HOMESTAKE

ROY R. CELLAN
CORPORATE MANAGER
RECLAMATION

ENVIRONMENTAL, HEALTH, SAFETY
AND GOVERNMENT AFFAIRS

July 26, 2000

U.S. Nuclear Regulatory Commission
Division of Waste Management
11555 Rockville Pike
Rockville, MD 20852-2738

Attn: Mr. Ken Hooks
NRC Project Manager

Re: Docket No. 40-8903
License No. SUA-1471
Financial Surety Documentation for 2000

Dear Mr. Hooks:

Please find enclosed a copy of the 1999 Annual Report for Homestake Mining Company. Our corporate office evidently omitted this when submitting, to the NRC, the necessary documentation to support Homerstake's 2000 financial surety. I will remind them to include this year's report when submitting supporting documentation next year.

If you have any questions, please call me at Grants at (505) 287-4456.

Sincerely,

HOMESTAKE MINING COMPANY
P.O. BOX 98 • GRANTS, NM 87020-0011

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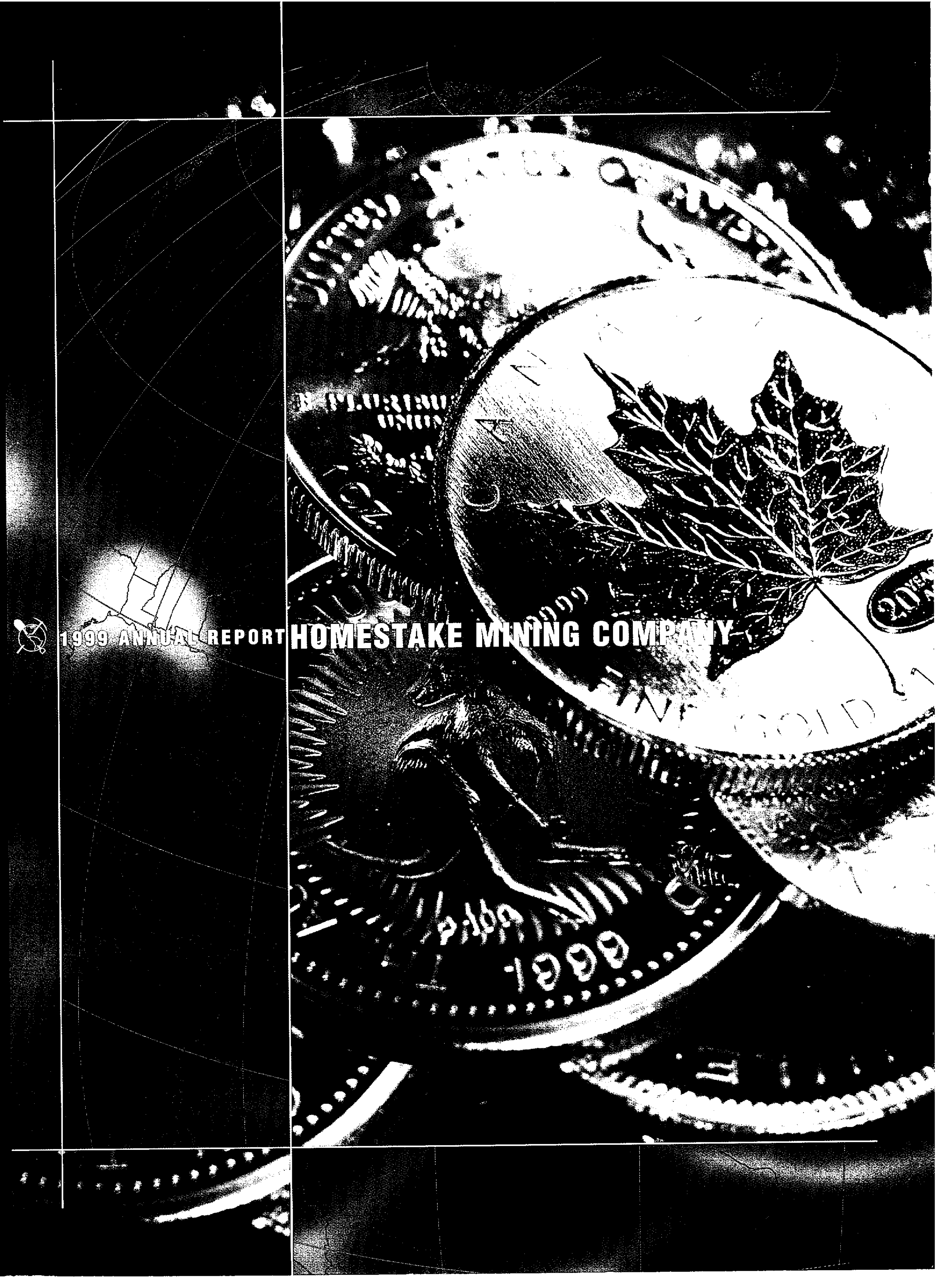

HOMESTAKE MINING COMPANY

1999 ANNUAL REPORT

USA CANADA AUSTRALIA ARGENTINA CHILE

Contents

About the Cover

For centuries, gold coins have been the embodiment of economic power and financial independence for the jurisdictions that have minted them. Shown on the cover are gold coins minted by five jurisdictions in which Homestake conducts its operations. The coins are courtesy of Mish Incorporated of Menlo Park, California.

Corporate Profile

Homestake Mining Company is an international gold-mining company with operations and exploration projects in the United States, Australia, Canada and South America. In 1999, Homestake's attributable gold and equivalent production, which includes silver expressed as an equivalent amount of gold, was 2.4 million ounces, an all-time record. The cash cost of this production was $192 per equivalent ounce, the lowest in over 20 years.

Homestake has maintained a major role in the gold mining industry for over 120 years. Since 1990, the Company has produced 17 million gold and equivalent ounces. At the end of 1999, Homestake's share of proven and probable reserves amounted to 18.8 million ounces of gold and 110 million ounces of silver. Homestake operates both underground and open pit mines and uses a variety of mineral processing methods to extract gold, including conventional milling, heap leaching and roasting. The Company has received numerous industry awards for its superior record in the environmental, health and safety areas.

Homestake's common shares are listed on the New York Stock Exchange, the Australian Stock Exchange, and the Swiss Stock Exchanges in Basel, Geneva and Zurich. Homestake Canada Inc. Exchangeable Shares, which can be exchanged into Homestake's common shares at any time, are listed on the Toronto Stock Exchange.

About this Report

Homestake operates in four distinct geo-political areas. Starting with this 1999 report, Homestake will select one area for expanded coverage. In 1999, it's Canada, which hosts 35% of Homestake's reserves and provides 38% of production.

All financial figures are presented in United States dollars unless stated otherwise.

Highlights

	For the year ended December 31,	
	1999	1998
Financial Results (millions)		
Revenues	**$ 748.1**	$ 797.9
Net income (loss)	**4.9**	(233.8)
Cash flow from operations	**117.3**	115.1
Capital expenditures	**104.9**	73.3
Financial Position (millions)		
Cash and short-term investments	**$ 266.6**	$ 301.9
Total assets	**1,634.5**	1,660.6
Total debt	**315.7**	357.4
Shareholders' equity	**765.4**	739.2
Debt to equity ratio	**41%**	48%
Share Data		
Net income (loss) per share	**$ 0.02**	$ (1.01)
Dividends per share	**0.08**	0.10
Average number of common shares outstanding (millions)	**260**	232
Gold Operations		
Attributable production (thousands of equivalent ounces)	**2,390**	2,258
Realized gold price per ounce	**$ 290**	$ 312
Cash cost per equivalent ounce	**192**	209
Noncash cost per equivalent ounce	**54**	56
Gold equivalent ratio	**52.7**	52.6
Proven and Probable Reserves (millions of ounces)		
Gold	**18.8**	19.0
Silver	**110**	113

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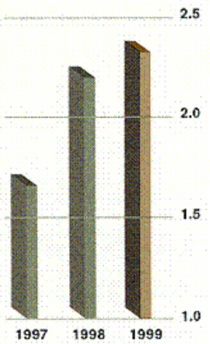
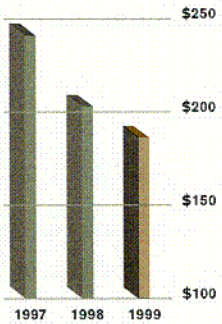
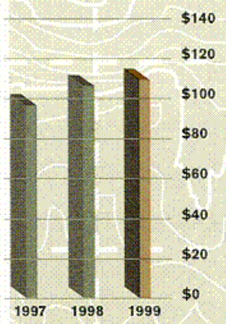


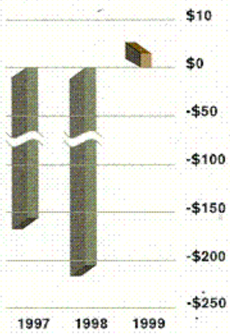
Attributable Gold Production
(millions of equivalent ounces)



Cash Cost
(per equivalent ounce)



Cash Flow from Operations
(millions)



Net Income
(millions)

HOME STAKE MINING

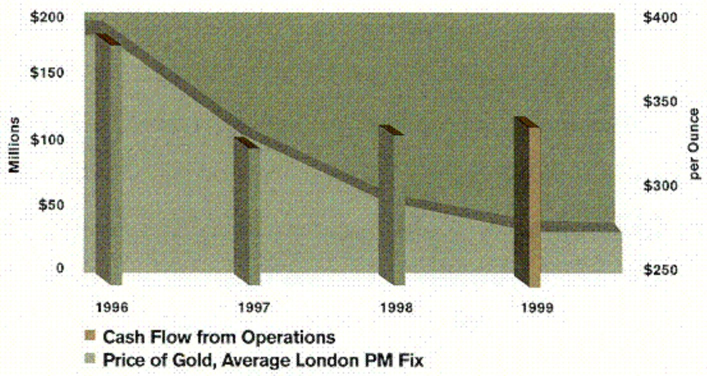
Letter to Shareholders

The year 1999 represented a milestone for Homestake.

- Our earnings per share were $0.02 (compared to a $1.01 loss in 1998), despite a $22 per ounce reduction in the average realized price for gold.
- Our attributable gold and equivalent production reached a new record high of 2.4 million ounces.
- The average cash and total production costs decreased to $192 and $246 per equivalent ounce, respectively, the lowest in over 20 years.
- Our unit corporate and administrative costs continued to drop and are approximately 60% of the level they were ten years ago.
- We reduced our total debt position.
- We further improved upon last year's record safety performance, setting a new low in lost-time and all-injury incidence frequencies.
- We received several prestigious environmental awards, which reinforce Homestake's position as a leader in environmental protection.
- We enhanced our future prospects by successfully completing the acquisition of Veladero, a major development project in Argentina.

