annually at a cash cost of $125 per ounce.

Homestake worked successfully with regulatory agencies and the local community to design an operation that minimizes environmental and socio-economic impacts. Innovative technology eliminated the need for a tailings impoundment by mixing ground ore from our milling process with the low-grade ore that is placed on a leach pad. Barren rock disposal areas were designed to conform to the contour of the surrounding landscape. As a result of these efforts, Homestake received special recognition from the Bureau of Land Management, which chose Ruby Hill as a national showcase for permitting.

A gravity and flotation mill was constructed at the Eskay Creek mine for $12 million. This facility has been able to process about 38% of the mine's production and achieve satisfactory ratios of concentration. Transportation costs have been reduced significantly and the economic breakeven grade for ore amenable to flotation has been reduced by approximately 50%. During 1998, Eskay Creek increased gold equivalent ounce production by 21% and lowered its cash cost by 15% from 1997.

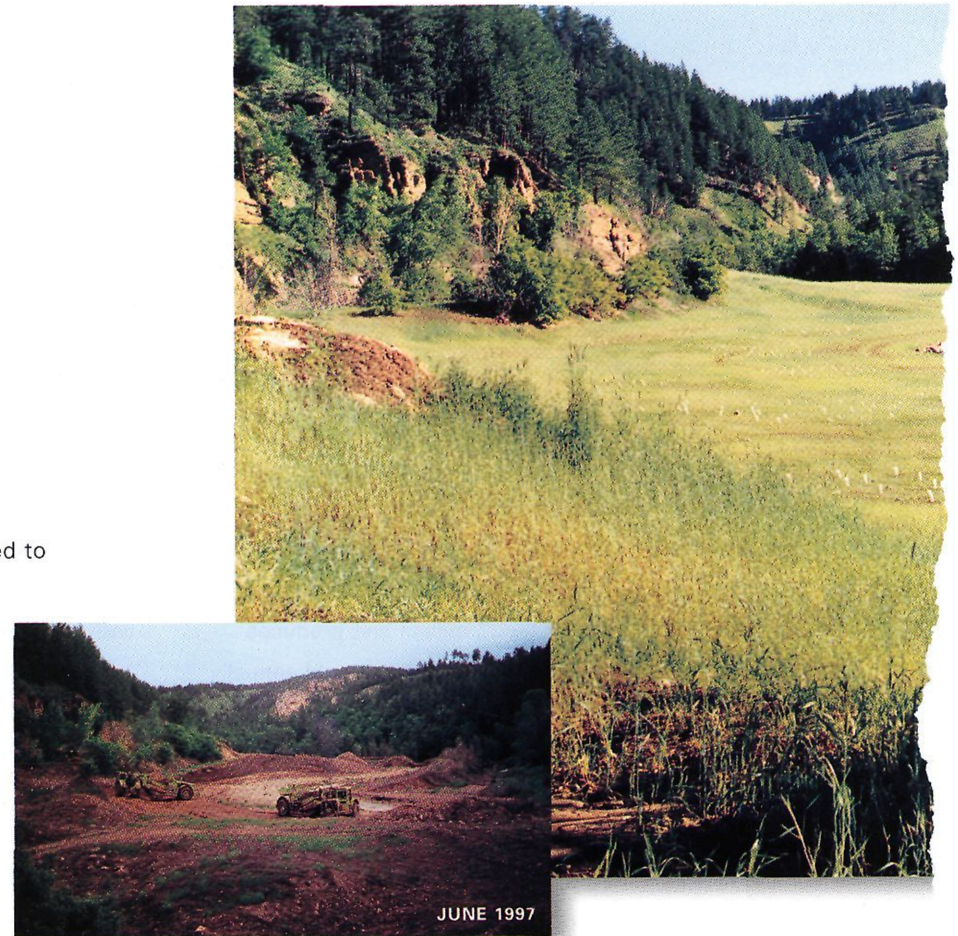
C $17



Eskay Creek's gravity and flotation mill separates rock with metal content from the remaining non-mineralized material prior to shipping and final processing.

