

VOS → Nickel Plate

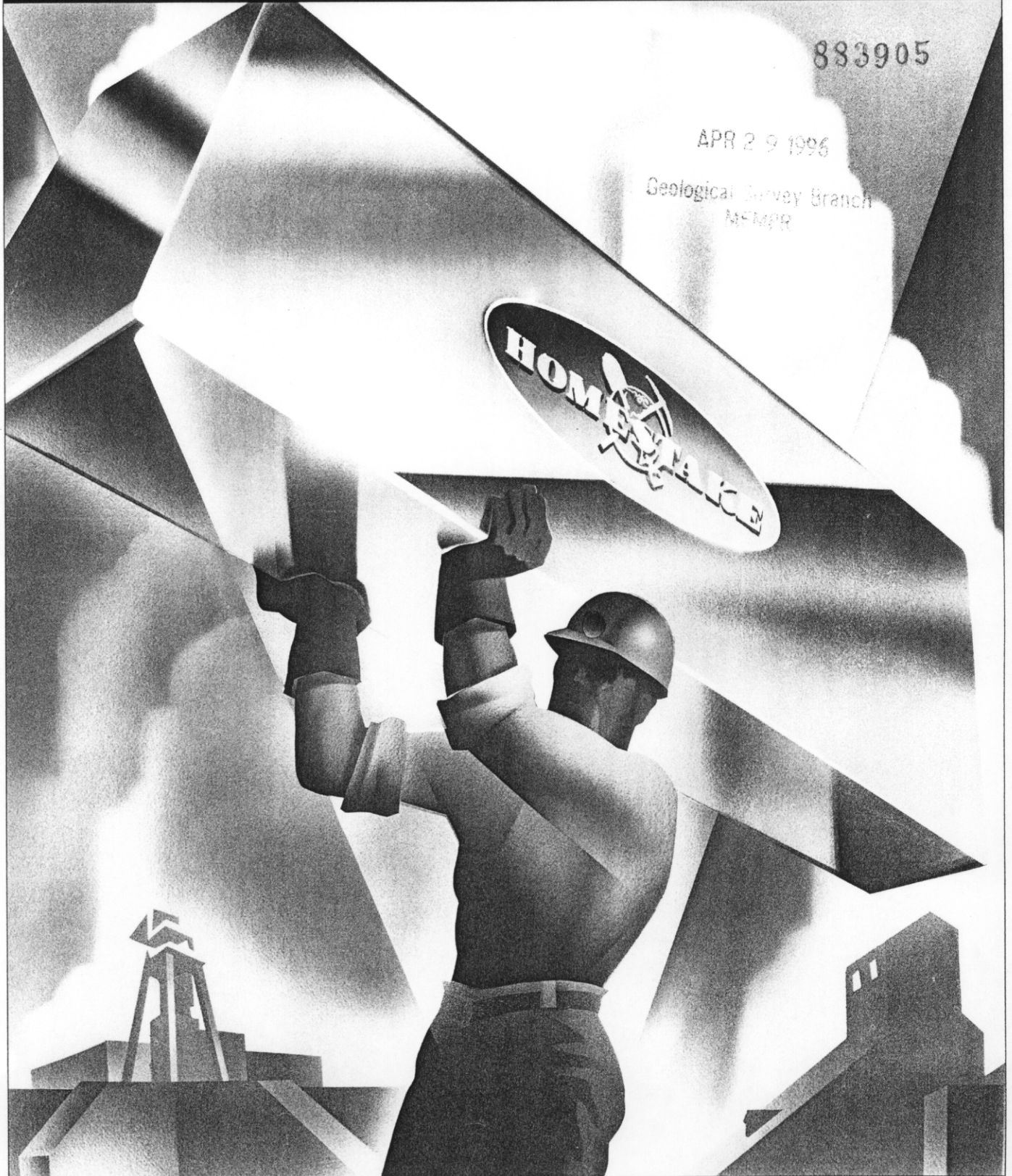
Homestake Mining Company

Opening A New Chapter

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Geological Survey Branch
MEMPHIS



ing flexibility. The decrease in production and increase in cash costs per ounce during 1994 was due to the processing of lower-grade ore, partially offset by a weakening Canadian dollar in relation to the United States dollar. Production from the mine is expected to increase during 1996.

Production at the *Nickel Plate mine* in Canada of 91,400 ounces during 1995 increased from 82,100 ounces produced during 1994 and 73,900 ounces produced during 1993. The increase in production during 1995 from 1994 primarily is due to the processing of higher-grade ore. The increase in production during 1994 from 1993 is also due to the processing of higher-grade ore following completion of the Stage IV pit expansion program. The estimate of the remaining ore reserves at the Nickel Plate mine was reduced during the fourth quarter of 1994 and again in the fourth quarter of 1995. The decreases in the ore reserves accelerated the recovery of the deferred stripping costs and resulted in corresponding increases in per unit cash costs. Total cash costs increased to \$379 per ounce in 1995 from \$349 per ounce in 1994 and \$310 per ounce during 1993. Gold production at the Nickel Plate mine is expected to cease by the end of the third quarter of 1996 as the ore reserves will be depleted.