These landmark achievements, however, were somewhat overshadowed by continued weakness in the price of gold. In 1999, the average gold price was approximately $15 per ounce lower than in 1998. In fact, in the last four years alone, the price of gold has dropped by approximately $109 per ounce or 28%. In July 1999, it reached $253 per ounce, its lowest level in more than 20 years.

In relation to Homestake's 124-year history, these periods of low gold prices can only be viewed as short-term fluctuations. We continue to believe in gold as a long-term store of value. Our strategy is to use periods of downturn as opportunities to make the Company stronger and more competitive for the future. Over the last ten years, Homestake has acquired and internally generated a strong complement of low cost mines which produced 17 million gold equivalent ounces.



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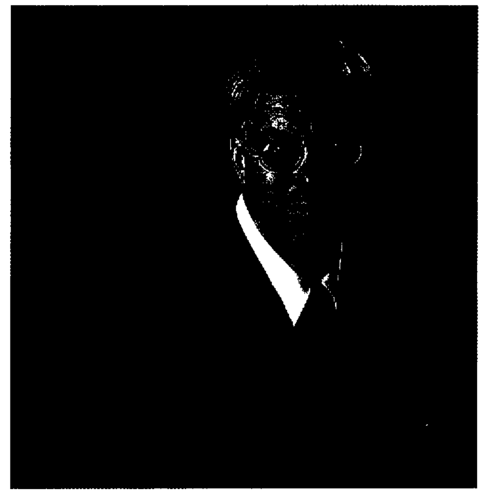
Our mission is to be the most successful gold company. Today, as never before, we have all the necessary ingredients to achieve this mission.



At the same time, we have increased reserves by approximately seven million equivalent ounces and reduced average cash costs by $72 per equivalent ounce.

The past is only important as it positions the Company for the future. Homestake has never had a foundation as solid and promising as it has now. Over the last few years, we have built a cohesive team of highly skilled, energetic and motivated professionals capable of undertaking any challenge facing our organization. Homestake's assets, all located in stable geo-political environments, are annually generating over $100 million of cash flow from operations, even in today's low gold price environment. To continue generating cash at this rate, we must ensure that our operating and corporate costs remain low. To that end, in the year 2000, we will be relocating our corporate headquarters from San Francisco to Walnut Creek, California.

Our balance sheet is strong and our improved portfolio of exploration and development projects assures us of a solid production profile for many years to come. We continue to remain largely unhedged and well poised to fully benefit from a future recovery in the price of gold. Our mission is to be the most successful gold company. Today, as never before, we have all the necessary ingredients to achieve this mission.

On behalf of the Board of Directors, we would like to thank all employees of Homestake for their hard work and dedicated efforts in making 1999 such a successful year on so many fronts. We would also like to thank Dr. Douglas W. Fuerstenau and Mr. G. Robert Durham, who in 1999 retired from the Board, for their valuable guidance and advice over the many years they served Homestake and its shareholders.

Jack E. Thompson,
Chairman and Chief Executive Officer

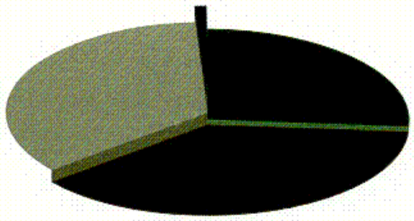
Walter T. Segsworth
President and Chief Operating Officer
February 26, 2000

. . . substantial advances were achieved through a deliberate and determined effort over the last decade to select appropriate operating assets and carefully develop and improve them.

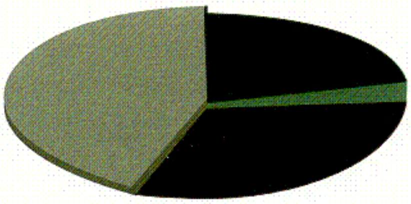
IN 1999, HOMESTAKE'S ATTRIBUTABLE GOLD PRODUCTION amounted to 2.4 million equivalent ounces, an all-time corporate record. Cash costs averaged $192 per equivalent ounce and total costs were $246 per equivalent ounce, the lowest levels in over 20 years. To put these figures in perspective, over the last ten years, Homestake has increased its share of gold production by a factor of 2.3 and decreased its average cash and total costs by $72 and $83 per equivalent ounce, respectively. These substantial advances were achieved through a deliberate and determined effort over the last decade to select appropriate operating assets and carefully develop and improve them.

In 1999, the Western Australian Yilgarn operations, consisting of the Plutonic, Lawlers and Darlot mines, which Homestake acquired in April 1998, achieved marked operating improvements, compared to 1998. While gold production there remained relatively unchanged (453,900 ounces in 1999, compared to 459,400 ounces in 1998), average cash costs declined by $10 per ounce and total costs by $22 per ounce to $208 and $244 per ounce, respectively. In total, in 1999, Australian operations contributed 835,500 ounces of gold or 35% to Homestake's total output, compared to 925,700 ounces or 41% in 1998. The shortfall in Australian production is mostly attributed to lower output from the 50%-owned Kalgoorlie joint venture, which, in the first half of 1999, experienced processing difficulties, fully resolved by the end of September. The Kalgoorlie operations underwent significant improvements: the mining fleet was converted from contract to owner mining and major repairs and retrofits were made to the crushing, grinding and flotation sections of the mill.

Canadian operations had another excellent year in 1999, contributing 38% of total gold output. The Eskay Creek mine in northwestern British Columbia produced 558,400 equivalent ounces, 53,600 ounces more than in 1998. Cash costs averaged $131 per equivalent ounce, $2 per ounce less than in 1998. Total costs, however, were $33 per equivalent ounce higher than in 1998, averaging $202 per equivalent ounce. The increase in total costs at Eskay Creek reflects amortization charges related to the acquisition of the minority interest of Prime Resources Group Inc. in December 1998.



Production



Reserves

1999 Production - Reserves

Australia ■ Canada ■ United States ■ South America

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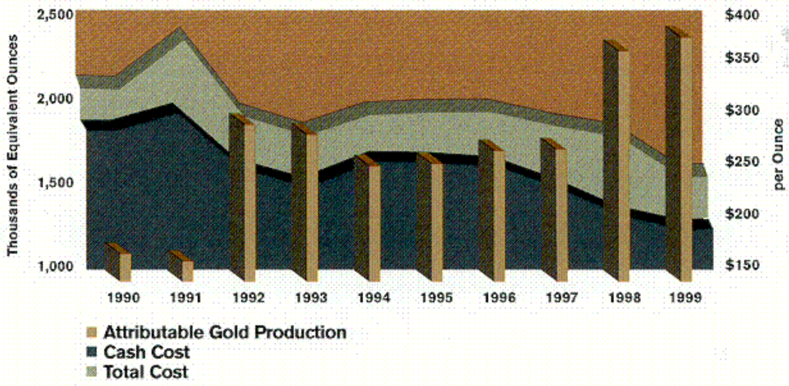
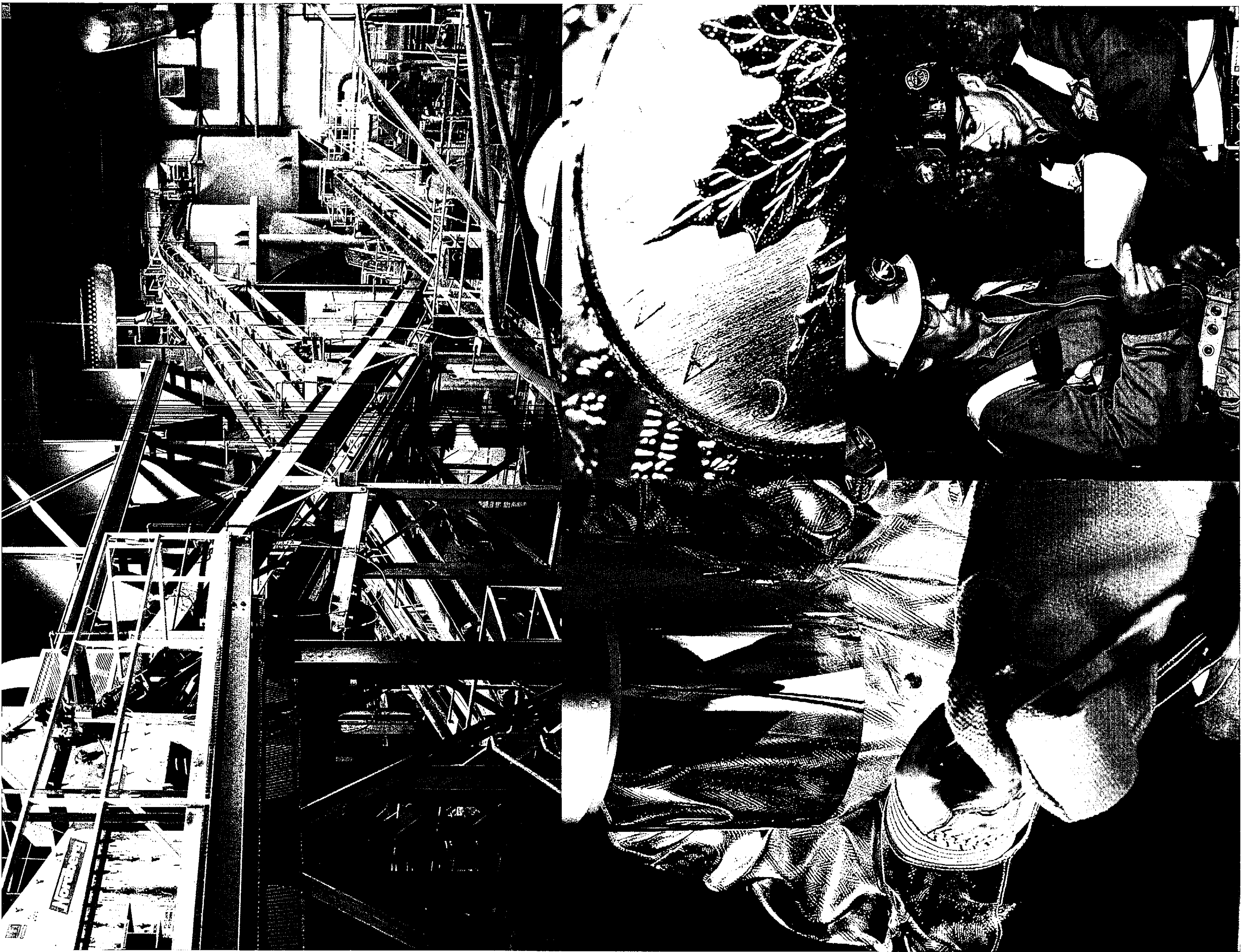
Operations Overview

The Hemlo operations in northwestern Ontario also had an excellent year in 1999. On June 15, the David Bell and Williams mines consolidated their milling operations. As a result, ore from both mines is now processed in the Williams mill. The consolidation contributed to an overall reduction in cash costs to $197 per ounce in 1999 from $210 per ounce in 1998. At the same time, Homestake's share of gold production increased to 305,200 ounces from 286,300. The Snip mine, in northwestern British Columbia, completed active mining on May 30, and by the end of September all reclamation and mill cleanup work had been substantially completed.