Strategy: To attain and, wherever practical, exceed the required standard of compliance all our operations.

"Environmental awareness incorporated into all our with the same standards a



The mining industry is constantly challenged to demonstrate its contribution to society and our economy, as well as to operate in a socially and environmentally responsible manner. Homestake is committed to meeting these challenges.

Homestake ensures continued improvement by establishing rigorous environmental, health and safety performance objectives to which all our employees are accountable. Homestake's efforts to maintain and improve its environmental, health and safety standards of performance have enabled the Company to remain in the forefront of industry policy and practice.

Regular audits of each Homestake operation assess the adequacy of existing systems, facilities and resources to achieve environmental, health and safety objectives. Remedial action is implemented to correct deficiencies detected during audit investigations.

Homestake places a high priority on its stewardship responsibilities. We design and operate our mines to eliminate or minimize environmental impacts, mitigate

Canada

Eskay Creek Mine (100% ownership)

Gold Reserves: 2.6 Million Ounces
Silver Reserves: 112.8 Million Ounces
Gold Mineralized Material: 0.2 Million Ounces
Silver Mineralized Material: 5.5 Million Ounces

The Eskay Creek mine, is located approximately 51 miles north of the town of Stewart in northwest British Columbia. While the majority of ore is directly shipped to smelters, a gravity/flotation mill completed in November 1997, treats certain complex ore that previously was shipped directly to smelters and lower-grade material that otherwise was uneconomic to process. During 1998, Eskay Creek produced 504,800 gold equivalent ounces at a cash cost of $133 per gold equivalent ounce.

HEMLO MINES (50% ownership)

The Williams and David Bell mines, located near Marathon, Ontario comprise the Hemlo mines and are continuing to consolidate facilities to increase efficiency and reduce costs. In 1999, the David Bell operation expects to close its mill and the Williams treatment plant will process ore from both mines.

- **Williams Mine**

Gold Reserves: 2.2 Million Ounces
Mineralized Material: 0.5 Million Ounces

The Williams mine, located in the Hemlo district is the largest underground gold mine in Canada. The operation uses a standard cyanidation and carbon-in-pulp process to recover gold. During 1998, gold production declined slightly to 195,200 ounces at a cash cost of $217 per ounce due to increased production from the lower grade open-pit.

- **David Bell Mine**

Gold Reserves: 0.7 Million Ounces
Mineralized Material: 0.04 Million Ounces

The David Bell mine is located near the Williams Mine on the same ore trend. During 1998, production declined to 79,800 gold ounces and cash cost increased to $200 per ounce. The ounce shortfall and cash cost increase resulted from an expected decline in the ore grade as mining progresses into lower grade areas of the ore body.

Australia

KCGM Mines (50% ownership)

Gold Reserves: 5.7 Million Ounces
Mineralized Material: 9.0 Million Ounces

KCGM is comprised of the Super Pit, a large open-pit mine located along the "Golden Mile" ore bodies in Kalgoorlie, Western Australia, and the Mt Charlotte underground mine. Contractors are employed to conduct the open-pit mining operations, ore and concentrate haulage and some specialized services. KCGM has announced that it will commence mining the open-pit and the contractors will be phased out over a twelve month period. During 1998, gold production from the combined operations at the Kalgoorlie mines was 390,200 ounces at a cash cost of $229 per ounce. Production declined by 8% due to a reduction in mining areas at the Mt Charlotte mine and a decrease in the rotation speed of the SAG mill to minimize stress on the mill's cracked ring gear.

Plutonic Mine (100% ownership)

Gold Reserves: 0.7 Million Ounces
Mineralized Material: 4.2 Million Ounces

The Plutonic mine, located 110 miles northeast of Meekatharra in Western Australia, consists of surface open pits, an underground mine and an oxide and sulfide processing plant. Gold production declined by 7% to 255,500 ounces during 1998. The mine concentrated on development of new underground production areas and substituted lower-grade stockpiled ore to the processing plant. An intensive in-fill drilling and development program will be conducted through 1999 to prepare for increased production from the underground ore body.