Homestake Gold of Australia Limited's ("HGAL") share of production from the *Kalgoorlie operations* in Western Australia totaled 311,400 ounces during 1995 compared to 352,100 ounces during 1994 and 332,600 ounces during 1993. The 1995 results primarily reflect a temporary decline in production while the new Fimiston mill additions were integrated with the existing complex, and lower production at Mt. Charlotte due to operational difficulties which hampered production early in the year. The new mill, which was commissioned in August 1995, has increased total milling capacity at the Kalgoorlie operations to 33,500 TPD and allowed for further expansion of the Super Pit. The increase in production during 1994 was due to an increase in tons mined, higher grades, and improved recoveries from the Super Pit, partially offset by a decrease in production at Mt. Charlotte and an increase in the payment of gold to HGAL's joint venture partner under the disproportionate sharing arrangement. Total cash costs at the Kalgoorlie operations increased to \$296 per ounce during 1995 from \$257 and \$229 per ounce during 1994 and 1993, respectively. The increase in cash costs per ounce during 1995 from 1994 is primarily due to the temporary decline in production, while the increase in costs in 1994 from 1993 is primarily due to a strengthening in the Australian dollar in relation to the United States dollar.

In February 1995, the *El Hueso mine* ceased operations as reserves were depleted. Leaching of existing stockpiles will continue until mid-1996. The El Hueso property is leased from Codelco, a Chilean government agency, through the year 1998. Additional land, which is subject to 30% to 50% profit sharing with Codelco, has been leased through 2004. A 1995 exploration program on the additional land identified a new gold-bearing deposit, Manto Agua de la Falda, which contains an ore reserve of 1.0 million tons at a grade of 0.18 ounces of gold per ton. An engineering study is in progress to evaluate the most efficient method of processing this ore at the existing El Hueso plant. A preliminary agreement in principle has been reached with Codelco to form a new company to explore for and exploit additional resources.

Consolidated Production Costs per Ounce:

(per ounce of gold)	1995	1994	1993
Direct mining costs	\$233	\$250	\$235
Deferred stripping adjustments	2	(1)	(11)
Costs of third-party smelters	16	-	-
Other	(1)	(4)	(2)
Cash Operating Costs	250	245	222
Royalties	4	5	5
Production taxes	3	2	2
Total Cash Costs	257	252	229
Depreciation and amortization	46	41	49
Reclamation	5	7	2
Total Production Costs	\$308	\$300	\$280

During 1995, Homestake's overall total cash cost per equivalent ounce increased to \$257 from \$252 per ounce during 1994 and \$229 per ounce during 1993. The higher 1995 per ounce costs primarily reflect the temporary production declines at the Round Mountain, David Bell and Kalgoorlie operations and higher costs at the Homestake mine, partially offset by production from the new low-cost Eskay Creek mine. The increase in cash costs per ounce during 1994 compared to 1993 primarily was due to lower production at the Homestake and McLaughlin mines. The Company's overall noncash cost per equivalent ounce during 1995 was \$51 compared to \$48 per ounce and \$51 per ounce during 1994 and 1993, respectively. The increase in noncash costs per ounce during 1995 is a result of production from the new Eskay Creek mine which has higher per unit depreciation and amortization charges. The 1994 decline in noncash costs per ounce reflects lower per unit depreciation charges as a result of ore reserve expansions at several operations.

Statistical Summary

	Gold Production ¹				Production Costs Per Ounce			
	Interest ¹ %	Tons Milled (millions)	Grade (oz/ton)	Recovery (%)	Ounces Produced	Operating Cash(c)	Other Cash(d)	Noncash(e)
1995								
United States								
Homestake	100	2.5	0.171	96	402,867	\$292	\$11	\$ 32
McLaughlin	100	2.3	0.120	88	241,772	234	8	111
Round Mountain ²	25	7.8	0.018	71	86,109	231	23	74
Santa Fe	100	—	—	—	16,667	118	21	—
Joint Ventures	—	—	—	—	35,875	254	24	56
Ruby Hill	100	—	—	—	—	—	—	—
Canada								
Eskay Creek ^{3,4}	100	0.1	3.357	95	331,300	182	3	45
Williams	50	1.3	0.163	95	202,561	214	8	38
David Bell ⁵	50	0.2	0.347	94	86,523	192	11	48
Nickel Plate	100	1.5	0.077	81	91,365	379	—	56
Snip ⁵	40	0.1	0.751	91	51,310	175	—	56
George Lake	74	—	—	—	—	—	—	—
Australia								
Kalgoorlie	50	5.4	0.068	88	311,416	296	—	46
Chile								
El Hueso ⁶	100	0.6	0.047	68	19,564	403	—	23
Manto Agua de la Falda	51	—	—	—	—	—	—	—
Total production					1,877,329	\$250	\$ 7	\$ 51
Minority interests					(245,652)			
Homestake's share of gold					1,631,677			
1994								
United States								
Homestake	100	2.6	0.160	95	393,934	\$284	\$ 7	\$ 31
McLaughlin	100	2.2	0.126	87	250,453	241	8	79
Round Mountain ²	25	6.5	0.021	79	105,877	153	29	61
Santa Fe	100	—	—	—	22,361	163	6	170
Joint Ventures	—	—	—	—	40,145	234	23	57
Ruby Hill	100	—	—	—	—	—	—	—
Canada								
Eskay Creek ^{3,4}	100	—	—	—	—	—	—	—
Williams	50	1.3	0.184	95	222,660	191	12	42
David Bell ⁵	50	0.3	0.399	94	103,854	156	11	44
Nickel Plate	100	1.4	0.070	81	82,117	349	—	54
Snip ⁵	40	0.1	0.743	92	51,592	173	—	59
George Lake	74	—	—	—	—	—	—	—
Australia								
Kalgoorlie	50	5.4	0.078	88	352,081	257	—	41
Chile								
El Hueso ⁶	100	2.7	0.035	80	56,447	396	—	13
Mines sold ⁷	—	—	—	—	14,868	268	—	29
Total production					1,696,389	\$245	\$ 7	\$ 48
Minority interests					(89,826)			
Homestake's share of gold					1,606,563			
Eskay Creek – silver								
1995								
1994								