Operations in the United States contributed 624,200 ounces of gold or 26% of total production in 1999, compared to 691,500 ounces or 31% in 1998. Output was lower, but so were the costs. In 1999, cash costs averaged $207 per ounce compared to $221 per ounce in 1998. Total costs also came down to $278 per ounce in 1999 from $295 per ounce in 1998. The Ruby Hill mine in central Nevada was the best performer, producing a record 123,800 ounces at an average cash cost of $104 per ounce, the lowest of all Homestake mines. The Homestake mine in South Dakota scaled down its operations and reduced production to 212,700 ounces in 1999 from 277,400 ounces in 1998. The reduction primarily reflects the completion of open-pit mining operations in 1998.

In April 1999, Homestake expanded its presence in South America by acquiring Argentina Gold Corp., a Canadian junior exploration company. With that acquisition came a 60% interest in the Veladero project located in northwestern Argentina on the El Indio gold belt, one of the world's major gold producing areas. Homestake is the operator of this project. Since the acquisition, Homestake has carried out extensive drilling and metallurgical work, which by the end of 1999 had delineated, on a 100% basis, a mineralized inventory of 5.6 million ounces of gold and 100 million ounces of silver. Veladero has been added to Homestake's existing operating base in South America, which includes the 51%-owned Agua de la Falda mine and adjacent Jeronimo development property in northern Chile.





In 1999, the Canadian division contributed more equivalent ounces of gold to Homestake than any other division elsewhere in the world. The average cash and total costs were the lowest as well.

Operations Canada

HOMESTAKE IS THE SECOND LARGEST PRODUCER OF GOLD IN CANADA. Its operating interests consist of the wholly-owned Eskay Creek mine in northwestern British Columbia and the 50%-owned Hemlo operations in northwestern Ontario.

Homestake established a major presence in Canada through a merger with International Corona Corporation in 1992. That transaction gave Homestake its current interest in Hemlo and the investments in Stikine Resources Limited and Prime Resources Group Inc., whose principal asset was a combined 100% interest in the Eskay Creek property. These two junior companies later merged into a single public entity, 50.6%-owned by Homestake. Homestake developed and put Eskay Creek into production in 1995. In 1998, Homestake acquired the remaining 49.4% of Prime shares held by the public and with that increased to 100% its ownership of the Eskay Creek mine, a low cost producer of gold and silver.

In 1999, Homestake achieved record production totaling 905,900 equivalent ounces from its Canadian mines. The average cash cost of that production was $157 per equivalent ounce, an all-time low. In 1999, the Canadian division contributed more equivalent ounces of gold to Homestake than any other division elsewhere in the world. The average cash and total costs were the lowest as well.

The Eskay Creek mine had another excellent year in 1999. It produced 558,400 equivalent ounces of gold at an average cash cost of $131 per equivalent ounce. Eskay Creek has been consistently increasing production of gold and silver and reducing cash costs since it commenced operations. The mine has also been increasing reserves. At the end of 1999, its proven and probable reserves were approximately 22% higher than at the end of 1994, after production of 2.2 million equivalent ounces of gold.

Eskay Creek is located approximately 50 air miles north of Stewart, British Columbia. Access is by 30 miles of privately owned single-lane gravel road. The mine is an underground operation accessible through three portals. Higher-grade ore is crushed and blended in a dedicated minesite facility prior to shipment and sale to third-party smelters for final processing. The mining sequence is scheduled to optimize blending with a view of minimizing processing charges and maximizing return on the sale of the finished product. A portion of the mined ore is concentrated in a 150-ton-per-day gravity and flotation mill located on the property. This mill, which in 1999 processed, on average, 217 tons of ore per day, has been instrumental in allowing Eskay Creek to set new production records and reduce operating costs since it commenced operations in 1998.

Eskay Creek has forged a close working relationship with the members of the Tahltan Nation who constitute approximately 35% of the work force at the mine. In addition, the Tahltan Nation Development Corporation provides a broad range of services to Eskay Creek on a contract basis. In 1999, Homestake participated in the opening of the new

Top
The Eskay Creek gravity and flotation mill commenced operations in 1998. Originally designed to process 150 tons of ore per day, in 1999, it processed, on average, 217 tons per day. The increased throughput contributed to an overall reduction in cash costs to $131 per equivalent ounce.

Lower Right
Stephen Orr (right), President and CEO of Homestake Canada Inc., discusses production plans with Eskay Creek General Manager Garry Biles.

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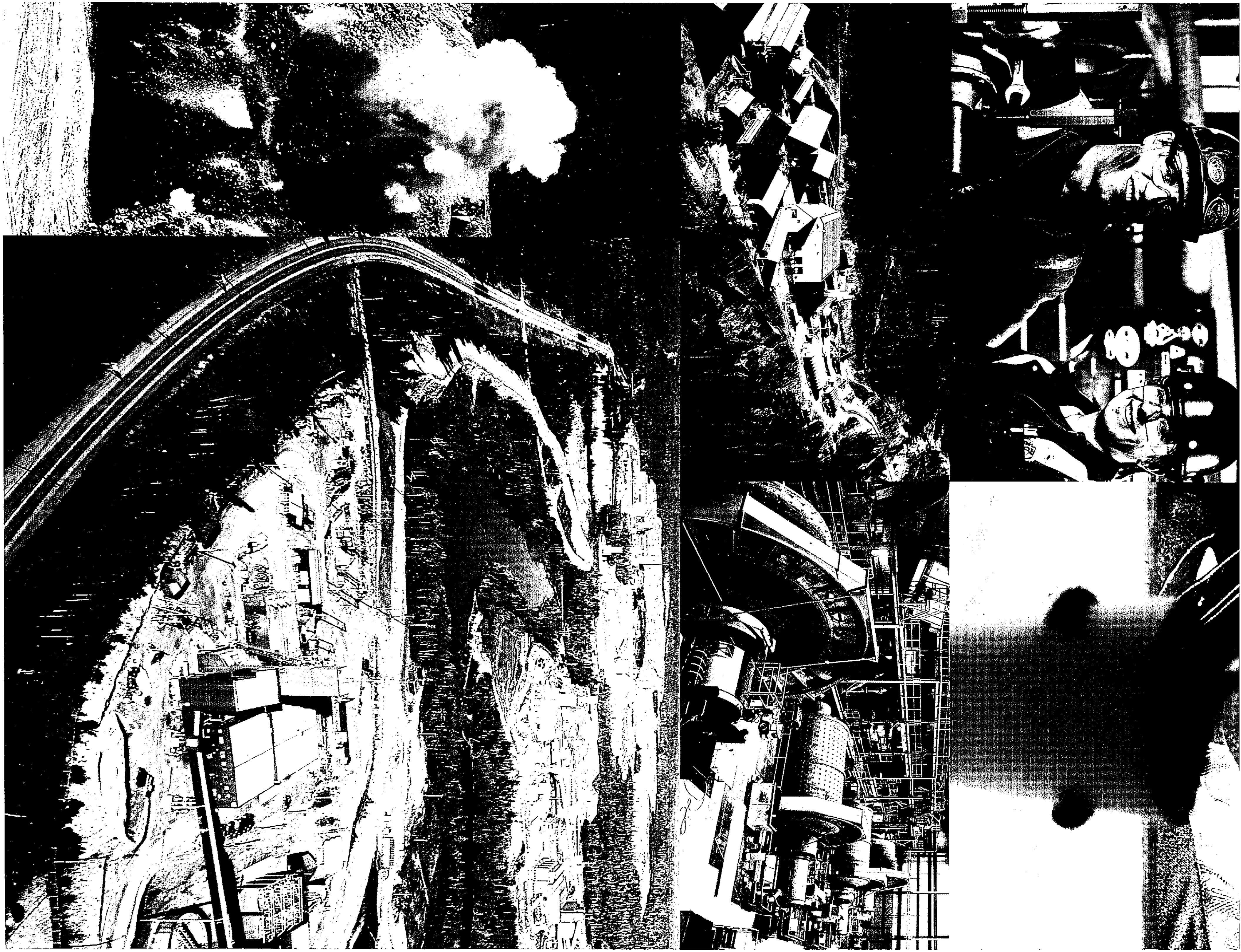

In 1999, Homestake's share of Hemlo gold production amounted to 305,200 ounces, 18,900 ounces more than in 1998. The average cash cost was reduced to $197 per ounce in 1999, the lowest in over five years.

Operations Canada

Company-sponsored Telegraph Creek community center, an important social focal point for the Tahltans.

Homestake's Hemlo mining operations consist of the David Bell and Williams underground mines and an open pit adjacent to the Williams mine. In addition, Homestake receives a 25% net profits interest royalty on all ore recovered from the Quarter Claim, a Battle Mountain Gold property comprised of approximately one-fourth of a mining claim, originally part of the David Bell mine.

At Williams, a 4,300-foot shaft provides access to the underground mine, which utilizes the open-stope mining method with cemented and uncemented rock backfill. At David Bell, access is through a 3,800-foot shaft. The mine also utilizes a stoping method, but uses cement, tailings, sand and waste rock as backfill. Production at both David Bell and Williams commenced in 1985. The Williams open pit adds approximately 1,400 tons of low-grade ore per day. By the end of 1999, these operations had produced a total amount of nine million ounces of gold (100% basis) and Hemlo has sufficient reserves to operate for approximately ten more years at current rates of production.

Until May 1999, the ore produced by the David Bell mine was processed in a separate 1,100 ton-per-day mill. In June 1999, the David Bell mill was closed, and the 8,000 ton-per-day Williams mill began treating the ores from both mines. This change enhanced the overall operating efficiency at Hemlo and triggered further optimization initiatives, including reconfiguration of the grinding circuit, extension of underground working hours, reduction of the contractor workforce and improved open-pit mine scheduling. In addition, Homestake and its joint venture partner, TECK-GOLD (a wholly owned subsidiary of Teck Corporation), are evaluating options for further expansion of the Williams mill capacity to achieve additional savings.