Darlot Mine (100% ownership)

Gold Reserves: 1.4 Million Ounces
Mineralized Material: 0.5 Million Ounces

The Darlot mine, located north of Leonora in Western Australia, consists of underground mines in two ore bodies. The high-grade Centenary deposit was discovered in August 1996 near the existing mine workings in the original Darlot deposit. Initial production from Centenary began in late 1998. During 1998, gold production totaled 77,500 gold ounces at a cash cost of $250 per ounce. Gold production is expected to increase and cost decline as mining from the higher-grade Centenary deposit is increased in 1999.

Lawlers Mine (100% ownership)

Gold Reserves: 0.1 Million Ounces
Mineralized Material: 0.5 Million Ounces

The Lawlers mine, located northwest of Leonora in Western Australia, recently began underground mining on the downward extension of the New Holland South ore body. In 1998, gold production increased 44% from 1997 to 126,400 ounces at a cash cost of $181 per ounce. The improved production was due to the contribution of higher-grade ore from the underground operation. Homestake has defined an extensive mineralized trend and is optimistic that Lawlers can continue to increase gold production and lower costs.

Mt Morgans Mine (80% ownership)

Mineralized Material: 0.4 Million Ounces

The Mt Morgans mine, located west of Laverton in Western Australia, ceased operations in November 1998 and reclamation of the minesite is underway. Active exploration continues on the property, and recent exploration results at the Just-In-Case prospect area continue to be very promising.

Statistical Summary 1998

	Interest %	Gold Production: Tons Processed (millions)	Grade (oz/ton)	Recovery (%)	Ounces Produced
1998					
United States					
Homestake	100	2.1	0.141	95	277,401
Ruby Hill	100	1.3	0.098	90	116,500
McLaughlin	100	2.8	0.077	58	128,680
Round Mountain[3]	25	11.6	0.016	71	127,625
Pinson[4]	50	0.9	0.038	83	17,287
Marigold[4]	33	1.1	0.027	96	23,979
Canada					
Eskay Creek[5,6]	100	0.2	3.195	95	504,780
Williams	50	1.4	0.152	95	195,220
David Bell[7]	50	0.2	0.355	96	91,167
Snip[5]	100	0.2	0.693	92	99,283
Australia					
Kalgoorlie	50	6.2	0.071	89	390,186
Plutonic	100	3.2	0.089	89	255,456
Darlot	100	0.7	0.111	95	77,502
Lawlers	100	0.6	0.208	96	126,403
Mt Morgans	80	0.8	0.074	82	52,350
Peak Hill	67	0.5	0.052	97	23,803
Other Projects	–	–	–	–	–
Chile					
Agua de la Falda[8]	51	0.2	0.216	72	24,119
Total Production					2,531,741
Minority Interests[10]					(273,452)
Homestake's Share of Gold Production					2,258,289
Eskay Creek – Silver					

Notes:

1 Homestake reports per ounce production costs in accordance with the "Gold Institute Production Cost Standard."

2 The Ruby Hill mine commenced commercial production effective January 1, 1998. Costs associated with gold produced during 1997 have been excluded from cost per ounce calculations.

3 Recovery relates to the reusable pad at the Round Mountain mine.

4 Recovery relates to ore milled at the Pinson and Marigold mines.

5 The Eskay Creek and Snip mines were owned 100% by Prime Resources Group Inc. ("Prime"). On December 3, 1998 Homestake acquired the 49.4% of Prime which it did not already own and subsequently, Prime was amalgamated with HCI. The ownership interests and production amounts shown are Homestake's consolidated interests without reduction for minority interests. Production amounts include ounces contained in ore and concentrates sold to smelters. Reserves and mineralized material at December 31, 1997 are Homestake's interest after reduction for the 49.4% minority interests in Prime.

