

DIRECTORS' REPORT TO THE SHAREHOLDERS

In 1989 the Company posted its best earnings in 10 years and paid the highest dividends in its history. Net earnings were \$24,310,000 or \$2.02 per share on revenues of \$104,717,000. Net earnings in 1988, when a labour dispute restricted operations to 23 weeks, were \$8,339,000 or \$0.69 per share on revenues of \$50,013,000.

Gibraltar's earnings record over the past three years results from higher copper prices and the control of costs, despite the mining of deeper, harder, lower-grade ore as the operation matures. In 1989 the copper price on the London Metal Exchange averaged US\$1.29 per pound compared to US\$1.18 per pound in 1988.

Also contributing to earnings was the sale of a record 15,000,000 pounds of cathode copper, 5,000,000 pounds of which was produced during the 1988 strike and stockpiled for sale in 1989.

MARKETING

Copper consumption remained strong throughout the year with western world demand reaching an estimated 9,356,000 tons (1988 - 9,280,000 tons). The favourable market conditions were supported by unforeseen concentrate supply problems caused by production interruptions in Chile, Zambia, Papua New Guinea and Canada.

While the total supply of copper remained stable, some suppliers were affected by intermittent shortages which compelled them to buy copper metal on the open market to fulfill their contracted orders. This had the effect of bringing more buyers to the market, which helped support the price.

The production interruptions and resulting shortfalls drove the copper price to US\$1.60 per pound in early January. Over the year, the London Metal Exchange grade A price averaged US\$1.29 per pound (1988 - US\$1.18). Inventories were drawn down to low levels, but were increasing by year-end with exchange stocks totalling 135,000 tons (1988 - 77,000).

Western world production of refined copper was estimated at 9,025,000 tons, 1.8% higher than in 1988. Mine production is forecast to increase substantially in 1990, if the industry remains free of the interruptions which marked the industry in 1989. Western world production of

cathode copper continues to expand.

Ocean freight rates increased significantly, resulting in increased costs for the transportation of Gibraltar concentrate to Japan. Smelter charges may also rise when terms are agreed to in the first quarter of 1990.

Molybdenum prices weakened considerably during the second-half of the year, due to oversupply caused mainly by new or expanded production coming on stream in the United States. The 1989 Metals Week price averaged US\$3.34 per pound of molybdenum contained in molybdic oxide compared to US\$3.44 per pound in 1988.

Western world demand for molybdenum continued to expand, but not fast enough to keep up with the growth in production. Demand increased approximately 3% in 1989 to 203,000,000 pounds, while production increased by about 24% to 215,000,000 pounds. All of Gibraltar's molybdenum production was sold to Placer Dome Inc. at prevailing market prices.

OPERATIONS

Operations continued in 1989 in accordance with the long-term mining plan which limits costs by minimizing the need for major development work and capital expenditures. The mine continues to seek opportunities to improve the cost-efficiency of its operations.

In 1989, millfeed requirements continued to be met mainly from Stage 2 mining of the Granite Lake pit. Stage 3 mining of the Pollyanna pit will provide much of the millfeed for four years starting in 1990. In 1991 production from Stage 3 mining of the Gibraltar East pit will start to be phased in.

A total of 12,873,000 tons of ore was mined (1988 - 6,050,000) at a strip ratio of 1.02:1 (1988 - 1:1). Approximately 71% of millfeed was from the Granite Lake Stage 2 pit, 16% from the Pollyanna Stage 2 pit and 13% from the Pollyanna Stage 3 pit.

Under a 1973 agreement with Cuisson Lake Mines Limited, in which Gibraltar has a 41% interest, the Company processes ore from adjoining Cuisson claims. The ore is purchased at prevailing market prices, net of development and processing costs. In 1989 ore mined from Cuisson claims within the Granite Lake pit totalled

2,203,000 tons (1988 - 1,867,000).

Average mine production for the year was 71,200 tons per day (1988 - 68,300) at an overall cost of \$0.54 per ton mined (1988 - \$0.50). An increase in ore and waste production from 63,800 tons to 75,000 tons per day by year-end was necessary to ensure a continuous supply of millfeed while phasing operations from the Granite Lake Stage 2 pit to Pollyanna Stage 3.

During the year 1,865,000 tons of overburden and 6,825,000 tons of waste were mined from the Pollyanna Stage 3 pit. Total waste and overburden mined from all pits was 13,108,000 tons.

The mill processed 13,206,000 tons of ore grading 0.29% copper and 0.017% molybdenum disulphide (1988 - 6,033,000 tons, 0.32%, 0.014%). Mill operating time averaged 97.6% and daily throughput averaged 36,200 tons (1988 - 36,600 tons). Copper recovery averaged 80.1% and molybdenum recovery averaged 45.0% (1988 - 78.6% and 18.0%).