In 1999, Homestake's share of Hemlo gold production amounted to 305,200 ounces, 18,900 ounces more than in 1998. The average cash cost was reduced to $197 per ounce in 1999, the lowest in over five years. In 1999, the Williams mine also achieved the lowest total injury record in the province of Ontario.

In the second quarter of 1999, Homestake completed all mining and milling activities at the wholly-owned Snip mine in northwestern British Columbia. This underground mine produced over one million ounces of gold since it began operations in 1991. Reclamation and remediation activities had been substantially completed by the end of September 1999.

Top Left
Alison Betts (standing with Eskay Creek employee, Pat McCulloch) participated in the 1999 summer student program, an annual undertaking designed to expose future professionals to opportunities in mining.

Middle Left
The Eskay Creek complex in northwestern British Columbia was designed to accommodate annual snowfall of over 500 inches.

Middle Right
On June 15, 1999, the Williams mill began processing ore from both the David Bell and Williams mines. Upon consolidation of milling operations, mill throughput averaged 8,520 tons per day, an increase of 15%. In 1999, cash operating costs at Hemlo averaged $197 per ounce, the lowest in over five years.

Bottom Left
The open pit at the Williams mine is an important source of ore. In 1999, it contributed 415,000 tons of ore.

Bottom Right
The Hemlo camp, which had produced 13.5 million ounces of gold to the end of 1999, is one of the most important producers in Canada. Since June 15, 1999, ore from the David Bell mine (in the foreground) has been shipped to the Williams mill (in the background) over a newly built haulage road (on the left next to highway).

The Ruby Hill mine was discovered and developed by Homestake. In 1999, this open-pit operation achieved record production totaling 123,800 ounces of gold. The average cash cost for 1999 declined to $104 per ounce, $18 per ounce lower than in 1998.

Operations United States

HOMESTAKE PARTICIPATES IN FIVE OPERATING GOLD MINES IN THE UNITED STATES. Its wholly-owned operations consist of the Ruby Hill mine in central Nevada, the Homestake mine in western South Dakota and the McLaughlin mine in northern California. In addition, Homestake owns a 25% interest in the Round Mountain mine in south-central Nevada and a 33.3% interest in the Marigold mine in north-central Nevada.

In 1999, Homestake's attributable US production amounted to 624,200 ounces, 67,300 ounces less than in 1998. The decrease in gold output was primarily due to lower production from the Homestake mine, which in 1999 completed the mining of open-pit ore and became exclusively an underground mine. The decrease in gold output from the Homestake mine was partially offset by higher production from Ruby Hill and Round Mountain. These operations set all-time production records in 1999.

The Homestake mine has produced over 40 million ounces of gold since it began production in 1876. More recently, this operation underwent significant changes in response to the continued decline in the price of gold. In 1998, the underground operations were restructured, resulting in a substantial reduction in the operating workforce and the elimination of unprofitable production levels in the underground mine. In 1999, the Homestake mine further optimized its infrastructure and administration costs. As a result, the current long-term plan contemplates annual gold production ranging between 170,000 and 200,000 ounces.

The Ruby Hill mine was discovered and developed by Homestake. In 1999, this open-pit operation achieved record production totaling 123,800 ounces of gold. The average cash cost for 1999 declined to $104 per ounce, $18 per ounce lower than in 1998. This exceptional record allowed Ruby Hill to remain Homestake's lowest cost operation for the second year in a row. Most importantly, in 1999, the mine achieved its excellent operating results without any lost-time accidents or injuries.

Homestake's McLaughlin mine continued processing low-grade stockpiles and produced 121,500 ounces of gold in 1999, 7,200 ounces less than in 1998. This was a planned reduction as the mine continues to deplete its stockpiled material. McLaughlin should continue producing gold for another two years.

During 1999, Homestake's other US-based operations contributed 166,200 ounces of gold at an average cash cost of $201 per ounce. Of that amount, 135,500 ounces came from the 25%-owned Round Mountain operation. In 1999, this large open-pit operation produced a record 541,800 ounces (100% basis), reflecting increased production from the mill, which processes higher-grade non-oxide ores. Constructed in 1997, the mill has been instrumental in increasing Round Mountain's gold production from 510,500 ounces in 1998 to its current level. With the higher gold output, the average cash cost at Round Mountain declined to $198 per ounce in 1999 from $220 per ounce in 1998.

Top
Inspecting a leach pad plastic lining at Round Mountain, one of the largest heap leach operations in the world.

Bottom Left
An aerial view of the Ruby Hill mine, discovered and developed by Homestake. In 1999, Ruby Hill was Homestake's lowest cost producer. Cash cost averaged $104 per ounce.

Bottom Right
The Homestake mine in South Dakota launched the Company over 120 years ago.

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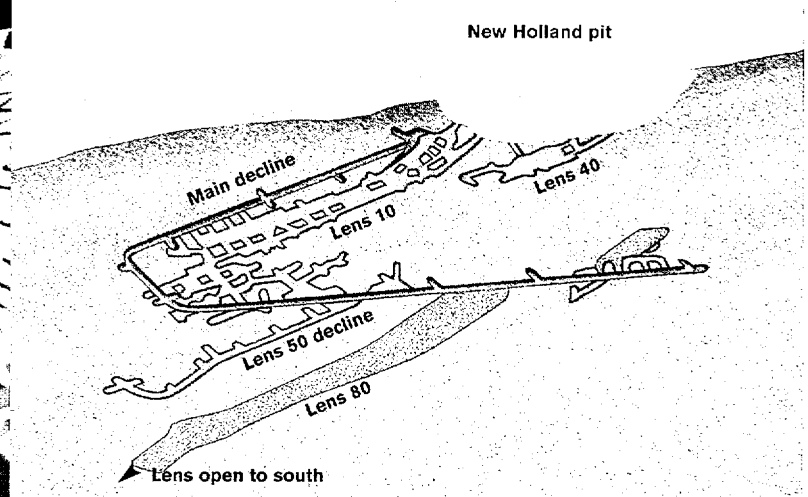
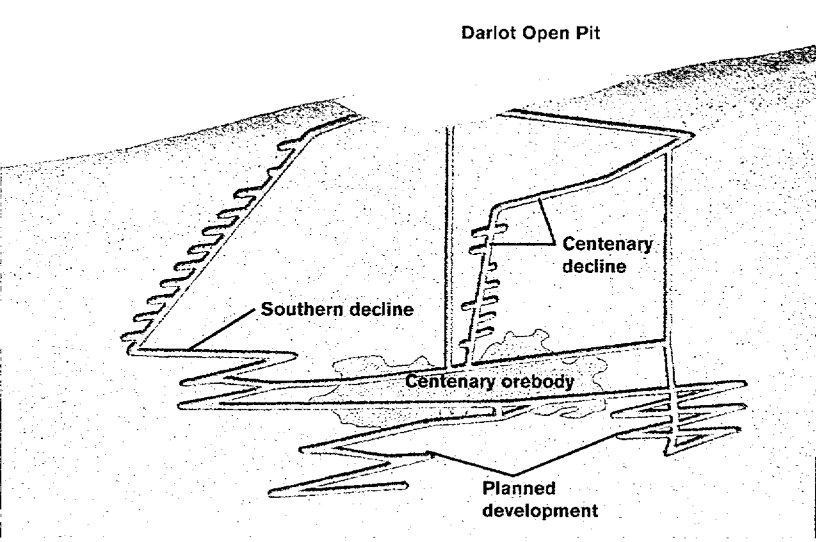

New Holland pit
Main decline
Lens 40
Lens 10
Lens 50 decline
Lens 80
Lens open to south


Darlot Open Pit
Centenary decline
Southern decline
Centenary orebody
Planned development

During 1999, all three Yilgarn mines carried out significant production development activities . . . In addition, all three mines successfully implemented extensive exploration drilling campaigns, which resulted in a 14% increase in proven and probable reserves after 1999 production.

Operations Australia

Homestake is the second largest producer of gold in Australia. Its operating interests include the 50%-owned Kalgoorlie Consolidated Gold Mines (KCGM), consisting of the Super Pit and Mt. Charlotte mines, and the 100%-owned Yilgarn complex, comprised of the Plutonic, Darlot and Lawlers mines, all located in Western Australia. In 1999, Homestake's share of Australian production amounted to 835,500 ounces, 90,200 ounces less than in 1998.

At Yilgarn, Homestake produced 453,900 ounces, 5,500 ounces less than in 1998. The cash cost there averaged $208 per ounce, $10 per ounce less than a year earlier. During 1999, all three Yilgarn mines carried out significant production development activities, which included completion of the Southern decline at Darlot and an underground decline and lateral development at Plutonic and Lawlers. In addition, all three mines successfully implemented extensive exploration drilling campaigns, which resulted in a 14% increase in proven and probable reserves after 1999 production. Exploration highlights include a series of encouraging holes at Lawlers, which are being followed up with further drilling. Of particular interest was a deep exploratory hole drilled to a depth of 2,500 feet beneath the existing workings. As a result, Lawlers was able to double the extent of potential ore grade mineralization at depth.

Exploration at the Darlot mine discovered an extension of the Centenary deposit in a lower host unit, and drilling is underway to investigate the extent and economic significance of this new mineralization.

Top
A 44-cubic yard shovel loading a 240-ton truck. Both were purchased as part of the transition from contract to owner mining at Kalgoorlie.

Middle Right
Underground development was carried out at Lawlers to reach the newly discovered Lenses 50 and 80.

Bottom Left
Completion of the Southern decline at Darlot provided the required flexibility to enhance production from the Centenary deposit.

Bottom Right
Walter Segsworth (left), President and Chief Operating Officer, and Greg Lang, Managing Director, Homestake Gold of Australia, make an inspection at Kalgoorlie.

An important target was also delineated on the tenements located northeast of the Plutonic mine. The gold anomaly there extends for over 1.5 miles.

Homestake's share of gold production from Kalgoorlie was 360,100 ounces, 30,100 ounces less than in 1998. At the same time, the cash cost in 1999 averaged $235 per ounce, six dollars per ounce higher than a year earlier. The lower gold output and higher cash cost were primarily attributed to grinding equipment problems experienced in the mill in the first quarter of 1999.

In the second half of 1999, Homestake and its joint venture partner, Normandy Mining Limited, converted this large-scale open-pit operation from contract to owner mining. The $60 million project, which involved procurement of three 44-cubic yard shovels, eighteen 240-ton trucks and related ancillary equipment, is expected to yield a high rate of financial return with lower mining costs, improved grade control and better environmental and safety management. In the year 2000, Kalgoorlie will undergo another major transition as it expands its flotation unit to accommodate additional quantities of Super Pit ore that will replace decreasing amounts of feed from the Mt. Charlotte mine scheduled to cease operations in the year 2000. During 1999, Kalgoorlie was again successful in expanding its proven and probable reserves, which increased by over two million ounces (100% basis) to approximately 13.5 million ounces.