6 Gold and silver are accounted for as co-products at Eskay Creek. Silver production is converted into gold equivalent using the ratio

Production Costs Per Ounce[1]			Reserves[a]			Mineralized Material[b]		
Operating Cash[c]	Other Cash[d]	Noncash[e]	Tons (millions)	Grade (oz/ton)	Contained Ounces (thousands)	Tons (millions)	Grade (oz/ton)	Contained Ounces (thousands)
$244	**$ 5**	**$ 46**	**11.1**	**0.216**	**2,401**	**12.1**	**0.259**	**3,142**
115	**7**	**119**	**5.1**	**0.109**	**553**	**7.3**	**0.072**	**529**
213	**6**	**127**	**10.9**	**0.057**	**626**	**–**	**–**	**–**
207	**13**	**56**	**89.6**	**0.018**	**1,594**	**27.1**	**0.015**	**401**
436	**10**	**39**	**–**	**–**	**–**	**3.1**	**0.057**	**173**
214	**21**	**30**	**6.4**	**0.033**	**213**	**–**	**–**	**–**
130	**3** 133	**36**	**1.6**	**1.683**	**2,611**	**0.5**	**0.448**	**209**
211	**6**	**37**	**15.0**	**0.148**	**2,216**	**4.1**	**0.118**	**481**
191	**9**	**40**	**2.4**	**0.303**	**711**	**0.3**	**0.109**	**35**
205	**–**	**142**	**0.1**	**0.662**	**44**	**–**	**0.667**	**16**
228	**1**	**49**	**85.3**	**0.067**	**5,720**	**120.1**	**0.075**	**9,003**
224	**2**	**66**	**9.3**	**0.073**	**677**	**23.2**	**0.181**	**4,191**
248	**2**	**32**	**9.0**	**0.154**	**1,393**	**4.1**	**0.130**	**532**
179	**2**	**25**	**1.0**	**0.117**	**119**	**3.7**	**0.145**	**536**
211	**2**	**26**	**–**	**–**	**–**	**4.2**	**0.096**	**408**
279	**1**	**27**	**0.4**	**0.046**	**19**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**	**–**	**10.6**	**0.077**	**821**
198	**–**	**89**	**0.3**	**0.185**	**63**	**8.5**	**0.169**	**1,428**
$198	**$ 4**	**$ 56**	**247.5**		**18,960**	**228.9**		**21,905**
			1.6	**72.7**	**112,816**	**0.5**	**11.7**	**5,482**

of the gold market price to the silver market price. For the years ended December 31, 1998 and 1997, the ratio was 52.6 and 68.2 ounces of silver equals one ounce of gold, respectively. Reserves and mineralized material relate to gold only. Silver reserves and mineralized material are shown at the bottom of the chart.

7 Ounces produced include 11,331 ounces of gold production from the Quarter Claim in both 1998 and 1997. Reserves include a 25% net profits interests in Quarter Claim.

8 Production, reserves, and mineralized material represent Homestake's 51% interest in Agua de la Falda.

9 Includes 14,441 ounces and 507 ounces of gold produced at the Bellevue project in Western Australia and at the El Hueso mine in Chile during 1997, respectively.

10 Represents minority interests' 49.4% share of Prime's production in 1997 and from January to November 1998.

(a), (b), (c), (d) and (e) see "Definitions" on pages 26 and 27.