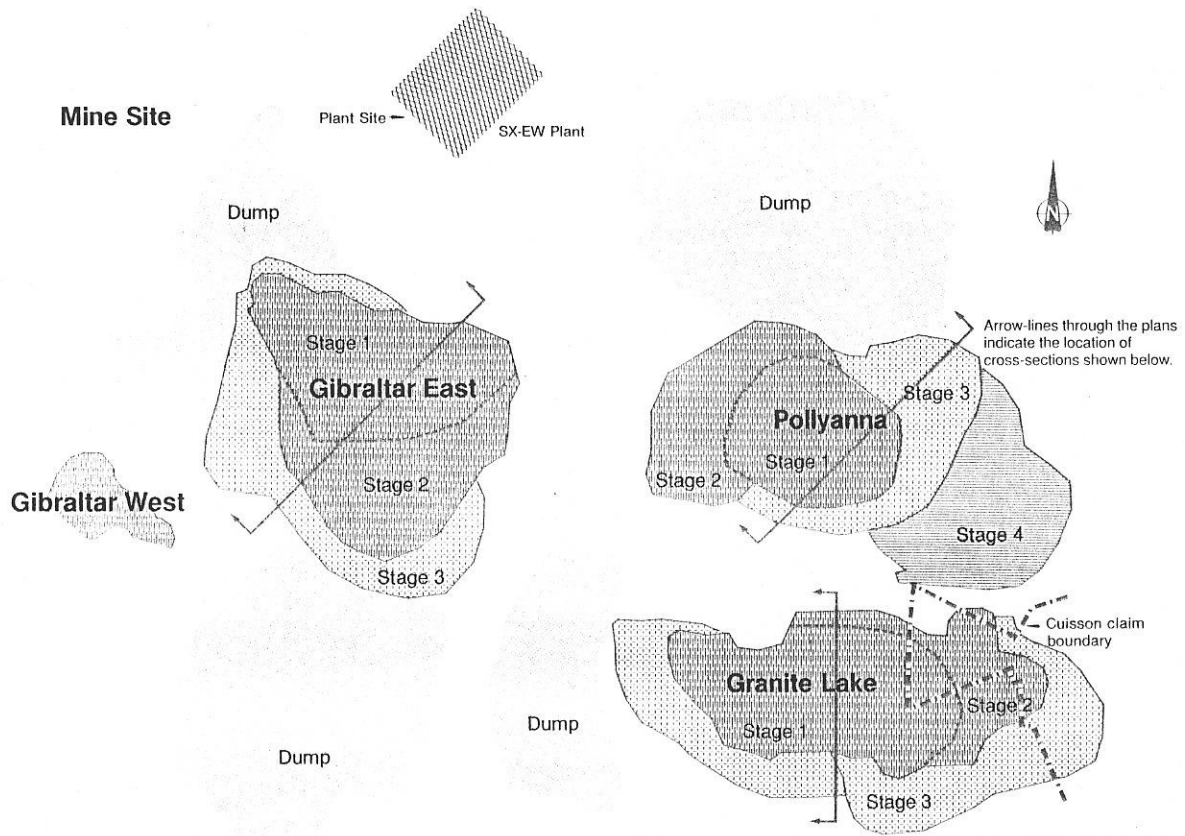
The substantial improvement in molybdenum recovery was due to circuit modifications together with better head grades. Improved recoveries which resulted from plant automation and computer-assisted control are expected to continue into 1990. A total of 103,700 tons of copper concentrate was produced containing 61,636,000 pounds of copper (1988 - 54,600 tons and 29,997,000 pounds). Molybdenum concentrate production contained 1,196,000 pounds of molybdenum (1988 - 249,000).

CATHODE PLANT

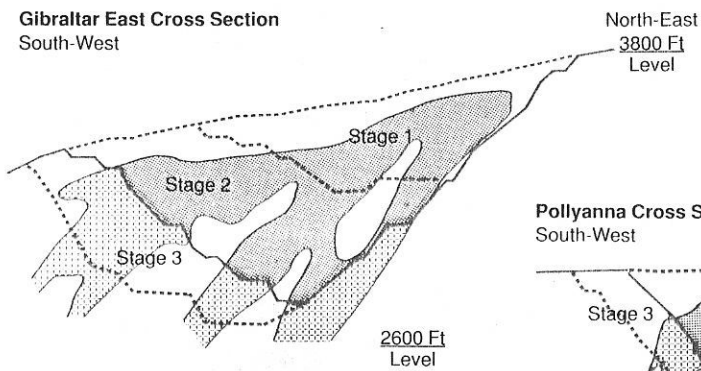
Since commissioning in 1986 the operation of the cathode plant has supplemented mine production with significant quantities of high-grade copper leached from dumps previously designated as waste.