In 1999, Homestake completed operations at its 67%-owned Peak Hill mine. The mine is now de-commissioned and reclamation activities are underway.

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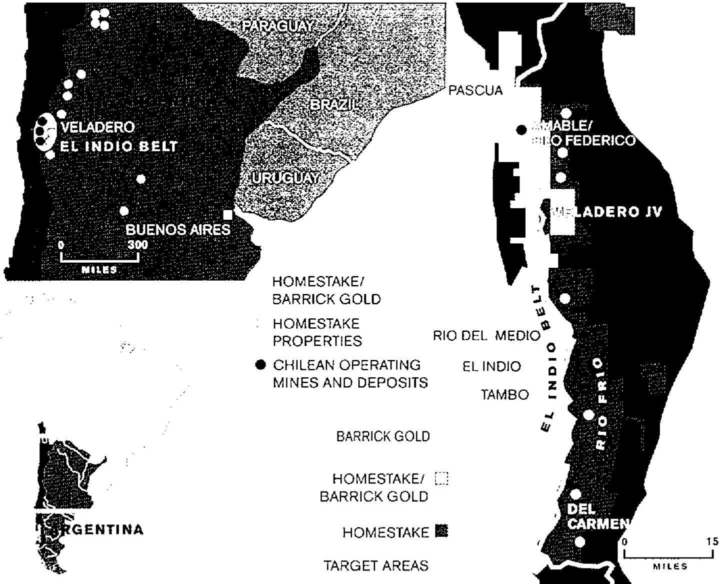
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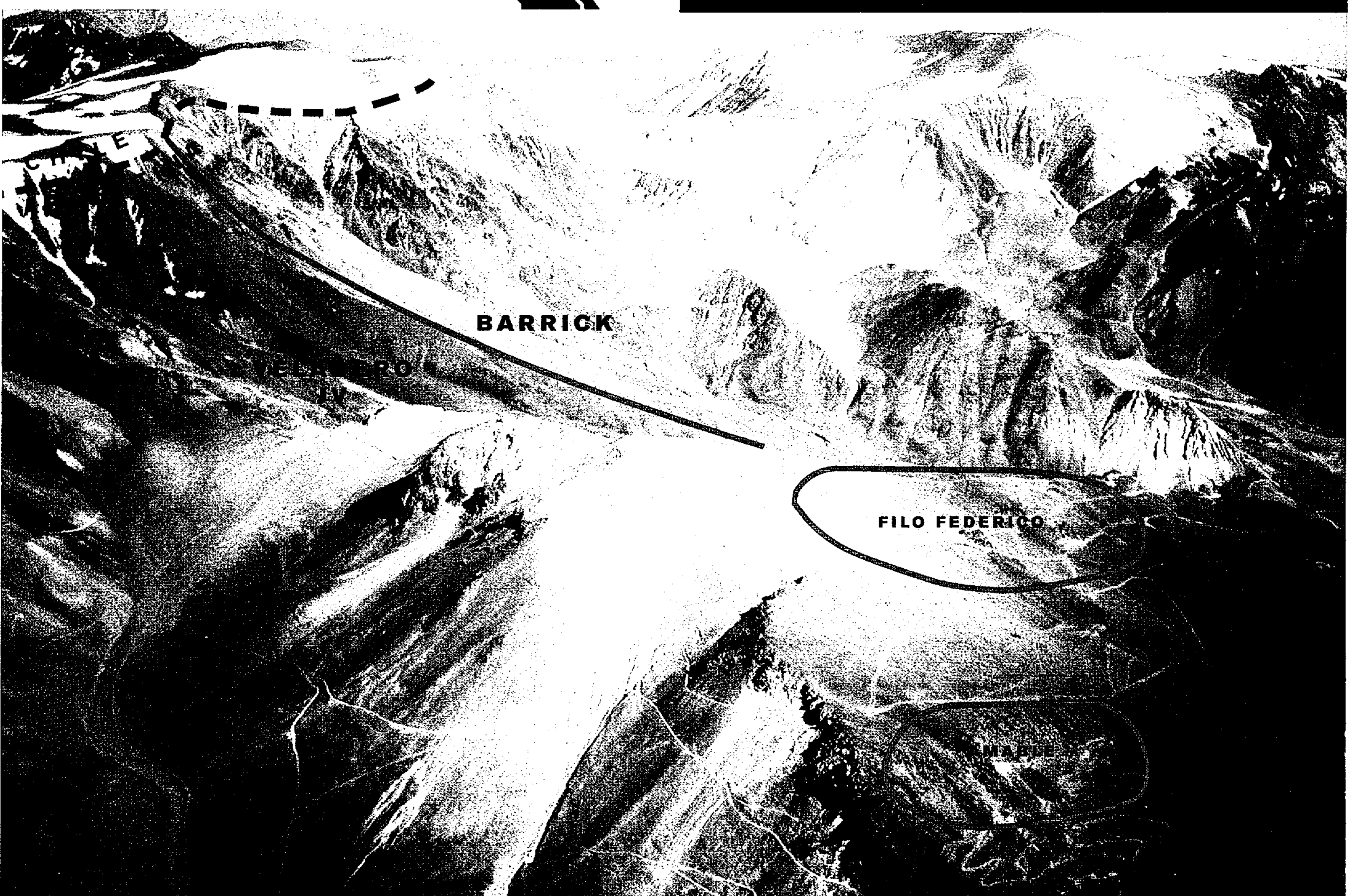
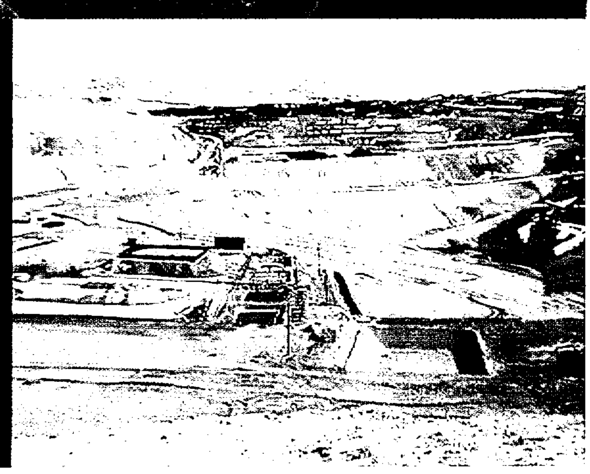
MILES


ARGENTINO


BARRICK
FILO FEDERICO


EPUBLICA DE CHILE



By the end of 1999, Homestake and its Veladero joint venture partner, Barrick Gold Corporation, had completed 34 drill holes totaling 36,000 feet. The nature and continuity of the mineralized inventory have been confirmed.

Operations South America

In 1996, Homestake and Corporacion Nacional del Cobre Chile ("Codelco"), a state-owned mining company, formed a new company to explore near Homestake's former El Hueso mine in northern Chile. The new company, 51%-owned by Homestake and 49%-owned by Codelco, was named Agua de la Falda S.A. or ADLF.

Since then, the Agua de la Falda deposit was discovered and the old El Hueso plant used to process the deposit's oxide reserves. In 1999, Agua de la Falda produced 47,900 ounces of gold (Homestake share 24,400 ounces), 600 ounces more than a year earlier. In 1999, cash costs averaged $189 per ounce, $9 per ounce less than in 1998. This mine has sufficient oxide reserves to continue operations until 2002. By then, this operation will need to establish a viable method to process the sulfide material contained in the adjacent Jeronimo deposit, which contains 16.6 million tons of mineralized material grading 0.169 ounces per ton or 2.8 million ounces (Homestake share 1.4 million ounces). Metallurgical test work is underway to develop an economic treatment method. A decline has been completed to access the sulfide material and a sample of this material was obtained for a large-scale metallurgical test program. In addition, Homestake and its joint venture partner will continue to carry out a focused exploration program on the Agua de la Falda property, which now consists of 64,000 acres.

In April 1999, Homestake acquired Argentina Gold Corp., a publicly-traded Canadian gold exploration company. Argentina Gold's principal asset was its 60% interest in the Veladero property located in northwestern Argentina, along the prolific El Indio gold belt. In October 1999, Homestake commenced an extensive exploration and evaluation program, which will run until April 2000 and will include 140,000 feet of drilling, a broad range of metallurgical testing and preliminary engineering and infrastructure assessment.

By the end of 1999, Homestake and its Veladero joint venture partner, Barrick Gold Corporation, had completed 34 drill holes totaling 36,000 feet. The initial phase was directed towards increasing the confidence level in the previously identified resources at both the Amable and Filo Federico deposits. The nature and continuity of the mineralized inventory at these deposits have been confirmed. The work to upgrade this inventory to a reserve classification is currently underway. The first phase of this work is expected to be completed by June 2000. Drilling around these deposits has also been successful and limits to mineralization have yet to be established. In addition, Homestake will conduct a targeted step-out drilling program within the boundary of the Veladero property, which covers approximately 28,500 acres of highly prospective ground.

Top Left
With the acquisition of Argentina Gold, Homestake gained access to the 28,500 acre highly-prospective Veladero property (Homestake 60%) in northwestern Argentina. Adjacent to Veladero is the Rio Frio property, 100% owned by Homestake.

Middle
An aerial view of the Veladero property showing the outline of the Amable and Filo Federico deposits.

Bottom Right
A test heap leach facility at Jeronimo in northern Chile.

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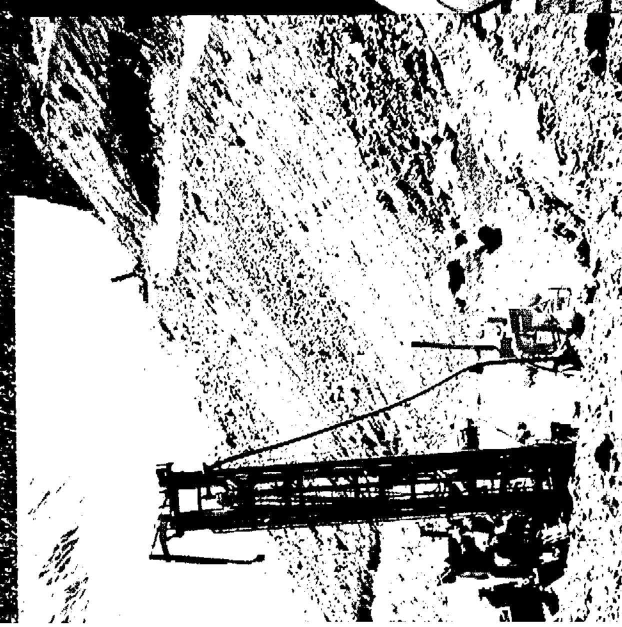

Homestake allocated virtually all of its mainstream exploration dollars to the Americas and Australia and maintained a high level of drilling on all major projects.