	Reserves (a) ⁸			Mineralized Material (b) ⁸		
	Tons (millions)	Grade (oz/ton)	Contained Ounces (thousands)	Tons (millions)	Grade (oz/ton)	Contained Ounces (thousands)
	26.0	0.197	5,119	24.8	0.168	4,166
	19.3	0.068	1,315	—	—	—
	127.2	0.020	2,500	19.6	0.020	390
	—	—	—	—	—	—
	5.9	0.043	254	—	—	—
	7.6	0.099	755	9.2	0.067	614
	0.6	1.875	1,067	0.1	0.879	101
	18.4	0.150	2,749	4.3	0.121	518
	3.0	0.300	911	—	—	—
	0.9	0.079	74	—	—	—
	0.1	0.776	60	—	0.685	20
	—	—	—	2.6	0.322	824
5	92.1	0.072	6,591	82.1	0.064	5,202
3	—	—	—	—	—	—
—	0.5	0.181	95	—	—	—
1	—	—	—	—	—	—
	301.6		21,490	142.7		11,835
31	20.4	0.203	4,138	27.1	0.157	4,261
79	22.1	0.075	1,665	—	—	—
61	87.2	0.022	1,950	26.8	0.024	654
70	—	—	—	—	—	—
57	5.9	0.041	243	—	—	—
—	—	—	—	13.6	0.108	1,467
—	0.6	1.910	1,151	—	—	—
42	17.0	0.166	2,835	5.2	0.130	669
44	3.0	0.318	948	—	—	—
54	2.9	0.077	223	—	—	—
59	0.1	0.797	89	—	0.729	20
—	—	—	—	2.6	0.322	824
41	64.7	0.073	4,695	43.5	0.076	3,291
13	0.1	0.039	5	—	—	—
29	—	—	—	—	—	—
48	—	—	—	—	—	—
	224.0		17,942	118.8		11,186
	0.6	83.4	47,439	0.1	55.99	6,431
	0.6	85.5	51,507	—	—	—

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 an estimate of tonnage and grade of a mineral deposit with potential economic merit. Estimates of tonnage and grade are made on the basis of continuity, size and shape of mineralization. The extent of sampling required to quantify the estimate will vary with the level of geological understanding. Tonnage and grade estimates include provision for mining dilution.
- (c) Operating cash costs are costs directly related to the physical activities of producing gold; includes mining, milling, third-party smelting and in-mine exploration expenditures that are related to production.
- (d) Other cash costs are costs that are not directly related to, but may result from, gold production; includes production taxes and royalties.
- (e) Noncash costs are costs that typically are accounted for ratably over the life of an operation; includes depreciation, depletion, final reclamation and the amortization of the economic cost of property acquisitions, but excludes amortization of SFAS 109 deferred tax purchase adjustments relating to property acquisitions.

- ¹ Homestake's proportionate interest including minority interests.
- ² Recovery relates to the reusable pad at the Round Mountain mine.
- ³ Includes ounces of gold contained in ore or concentrates sold to smelters.
- ⁴ Gold and silver are accounted for as co-products at Eskay Creek. Silver production is converted into gold equivalent, using the ratio of the gold market price to the silver market price. The ratio was 73.8 ounces of silver equals one ounce of gold production for the year ended December 31, 1995. Reserves and mineralized material relate to gold only.
- ⁵ Ounces produced includes 7,140 ounces and 7,745 ounces of gold production from the Quarter Claim in 1995 and 1994, respectively. Reserves include a 25% net profits interest in Quarter Claim.
- ⁶ Recovery and grade relate to the higher-grade ore at the El Hueso mine.
- ⁷ Includes production from the Torres mining complex and Dee mine in 1994.
- ⁸ Homestake's proportionate interest, excluding minority interests, except that Kalgoorlie reserves and mineralized material at December 31, 1995 reflect completion of the acquisition of the HGAL minority interests.

Effective January 1, 1996 Homestake adopted the "Gold Institute Production Cost Standard" for reporting of per ounce production costs. All per ounce production costs in this annual report are presented on this basis.