In 1989 the cathode plant produced 8,840,000 pounds of copper (1988 - 11,117,000 pounds). The low production was a result of declining feed grades from areas which have been partially depleted.

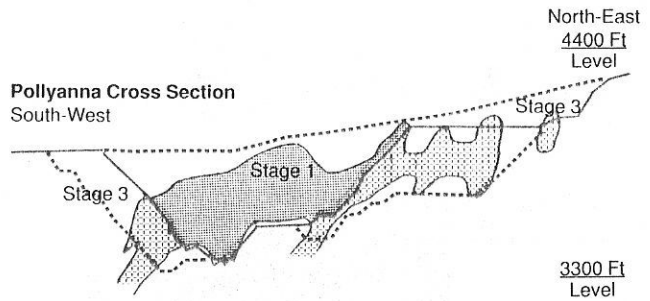
In an attempt to improve feed grades the first stage of a three-stage project to leach No. 5 dump was completed and started contributing to plant feed in October 1989.





Gibraltar East Cross Section
South-West



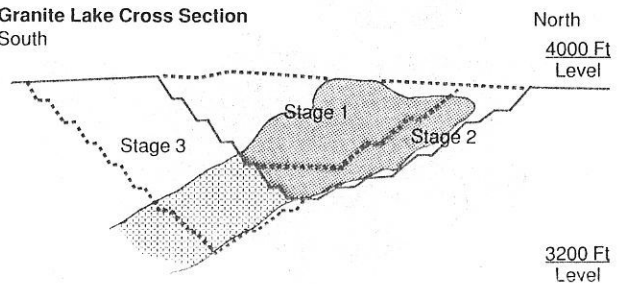
Pollyanna Cross Section
South-West



 Projected ore

 Mined-out ore

Granite Lake Cross Section
South





ORE RESERVES

At year-end, mineable reserves at a cut-off grade of 0.20% copper and a strip ratio of 1.43:1 were estimated to be:

Zone	Tons	% Copper	% Molybdenum
Gibraltar East	68,297,000	0.291	0.007
Pollyanna	61,219,000	0.316	0.010
Granite Lake	54,535,000	0.337	0.010
Total	184,051,000	0.313	0.009

The tonnage mined and processed will be determined by future copper prices, operating costs and taxes.

Not included in the above are reserves of Cuisson Lake Mines which cover part of the Granite Lake zone and are estimated at 3,647,000 tons grading 0.343% copper and 0.011% molybdenum. The strip ratio is 3.72:1. This material will be mined in the sequence established by the overall mining plan covering the life of the mine. A negligible amount of ore is expected to be mined from Cuisson claims in 1990.

Current cathode copper leach reserves are 110,000,000 tons at 0.116% copper. This represents 10 years of production at an annual rate of 10,200,000 pounds of cathode, assuming a 40% recovery.

EXPLORATION

Delineation diamond drilling of 17,876 feet was completed within the Gibraltar East and Granite Lake ore zones. Results confirmed previous ore projections. A much-reduced programme is planned for 1990. General objectives are to finalize ore definition within the Granite Lake Stage 3 pit, and to refine ore reserves within the Pollyanna pit.

Off-property exploration was confined mainly to the optioned Cruiser Lake and Doreen Lake gold prospects located south-east of Horsefly, British Columbia. Results on the Cruiser Lake property have been negative and the option was terminated. On the Doreen Lake property a 4,000-ft. diamond drilling programme was completed with initial results indicating anomalous concentrations of gold and copper. The objective of the 1990 exploration work will involve determining the feasibility of extending the Doreen option agreement with Eureka Resources Inc. beyond March 1991. In addition, the current programme of acquiring favourable mineral properties will be continued in 1990.

An on-property exploration programme will be implemented in 1990 to explore the sulphide zone, with special emphasis on the area south and east of Granite Lake pit.

ENVIRONMENT

The British Columbia Ministry of Energy, Mines and Petroleum Resources

issued an amendment to Gibraltar's mine reclamation permit effective October 31, 1989. The amendment deals primarily with the operational changes related to the construction of the cathode copper plant and dump leaching in 1986.

The permit also includes an increase from \$335,000 to \$10,000,000 in the security required from the Company to cover reclamation costs and to provide for the treatment of acid rock drainage following eventual closure. The security was increased in 1989 to \$5,000,000, and additional security of \$1,000,000 is to be made annually from 1990 through 1994 for a total of \$10,000,000. The security has been provided in the form of Government of Canada bonds.