Exploration

At the end of 1999, Homestake's share of proven and probable reserves amounted to 18.8 million ounces of gold and 110 million ounces of silver, compared to 19.0 million ounces of gold and 113 million ounces of silver at the end of 1998. The marginal decrease in total gold reserves is mostly attributed to the Homestake mine's reduction in the number of remote stopes that can be mined at a profit under current economic conditions. On the other hand, 1999 was an excellent year for Homestake's Australian operations, which developed new reserves in excess of those mined during the year. Homestake's share of reserves at Kalgoorlie increased by approximately one million ounces after production of 360,100 ounces, while Yilgarn reserves increased by 300,000 ounces after production of 453,900 ounces. As a result of these increases, Homestake's share of proven and probable reserves in Australia increased to 9.3 million ounces at the end of 1999 from 7.9 million ounces at the end of 1998.

Homestake's share of mineralized material also increased during 1999. This increase was primarily due to the 1999 acquisition of Argentina Gold Corp., which included the 60%-owned Veladero project in northwestern Argentina. At the end of 1999, Homestake's share of Veladero mineralized material amounted to 3.4 million ounces of gold and 60.1 million ounces of silver. This addition was partially offset by a reduction in mineralized material that, during 1999, was upgraded to reserves, primarily in Australia. With these changes, Homestake's share of mineralized material at the end of 1999 increased to 23.2 million ounces of gold and 66.2 million ounces of silver, from 21.9 million ounces of gold and 5.5 million ounces of silver a year earlier.

Homestake's worldwide exploration focus in 1999 outside of its existing mines was further sharpened following a 34% reduction in spending levels from 1998. Homestake allocated virtually all of its mainstream exploration dollars to the Americas and Australia and maintained a high level of drilling on all major projects.

With the acquisition of Argentina Gold came the 65,000 acre Rio Frio property adjacent to Veladero. During 1999, Homestake drilled 17 holes on several promising prospects there, in addition to carrying out a broad range of geochemical and reconnaissance work. The program produced three distinct targets. The most encouraging results were produced from the Guanaco Zonzo prospect where a promising silver-rich zone yielded intercepts of 210 feet of 9.4 ounces of silver per ton and 24 feet of 18.8 ounces of silver per ton. Homestake expects to continue its active exploration drilling program in this intensely mineralized region.

In northern Chile at the Agua de la Falda joint venture (51% Homestake, 49% Codelco), the partners agreed to expand their joint venture land package almost eight-fold to 64,000 acres. This land position provides Homestake extended control over another large gold district in South America. Gold intercepts, recently received on two new targets on this property, are of sufficient interest to warrant follow-up drilling in 2000.

In northern Queensland, Homestake owns 100% of the Agate Creek property, which contains a multitude of prospective gold occurrences. During 1999, Homestake delineated a zone containing five million tons of material grading 0.058 ounces per ton (approximately 300,000 ounces). The zone is open in several directions and additional intercepts of interest have been found. A major follow-up drilling program will continue in the year 2000.

Top
A geologist inspects an outcrop in the vicinity of the Eskay Creek mine.

Bottom Left
During the 1999-2000 drill season at the Veladero property, 34 holes were drilled to establish a mineralized inventory of approximately 5.6 million ounces of gold and 100 million ounces of silver.

Bottom Right
Bill Lindqvist (center), Vice President, Exploration, with geologists Aletha Buschman and Ian Cunningham-Dunlop at a diamond drill site at the Eskay Creek property.

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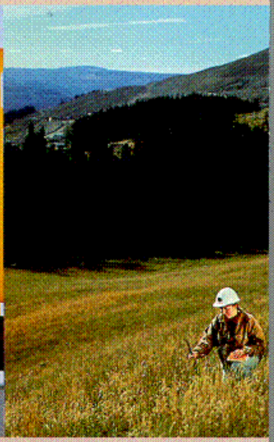
Community involvement, environmental excellence and constant attention to employee health and safety are important ingredients of Homestake's business philosophy and practice.



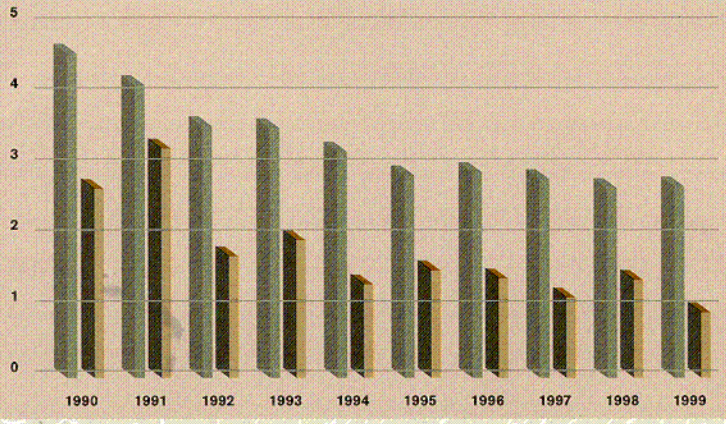
COMMUNITY INVOLVEMENT, ENVIRONMENTAL EXCELLENCE and constant attention to employee health and safety are important ingredients of Homestake's business philosophy and practice.

- In 1999, Homestake set a new record low Lost Time Incidence Rate of 0.97 incidents per 200,000 employee-hours, approximately one third of the US Metallic Mining Industry average (see figure below). Homestake is proud of this achievement and is committed to further improve upon its record in the future.

- In August, Homestake participated in the official opening of the Company-sponsored Telegraph Creek Community Center, an important social center within the community of the Tahltan Nation. The Eskay Creek mine is a major employer in the area and an active supporter of local initiatives.

- In September, Homestake's Ruby Hill mine was one of only five mining projects to receive a Nevada Excellence in Mine Reclamation Award. The mine received the award for its innovative design of a mitigation and concurrent reclamation process, which eliminates the need for conventional tailings impoundment. As a result, nearly one third of the total land used by the mine has already been reclaimed, even though the mine is less than two years old.

Lost Time Incidence (LTI) Rates*   Homestake Mining vs US Metallic Mining Industry 1990-1999**



Industry
Homestake

*LTI per 200,000 Employee-Hours
**Source: US Department of Labor, Mine Safety and Health Administration; 1999 Data is based on first three quarters

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- Also in September, Homestake settled a lawsuit with the US Federal Government, the State of South Dakota and the Cheyenne River Sioux tribe relating to alleged damages to the Whitewood Creek aquifer arising from the impact of mining operations between the late 1800s and 1977. The settlement provides funds for environmental monitoring and a broad range of land and water restoration work.
- In November, Homestake's McLaughlin mine received the Wildlife Habitat Council's prestigious Corporate Habitat of the Year Award. The mine, selected from among 65 contestants nationwide, was recognized for its exceptional achievements in enhancing and protecting wildlife habitat at its 10,000 acre former mine site located in Napa, Lake and Yolo counties in California.

In the year 2000, Homestake will build upon its past achievements. It plans to continue forging strong ties with communities where it operates, open new horizons for environmental excellence and further improve upon its health and safety records.

Community, Environment, Health and Safety

From Left to Right

A large grizzly bear population resides in harmony with the Eskay Creek mine in northwestern British Columbia. Reclaimed areas are favorite forage areas for the bears in the spring.

Children enjoy the public park provided by Homestake in Lead, South Dakota. Homestake is committed to contributing to the economic and social well-being of its employees and the communities in which it operates.

The Nickel Plate mine in southern British Columbia, which concluded operations in 1996, has received numerous awards for both its reclamation and water treatment projects.

Homestake set aside Roughlock Falls, South Dakota, as a recreation area in the 1800s and continues to maintain it for public use.

Daily discussions between employees and their supervisors ensure that work is performed safely and efficiently.

Statistical Summary

Mine		Homestake's Share	Production — 100% Basis: Tons Processed (000's)	Grade (ounces per ton)	Recovery	Production (ounces)	Homestake's Share[2] of Production (ounces)	Cash Cost per Ton (dollars)	Total Cash Cost per Ounce[1] (dollars)	Total Productic Costs per Ounce[1] (dollars)
United States										
Homestake	1999	100%	1,249	0.171	100%	212,700	212,700	44.48	261	278
	1998		2,075	0.141	95%	277,401	277,401	33.42	249	295
Ruby Hill	1999	100%	1,222	0.115	88%	123,791	123,791	12.26	104	240
	1998		1,324	0.098	90%	116,500	116,500	11.42	122	241
McLaughlin	1999	100%	2,834	0.070	61%	121,487	121,487	11.76	223	337
	1998		2,839	0.077	58%	128,680	128,680	10.32	219	346
Round Mountain	1999	25%	52,908	0.017		541,808	135,452	2.11	198	268
	1998		46,510	0.016		510,502	127,625	2.53	220	276
Marigold	1999	33%	3,549	0.026		74,220	24,740	4.47	207	248
	1998		3,215	0.027		71,936	23,979	5.26	235	265
Total United States[6]	1999						624,158		207	278
	1998						691,472		221	295
Canada										
Eskay Creek[3,4]	1999	100%	193	3.138	95%	558,413	558,413	199.93	131	202
	1998		162	3.195	95%	504,780	277,724	218.45	133	169
Williams	1999	50%	2,681	0.166	95%	423,645	211,823	31.80	201	235
	1998		2,720	0.152	95%	390,440	195,220	31.25	217	254
David Bell[5]	1999	50%	489	0.346	95%	210,423	93,380	63.74	187	222
	1998		469	0.355	96%	204,996	91,167	67.97	195	231
Hemlo District Total	1999		3,170	0.194		634,068	305,203		197	231
	1998		3,189	0.182		595,436	286,387		210	247
Total Canada[7]	1999						905,899		157	212
	1998						616,998		166	214
Australia										
Kalgoorlie	1999	50%	11,670	0.070	88%	720,121	360,061	14.54	235	276
	1998		12,472	0.071	89%	780,372	390,186	14.46	229	278
Plutonic	1999	100%	3,344	0.082	86%	236,453	236,453	10.94	221	262
	1998		3,249	0.089	89%	255,456	255,456	17.37	226	292
Darlot	1999	100%	760	0.156	96%	113,140	113,140	29.95	198	236
	1998		738	0.111	95%	77,502	77,502	26.23	250	282
Lawlers	1999	100%	669	0.166	95%	104,317	104,317	29.93	189	214
	1998		630	0.208	96%	126,403	126,403	36.27	181	206
Yilgarn District Total	1999	100%	4,773	0.106		453,910	453,910		208	244
	1998		4,617	0.109		459,361	459,361		218	266
Total Australia[8]	1999						835,494		219	257
	1998						925,700		224	271
Chile										
Agua de la Falda	1999	51%	318	0.239	63%	47,860	24,409	28.80	189	278
	1998		309	0.216	72%	47,292	24,119	30.76	198	287
Jeronimo	1999	51%								
	1998									
Argentina										
Veladero	1999	60%								
	1998									
TOTALS	1999						2,389,960		192	246
	1998						2,258,289		209	265
SILVER										
Eskay Creek	1999	100%								
	1998									
Veladero	1999	60%								
	1998									

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

2 Homestake's share of production is shown net of minority interests.

3 The Eskay Creek mine was 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 Homestake Canada Inc. The production amounts shown are Homestake's share excluding the minority interest's share of production. Production amounts include ounces payable in ore and 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. For the years ended December 31, 1999, and 1998, the ratio was 52.7 and 52.6 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.