Statistical Summary 1997

	Interest %	Gold Production: Tons Processed (millions)	Grade (oz/ton)	Recovery (%)	Ounces Produced
1997					
United States					
Homestake	100	2.6	0.163	94	397,299
Ruby Hill[2]	100	0.3	–	–	16,629
McLaughlin	100	2.7	0.075	58	118,491
Round Mountain[3]	25	12.1	0.015	75	119,959
Pinson[4]	50	0.6	0.046	86	25,829
Marigold[4]	33	0.9	0.028	95	24,547
Canada					
Eskay Creek[5,6]	100	0.1	3.661	95	417,303
Williams	50	1.3	0.160	95	201,098
David Bell[7]	50	0.3	0.397	96	101,313
Snip[5]	100	0.2	0.780	92	115,644
Australia					
Kalgoorlie	50	6.6	0.072	89	425,914
Plutonic	100	3.4	0.094	88	274,608
Darlot	100	0.6	0.114	95	65,153
Lawlers	100	0.5	0.178	96	87,481
Mt Morgans	80	0.8	0.093	88	73,588
Peak Hill	67	0.5	0.069	97	33,104
Other Projects	–	–	–	–	–
Chile					
Agua de la Falda[8]	51	0.1	0.172	65	16,023
Total Production[9]					2,528,931
Minority Interests[10]					(263,276)
Homestake's Share of Gold Production					2,265,655
Eskay Creek – Silver					

Definitions:

a A proven and probable reserve is that part of a mineral deposit which could be extracted or produced economically and legally at the time of the reserve determination.

b Mineralized material is gold-bearing material that has been physically delineated by one or more of a number of methods including drilling, underground work, surface trenching and other types of sampling. This material has been found to contain a sufficient amount of mineralization of an average grade of metal or metals to have economic potential that warrants further exploration evaluation. While this material is not currently or may never be classified as reserves, it is reported as mineralized material only if the potential exists for reclassification into the reserves category. This material has established geologic continuity, but cannot be classified in the reserves category until final technical, economic and legal factors have been determined and the project containing the material has been approved for development.

c Operating cash costs are costs directly related to the physical activities of producing gold; includes mining, milling, third-party smelting, and in-mine drilling expenditures that are related to production.

United States

United States gold production of 691,500 ounces at a cash cost of $221 per ounce during 1998 compares to production of 702,800 ounces at a cash cost of $286 per ounce during 1997 and 732,100 ounces at a cash cost of $283 per ounce during 1996. The slight decrease in production and significant decrease in costs during 1998 primarily reflects lower production at the Homestake mine in South Dakota and initial production from the new Ruby Hill mine in Nevada.

In January 1998, the Company began a major restructuring of underground operations at the Homestake mine to reduce operating costs. The new mine plan, which involved a workforce reduction of 450 employees, is designed to improve the grade of ore recovered through the increased use of mechanized cut-and-fill mining methods. Following an additional capital investment of approximately $30 million, the new plan contemplates annual gold production from the underground operations of 150,000 to 180,000 ounces of gold at a cash cost of $280 per ounce. The decision to proceed with the capital expenditure program will be made during the first half of 1999. Homestake mine production decreased to 277,400 ounces at a cash cost of $249 per ounce in 1998 from 397,300 ounces at a cash cost of $310 per ounce during 1997 and 407,300 ounces at a cash cost of $304 during 1996. The lower production and decrease in cash costs during 1998 reflects a decrease in the production levels in the higher-cost, higher-grade underground operations and an increase in the rate of processing the lower-cost, lower-grade Open Cut ore. Mining at the Open Cut was completed in September 1998 and the processing of remaining stockpiled ore will be completed during the second quarter of 1999.

The Ruby Hill mine, which commenced commercial production effective January 1, 1998, produced 116,500 ounces of gold in 1998 at a cash cost of $122 per ounce. Production from the mine exceeded expectations in 1998 due to higher ore grades.

Production at the McLaughlin mine in northern California totaled 128,700 ounces in 1998 compared to 118,500 ounces during 1997 and 185,500 ounces during 1996. In June 1996, mining operations were completed and the autoclaves were shut down as the orebody was depleted. Through 2002, lower-grade stockpiled ore will be processed through a conventional carbon-in-pulp circuit. Cash costs during 1998 were $219 per ounce compared to $254 per ounce during 1997 and $250 per ounce in 1996. The decrease in cash costs per ounce during 1998 is due to higher grades and cost containment measures. Production is expected to decrease and cash costs per ounce are expected to increase during 1999, as the higher-grade portion of the remaining stockpiles will be consumed by mid-1999.