Approval in principle of Gibraltar's reclamation plan issued in April 1986 was included in the amended reclamation permit. Gibraltar is also required to conduct intensive research into aspects of land reclamation and treatment of acid rock drainage.

In 1989, mining and related construction activities resulted in the disturbance of 104 acres of land. Reclamation of 83 acres was made through contouring and seeding.

Reclamation research was conducted into the establishment of sport fish in man-made waterbodies, the growing of cereal grain crops on tailings material, the absorption of heavy metals by vegetation on reclaimed land compared to original vegetation,

and the prediction of acid rock drainage conditions of dumps at the closure of the cathode copper operations. This research will continue in 1990.

Activities planned for 1990 include the disturbance of 136 acres of land and the reclamation of 80 acres. New research projects are intended for better definition of post-operational conditions at the mine site.

Gibraltar continues its strong commitment to environmental protection. The closed-perimeter collection system designed to collect drainage from mine workings and waste dumps is operating well, as is the tailings seepage collection system. A collection system designed to contain potential spills from the tailings line is under construction and is expected to be completed by the spring of 1990.

EMPLOYEE RELATIONS

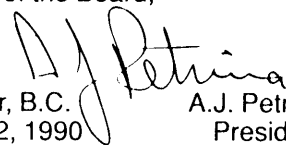
Relations between union and management were generally good during 1989 in contrast to the lengthy labour dispute experienced in 1988. Under the three-year collective agreement with CAIMAW (Local 18), a 4% wage increase was made on April 1, 1989 and a further 4% increase will be awarded on April 1, 1990. The agreement expires on March 31, 1991.

Payroll and benefit costs were \$14,271,000 (1988 - \$8,436,000). At year-end the number of employees was 291 (1988 - 248), reflecting recruitment to make up for the resignation of employees during the 1988 labour dispute.

Scholarships totalling \$8,000 were awarded to three students of the Williams Lake area studying mining-related post-secondary technical courses. In addition, donations were made in support of a number of employee recreational activities, community organizations and community projects, including \$50,000 to the Cariboo Memorial Hospital and \$85,000 to the McLeese Lake Recreation Commission.

The Directors wish to thank and commend employees for their dedication and service during 1989.

On behalf of the Board,


 Vancouver, B.C. February 2, 1990
 A.J. Petrina
 President

FIVE-YEAR SUMMARY



	1989	1988	1987	1986	1985
OPERATIONS (in thousands, except grade)					
Millfeed - tons	13,206	6,033	13,862	13,429	14,772
Grade - % copper.....	0.29	0.32	0.35	0.31	0.33
Production					
Copper concentrate - tons	104	55	130	109	147
Copper in concentrate - lbs.....	61,636	29,997	73,893	64,811	80,692
Cathode copper - lbs.....	8,840	11,117	8,637	1,475	-
Molybdenum - lbs.	1,196	249	1,234	1,271	1,568
Concentrate sales					
Copper.....	\$74,096	36,232	58,712	48,801	60,414
Molybdenum	2,615	2,433	3,401	6,879	3,361
Cathode copper sales.....	22,970	8,636	9,062	494	-
Net expenses and income taxes.....	75,967	39,582	68,187	60,731	64,021
Equity in earnings of associate	596	620	1,263	-	-
Net earnings (loss).....	24,310	8,339	4,251	(4,557)	(246)
FINANCIAL POSITION (in thousands)					
Cash and short-term investments.....	\$37,076	30,498	21,647	14,485	14,331
Working capital	30,387	41,916	32,658	22,752	25,179
Total assets.....	96,027	92,093	95,053	85,737	92,332
Shareholders' equity	60,164	70,774	67,251	67,630	68,189
PER SHARE					
Net earnings (loss).....	\$ 2.02	0.69	0.35	(0.40)	(0.02)
Dividends.....	2.90	0.40	0.40	0.05	0.15
Cash from operations	3.98	1.27	1.06	0.66	1.12
Book value	5.00	5.88	5.59	5.63	5.96
Price on Toronto Stock Exchange - high.....	13.00	12.75	13.50	10.88	11.00
- low	9.13	8.50	7.75	8.00	7.25
OTHER					
Average metal prices - US\$/lb.					
Copper (London Metal Exchange).....	1.29	1.18	0.80	0.62	0.64
Molybdenum (Metals Week)	3.34	3.44	2.90	2.87	3.25
Number of					
Employees.....	291	248	299	303	351
Shareholders	827	953	1,079	1,450	1,695