5 The 100% production and Homestake's share of gold production amounts include 45,325 ounces and 11,331 ounces, respectively, from the Quarter Claim in both 1999 and 1998. Reserves include a 25% net profits interest in the Quarter Claim.

6 Includes 5,988 ounces and 17,287 ounces of gold produced at the Pinson mine in Nevada during 1999 and 1998, respectively, and 173,000 ounces of gold contained in mineralized material at the Pinson mine for the year ended December 31,1998.

Reserves				Mineralized Material			
100% Basis			Homestake's Share of Contained Ounces (000's)	100% Basis			Homestake's Share of Contained Ounces (000's)
Tons (000's)	Grade (ounces per ton)	Contained Ounces (000's)		Tons (000's)	Grade (ounces per ton)	Contained Ounces (000's)	
7,911	0.228	1,802	1,802	14,229	0.250	3,563	3,563
11,118	0.216	2,401	2,401	12,113	0.259	3,142	3,142
3,773	0.110	417	417	7,325	0.072	529	529
5,082	0.109	553	553	7,325	0.072	529	529
7,825	0.056	438	438	–	–	–	–
10,934	0.057	626	626	–	–	–	–
320,062	0.018	5,875	1,469	126,244	0.016	2,032	508
358,597	0.018	6,375	1,594	108,285	0.018	1,604	401
19,090	0.032	613	204	–	–	–	–
19,120	0.033	639	213	–	–	–	–
			4,330				4,600
			5,387				4,245
1,610	1.496	2,409	2,409	499	0.435	217	217
1,552	1.683	2,611	2,611	467	0.448	209	209
27,992	0.144	4,028	2,014	8,171	0.118	962	481
29,952	0.148	4,431	2,216	8,154	0.118	962	481
4,657	0.316	1,472	711	645	0.109	70	35
5,013	0.298	1,495	711	645	0.109	70	35
32,649		5,500	2,725	8,816	0.117	1,032	516
34,965		5,926	2,927	8,799	0.117	1,032	516
			5,134				733
			5,582				741
203,046	0.067	13,530	6,765	208,250	0.076	15,735	7,868
170,600	0.067	11,440	5,720	240,210	0.075	18,006	9,003
7,985	0.107	854	854	18,720	0.177	3,313	3,313
9,281	0.073	677	677	23,188	0.181	4,191	4,191
8,660	0.148	1,280	1,280	3,424	0.112	382	382
9,022	0.154	1,393	1,393	4,090	0.130	532	532
2,331	0.152	355	355	3,530	0.124	439	439
1,020	0.117	119	119	3,705	0.145	536	536
18,976	0.131	2,489	2,489	25,674	0.161	4,134	4,134
19,323	0.113	2,189	2,189	30,983	0.170	5,259	5,259
			9,254				13,110
			7,928				15,491
525	0.180	95	48	145	0.151	22	11
670	0.185	124	63	–	–	–	–
				16,595	0.169	2,800	1,428
				16,595	0.169	2,800	1,428
				147,500	0.038	5,600	3,360
			18,766				23,242
			18,960				21,905
1,610	68.300	110,000	110,000	499	12.100	6,058	6,058
1,552	72.700	112,816	112,816	467	11.700	5,482	5,482
				147,500	0.680	100,200	60,120

7 Includes 42,283 ounces and 52,887 ounces of gold produced at the Snip mine in British Columbia, Canada during 1999 and 1998, respectively and 44,000 ounces of gold contained in proven & probable reserves and 16,000 ounces of gold contained in mineralized material at the Snip mine for the year ended December 31, 1998.

8 Includes 21,523 ounces and 23,803 ounces of gold produced at the Peak Hill mine in Western Australia during 1999 and 1998, respectively, 52,350 ounces of gold produced at the Mt Morgans mine in Western Australia during 1998, 19,000 ounces of gold contained in reserves at the Peak Hill mine for the year ended December 31,1998, and 1,108,000 ounces and 1,229,000 ounces of gold contained in mineralized material at other projects in Australia for the years ended December 31,1999, and 1998, respectively.

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.

European Agreement May Yet Give Boost to Gold Prices

by Philip Klapwijk, Managing Director, Gold Fields Mineral Services, Ltd.

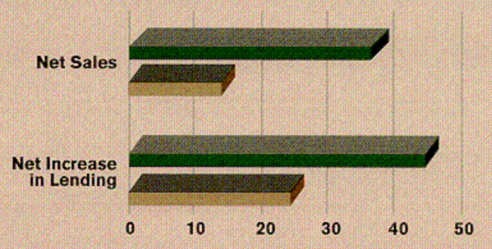
On September 26, 1999, 15 European central banks publicly recognized that "gold will remain an important element of global monetary reserves" and announced that they had agreed to limit their sales and lending of gold for five years. This Agreement caused an immediate spike in the price of gold with subsequent levelling off at approximately 12% above the level prior to the announcement. Although the rally last fall was not as durable as some might have expected, the Europeans' decision may yet give a boost to prices in the longer term.

The market now has the certainty that sales by the signatories to the Agreement will not exceed the quota of 400 tons (12.9 million ounces) of gold per year for the next five years (and there is a possibility that sales could turn out to be even lower than this limit). It is known that the signatory banks sold an average of 7.5 million ounces of gold per year between the end of 1994 and September 1999. Recognizing that they control approximately 47% of the total official world gold holdings, and 75% taken together with the United States and Japan (which had indicated that they are not planning to sell their gold reserves), the nightmare scenario of several European central banks "dumping" bullion onto the market in an uncoordinated fashion in the wake of the introduction of the Euro has been avoided.

In addition to gold sales, central bank gold lending, which has grown tremendously over the last several years, has also been an important source of gold supply to the market. At the end of 1994, for example, total official sector deposits and swaps with commercial counterparties amounted to less than 75 million ounces. Over the following five years, more countries started to lend gold. The market saw important new entrants, such as Germany and Switzerland, the latter lending over six million ounces of its reserves by the end of September 1999. Existing lenders also increased the amount of gold they were prepared to place with private sector borrowers. As a result, by the end of 1999, the amount of central bank gold lent to the market had doubled from its level five years earlier to reach just under 150 million ounces. The ample flow of gold supplied to the market by the central banks kept gold borrowing rates low which led to a massive expansion in producer hedging and, to a lesser extent, speculative short selling during the same period.

The borrowing and selling of official sector reserves undoubtedly helped to force the gold price down in the latter part of the 1990s. Effectively, the market had to absorb central bank stocks not only from outright sales but also via the sale of borrowed gold for hedging and short selling. In fact, the net decline in central bank stocks between 1995 and 1999 amounted to almost 128 million ounces, 53 million ounces from net sales and 75 million ounces from new lending. The signatories to the Agreement provided nearly two-thirds of the increase in gold lending and, as demonstrated in the accompanying chart, they were also responsible for over 75% of all net sales. By contrast, over the next five years, this group should not provide any additional gold through swaps and deposits, their collective supply having been capped at the end-September 1999 levels. Consequently, there should be less scope for growth in producer hedging and speculative short selling than was the case prior to the Agreement.

How much extra gold can still be lent in the current environment, especially at low borrowing rates? If a shortage of lent gold were to develop, this would, at the margin, constrain growth in short selling and producer hedging. Such an outcome is all the more probable, given the tendency for any new supply of gold from the central banks to lag behind the episodic yet sudden growth in borrowing. Of course, if mining companies and short sellers sense that this "constraint on lending" could kick in at an earlier stage, they are likely to be even less prone to hedge and short gold. Indeed, there are signs that this has already happened, in no small measure due to the impact the Agreement has had on market expectations. Rather ironically perhaps, in view of its allowing a higher level of central bank gold sales, the Agreement, because of its effect on gold lending, borrowing rates and, above all, market sentiment, could give a boost to the price of gold.



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Official Sector Gold Supply Through Sales and Lending, End–1994 to End–1999 (millions of ounces)

■ Europe*
■ Other

*Includes post European Agreement Sales in 1999

Financial Section

C13

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the Years Ended December 31, 1999, 1998 and 1997

(Unless otherwise stated, the following information relates to amounts included in the consolidated financial statements, without reduction for minority interests. Homestake reports per ounce production costs in accordance with the "Gold Institute Production Cost Standard".)

On April 29, 1999, Homestake completed the acquisition of Argentina Gold Corp. ("Argentina Gold"), a publicly-traded Canadian gold exploration company. Homestake issued 20.9 million common shares to acquire all of the shares of Argentina Gold. The transaction has been accounted for as a pooling of interests and accordingly, Homestake's consolidated financial statements include Argentina Gold for all periods presented. Argentina Gold's principal asset is its 60% interest in the Veladero property located in northwest Argentina along the El Indio gold belt.

RESULTS OF OPERATIONS

Summary

Homestake recorded net income of $4.9 million or $0.02 per share in 1999 compared to net losses of $233.8 million or $1.01 per share and $233.4 million or $1.02 per share in 1998 and 1997, respectively. The 1999 net income includes write-downs and unusual items amounting to $20.5 million or $0.08 per share compared to write-downs and unusual items amounting to $205.5 million or $0.89 per share in 1998 and $159.2 million or $0.70 per share in 1997.