Canada

Canadian gold production of 890,400 equivalent ounces at a cash cost of $166 per ounce during 1998 compares to production of 835,400 equivalent ounces at a cash cost of $186 per ounce during 1997 and 858,900 equivalent ounces at a cash cost of $200 per ounce during 1996. The increase in production and decrease in costs during 1998 primarily reflects higher production at the Eskay Creek mine in British Columbia and a weaker Canadian dollar, partially offset by lower production at the Hemlo mining camp in Ontario and at the Snip mine in British Columbia.

Production at the Eskay Creek mine, consisting of payable gold and silver in ore and concentrates sold, increased to 504,800 equivalent ounces of gold during 1998 from 417,300 and 372,300 equivalent ounces in 1997 and 1996, respectively. Cash costs per equivalent ounce, including third-party smelter costs, decreased to $133 during 1998 from $157 per equivalent ounce during 1997 and $170 per equivalent ounce during 1996. The increase in 1998 production primarily is due to the new gravity/flotation mill commissioned in December 1997, which produced concentrates containing 107,300 equivalent ounces of gold, and the effect of a lower gold/silver equivalency. Eskay Creek silver production is converted to gold equivalent production using the ratio of the gold market price to the silver market price. During 1998, the Company converted silver to gold using an equivalency factor of 52.6 ounces of silver equals one ounce of gold production compared to equivalency factors of 68.2 ounces and 74.9 ounces of silver equals one ounce of gold production in 1997 and 1996, respectively. Cash costs per equivalent ounce declined in 1998 due to the lower-cost production from the mill and the weaker Canadian dollar. The lower 1997 costs per ounce compared to 1996 primarily were a result of increased ore sales, higher gold grades, productivity improvements, and a decrease in the gold/silver equivalency ratio, partially offset by lower silver grades.

The Company's share of gold production from the Williams mine in the Hemlo mining camp amounted to 195,200 ounces at a cash cost of $217 per ounce during 1998 compared to 201,100 ounces at a cash cost of $229 per ounce during 1997 and 205,500 ounces at a cash cost of $222 per ounce during 1996. The production decreases in 1998 and 1997 were due to declines in ore grades, partially offset by increased throughput. The Company's share of production at the David Bell mine, also in the Hemlo mining camp, amounted to 79,800 ounces at a cash cost of $200 per ounce during 1998 compared to production of 90,000 ounces at a cash cost of $194 per ounce during 1997 and 97,700 ounces at a cash cost of $172 per ounce during 1996. The decline in production in 1998 is due to lower ore grades as the grade of ore mined more closely approximates the remaining average reserve grade. The decrease in production during 1997 from 1996 was due to lower ore grades, partially offset by higher throughput. Operation of the David Bell mill is expected to be discontin-

$47 million, $25 million and $43 million in 1998, 1997 and 1996, respectively. The estimated fair value of the Company's gold and silver hedging position at December 31, 1998 was approximately $81 million.

A significant portion of the Company's operations are located in Australia and Canada. The Company's profitability is impacted by fluctuations in these countries' currency exchange rates relative to the United States dollar. Under the Company's foreign currency protection program, the Company has entered into a series of foreign currency option contracts which establish trading ranges within which the United States dollar may be exchanged for Australian and Canadian dollars. The average Canadian/U.S. dollar exchange rate decreased from $0.7331 in 1996 to $0.7224 in 1997 and to $0.6748 in 1998, and the average Australian/U.S. dollar exchange rate decreased from $0.7834 in 1996 to $0.7442 in 1997 and to $0.6297 in 1998. As a result, the Company recorded foreign currency losses of $34.3 million and $28.5 million during 1998 and 1997, respectively, under this program compared to a foreign currency gain of $1.6 million during 1996. At December 31,1998 the Company had net unrealized losses of $24 million on open contracts under this program.

See notes 2 and 20 to the consolidated financial statements for additional information regarding the Company's hedging programs and the future adoption of Statement of Financial Accounting Standard No. 133,"Accounting for Derivative Instruments and Hedging Activities".

Revenues from gold, ore and concentrate sales totaled $782.2 million during 1998 compared to revenues of $863.6 million in 1997 and $921.7 million in 1996. The decrease in revenues in 1998 from 1997 primarily is due to lower gold prices. The decrease in revenues in 1997 from 1996 is due to lower gold prices, partially offset by higher production. During 1998, the Company realized an average price of $312 per gold equivalent ounce compared to $353 per gold equivalent ounce in 1997 and $406 per gold equivalent ounce in 1996. Gold equivalent production totaled 2,531,700 ounces during 1998 compared to 2,528,900 ounces during 1997 and 2,417,900 ounces during 1996.

Consolidated Production Costs per Ounce

(per ounce of gold)	**1998**	1997	1996
Direct mining costs	**$185**	$222	$244
Deferred stripping adjustments	**1**	5	1
Costs of third-party smelters	**12**	14	14
Other		1	(4)
Cash Operating Costs	**198**	242	255
Royalties	**3**	3	4
Production taxes	**1**	1	2
Total Cash Costs	**202**	246	261
Depreciation and amortization	**50**	54	57
Reclamation	**6**	3	5
Total Production Costs	**$258**	$303	$323

Homestake's reported consolidated cash cost per gold equivalent ounce was $202 during 1998 compared to $246 and $261 during 1997 and 1996, respectively. The lower cash cost per ounce in 1998 reflects the effect of the Company's cost containment efforts, weaker Australian and Canadian currencies, the impact of initial production at the low-cost Ruby Hill mine, higher production at the low-cost Eskay Creek mine and a decrease in production at the high-cost Homestake mine. Cash costs per ounce decreased during 1997 compared to 1996 primarily due to a weaker Australian dollar, higher production at the Kalgoorlie, Plutonic and Lawlers operations, higher shipments and higher grades at the Eskay Creek mine and higher production at the Round Mountain mine, partially offset by lower grades at the Williams and David Bell mines.

Homestake's total noncash cost per equivalent ounce was $56 during 1998 compared to $57 and $62 per ounce during 1997 and 1996, respectively. The decrease in noncash costs in 1997 from 1996 primarily was due to reserve expansions at the Eskay Creek and Snip mines. In 1999, noncash costs per ounce are expected to remain at current levels as the additional depreciation charges resulting from the acquisition of the Prime minority interests will be offset by reduced depreciation charges following the resource asset write-downs recorded at September 30, 1998.

Reconciliation of Total Cash Costs per Ounce to Financial Statements

(millions of dollars, except per ounce amounts)	**1998**	1997	1996
Production Costs per Financial Statements	**$537.3**	$627.6	$615.5
Costs not included in Homestake's production costs:			
Costs of third-party smelters[a]	**32.4**	34.5	33.1
Production costs of consolidated joint ventures	**(4.6)**	(3.3)	
Production costs of equity-accounted investments	**1.9**	1.9	12.9
Sulfur and oil production costs	**(24.2)**	(25.4)	(23.2)
Reclamation accruals	**(13.4)**	(9.0)	(11.3)
By-product silver revenues	**(3.1)**	(2.6)	(3.1)
Inventory movements and other	**(13.8)**	(6.4)	6.8
Production Costs for Per Ounce Calculation	**$512.5**	$617.3	$630.7
Ounces Produced during the Year (in thousands)	**2,532**	2,529[b]	2,418
Total Cash Costs Per Ounce	**$ 202**	$ 246	$ 261

a. Eskay Creek sells ore and concentrates containing gold and silver directly to third-party smelters. For comparison purposes, cash operating costs per ounce include estimated third-party costs incurred by smelters and others to produce marketable gold and silver.

b. Includes 16,600 ounces produced at the Ruby Hill mine during 1997, prior to commercial production, which are excluded from the cost per ounce calculation.