Excluding the effect of the write-downs and unusual items, Homestake recorded net income of $25.4 million or $0.10 per share in 1999 compared to net losses of $28.3 million or $0.12 per share in 1998 and $74.2 million or $0.32 per share in 1997. The improvement in 1999 results compared to 1998 primarily was due to lower operating costs, lower exploration expense, mark-to-market foreign currency exchange gains and lower minority interest charges, partially offset by lower gold prices. The lower 1998 loss compared to 1997 was due to lower operating costs, lower depreciation and exploration expenses and lower income taxes, partially offset by lower gold prices and mark-to-market foreign exchange losses.

A summary of significant write-downs and unusual items in 1999, 1998 and 1997 follows:

Significant Write-downs and Unusual Items

(after tax, in millions of dollars)	1999	1998	1997
Resource asset write-downs	**$ (8.9)**	$(130.8)	$ (60.1)
Increase in the estimated accrual for remediation and reclamation expenditures	**(3.3)**	(36.0)	(21.5)
Write-downs of noncurrent investments	**(3.5)**	(7.6)	(45.7)
Business combination and integration costs	**(4.8)**	(17.0)	
Homestake mine restructuring charges		(5.9)	
Write-down of Homestake's investment in the Main Pass 299 sulfur mine			(84.9)
Gain on termination of Santa Fe merger			47.2
Other		(8.2)	5.8
	$(20.5)	$(205.5)	$(159.2)

Gold Operations – Summary

	1999	1998	1997
Revenues (millions of dollars)	**$ 671.6**	$ 782.2	$ 863.6
Gold equivalent sales (thousands of ounces)	**2,417**	2,602	2,549
Gold equivalent production (thousands of ounces)			
Consolidated	**2,390**	2,532	2,529
Attributable	**2,390**	2,258	2,266
Average realized price ($ per ounce)	**$ 290**	$ 312	$ 353
Average spot price ($ per ounce)	**279**	294	331
Consolidated production costs ($ per ounce)			
Total cash cost	**$ 192**	$ 202	$ 246
Total production cost	**246**	258	303

Revenues from gold, ore and concentrate sales decreased 14% to $671.6 million during 1999 from 1998 reflecting a 7% decline in the averaged realized gold price and a 7% reduction in sales volumes. The lower sales volumes in 1999 were attributable to a 6% decline in consolidated gold equivalent production reflecting lower production in the United States and Australia,

partially offset by higher production in Canada. The 9% decrease in revenues in 1998 from 1997 was due to a 12% decline in average realized gold prices, partially offset by a 2% increase in sales volumes. Lower realized prices in 1999 compared to 1998, and in 1998 compared to 1997, primarily were due to lower average spot gold prices, which declined by 5% and 11%, respectively, during these periods. The Company's hedging activities increased revenues by approximately $28 million, $47 million and $25 million in 1999, 1998 and 1997, respectively.

The 6% decline in consolidated gold production in 1999 reflects 10% lower production in the United Sates and Australia, offset by a 2% increase in production in Canada. Lower production from United States operations primarily reflects reduced production from the Open Cut at the Homestake mine. Lower production in Australia reflects reduced throughput rates for a portion of 1999 at the Kalgoorlie operations and the absence of production from the Mt Morgans mine, which ceased operation in November 1998. Higher production from Canadian operations reflects increased ore and concentrate shipments at the Eskay Creek mine and increased production from the Hemlo operations, partially offset by reduced production from the Snip mine, which ceased operation in June 1999. Attributable production increased by 6% during 1999 reflecting Homestake's December 1998 acquisition of the minority interests in Prime Resources Group Inc. ("Prime").

Consolidated Production Costs per Ounce

(per ounce of gold)	1999	1998	1997
Direct mining costs	**$176**	$185	$222
Deferred stripping adjustments	**(3)**	1	5
Costs of third-party smelters	**14**	12	14
Other			1
Cash Operating Costs	**187**	198	242
Royalties	**4**	3	3
Production taxes	**1**	1	1
Total Cash Costs	**192**	202	246
Depreciation and amortization	**48**	50	54
Reclamation	**6**	6	3
Total Production Costs	**$246**	$258	$303

Total cash costs per ounce in 1999 decreased by 5% compared to 1998 due to continued cost reduction efforts, increased production at the low-cost Eskay Creek mine and a decrease in production at the higher-cost Homestake mine, partially offset by higher average Australian exchange rates. The 18% reduction in total cash costs per ounce in 1998 compared to 1997 reflects cost reduction 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 higher-cost Homestake mine.

Homestake's total noncash cost per equivalent ounce was $54 during 1999 compared to $56 and $57 per ounce during 1998 and 1997, respectively. Noncash costs per ounce decreased slightly in 1999 primarily due to asset write-downs in 1998 and the absence of depreciation and reclamation charges at the Snip mine, which was closed in 1999, partially offset by additional depreciation charges relating to the Prime acquisition.

Consolidated total cash costs per equivalent ounce have been derived from amounts included in revenues and production costs in the Statements of Consolidated Operations as follows:

Reconciliation of Total Cash Costs per Ounce to Financial Statements

(millions of dollars, except per ounce amounts)	1999	1998	1997
Production Costs per Financial Statements	**$473.8**	$537.3	$627.6
Costs not included in Homestake's production costs:			
Costs of third-party smelters[a]	**35.0**	32.4	34.5
Production costs of consolidated joint ventures	**(4.5)**	(4.6)	(3.3)
Production costs of equity accounted investments	**1.9**	1.9	1.9
Sulfur and oil production costs	**(23.1)**	(24.2)	(25.4)
Reclamation accruals	**(14.7)**	(13.4)	(9.0)
By-product silver revenues	**(2.7)**	(3.1)	(2.6)
Inventory movements and other	**(7.6)**	(13.8)	(6.4)
Production Costs for Per Ounce Calculation	**$458.1**	$512.5	$617.3
Ounces Produced During the Year (in thousands)	**2,390**	2,532	2,529[b]
Total Cash Costs Per Ounce	**$ 192**	$ 202	$ 246

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.

Management's Discussion and Analysis

United States

United States operations produced 624,200 ounces of gold at a total cash cost of $207 per ounce during 1999 compared to production of 691,500 ounces at a cash cost of $221 per ounce during 1998 and 702,800 ounces at a cash cost of $286 per ounce during 1997.

At the Homestake mine in South Dakota, production in 1999 decreased to 212,700 ounces at a cash cost of $261 per ounce from 277,400 ounces at a cash cost of $249 per ounce in 1998 and 397,300 ounces at a cash cost of $310 per ounce in 1997. The lower production and higher cash costs during 1999 reflect significantly lower production from the lower-cost Open Cut. Mining at the Open Cut was completed in September 1998 and open-cut production since that time has been derived from processing lower-grade residual stockpiles, which were depleted in December 1999. In 1998, the underground operations at the Homestake mine were restructured, and as a result, the workforce was reduced by 450 employees, parts of the mine were closed, and mining was concentrated on substantially fewer production levels. Lower production and cash costs during 1998 compared to 1997 reflect the restructuring of the underground operations and an increase in the rate of processing the lower-cost, lower-grade Open Cut ore. The Homestake mine is expected to produce approximately 200,000 ounces in 2000 solely from the underground operations.

At the Ruby Hill mine in Nevada, which commenced commercial production January 1, 1998, gold production in 1999 increased to 123,800 ounces at a cash cost of $104 per ounce compared to 116,500 ounces in 1998 at a cash cost of $122 per ounce. Higher production and lower cash costs primarily reflect higher ore grades, partially offset by fewer tons processed.

Production at the McLaughlin mine in northern California totaled 121,500 ounces at a cash cost of $223 per ounce in 1999 compared to 128,700 ounces at a cash cost of $219 per ounce during 1998 and 118,500 ounces at a cash cost of $254 per ounce during 1997. Mining operations at the McLaughlin mine were completed in 1996 and since that time the operation has processed stockpiled ore through a conventional carbon-in-pulp circuit. The lower production and higher cost per ounce in 1999 is due to lower ore grades, as the higher-grade stockpiles were depleted in the third quarter of 1999. The decrease in cash costs per ounce during 1998 compared to 1997 is due to higher grades and cost containment measures. Production in 2000 is expected to decrease slightly and cash costs to increase, due to a decline in the grade of the ore to be processed. At currently anticipated production rates, the stockpiles are expected to be depleted in 2002.

Homestake's 25% share of 1999 gold production from the Round Mountain mine in Nevada was 135,500 ounces at a cash cost of $198 per ounce, compared to 127,600 ounces at a cash cost of $220 per ounce in 1998 and 120,000 ounces at a cash cost of $226 per ounce in 1997. The increase in production and decrease in costs during 1999 is due to an increase in the tonnage and grade of ore placed on the dedicated leach pad and a significantly higher average grade of ore processed through the mill. The higher production and lower cash costs per ounce in 1998 resulted from increases in mill ore grades, recovery and the amount of course gold encountered during milling operations, partially offset by lower tonnage leached on the reusable pad.

Canada

Canadian gold production increased to 905,900 equivalent ounces at a total cash cost of $157 per ounce during 1999 compared to production of 890,400 equivalent ounces at a cash cost of $166 per ounce during 1998 and 835,400 equivalent ounces at a cash cost of $186 per ounce during 1997.

Production at the Eskay Creek mine, consisting of payable gold and silver in ore and concentrates sold, increased to 558,400 equivalent ounces of gold during 1999 from 504,800 and 417,300 equivalent ounces in 1998 and 1997, respectively. Cash costs per equivalent ounce, including third-party smelter costs, decreased slightly to $131 during 1999 from $133 per equivalent ounce during 1998 and $157 per equivalent ounce during 1997. The increase in 1999 production primarily is due to increased ore and concentrate shipments, partially offset by lower ore grades mined. The increase in 1998 production primarily was due to production from the gravity/flotation mill, which was commissioned in December 1997, and the effect of a lower gold/silver equivalency ratio. Eskay Creek silver production is converted to gold equivalent production using the ratio of the gold market price to the silver market price. During 1999, the Company converted silver to gold using an equivalency factor of 52.7 ounces of silver equals one ounce of gold compared to equivalency factors of 52.6 ounces and 68.2 ounces of silver equals one ounce of gold in 1998 and 1997, respectively. Cash costs per equivalent ounce declined in 1998 compared to 1997 due to the lower-cost production from the mill and the weaker Canadian dollar.

Homestake's share of production from the Hemlo mining camp in Ontario, which encompasses the Williams and David Bell mines and the Quarter Claim royalty interest, amounted to 305,200 ounces at a cash cost of $197 per ounce in 1999 compared to 286,300 ounces at a cash cost of $210 per ounce in 1998 and 302,500 ounces at a cash cost of $216 per ounce in 1997. In mid-1999, the David Bell mill was decommissioned and, since that time, both David Bell and Williams ore have been processed at the lower-cost Williams mill. Production from the Hemlo mines in 1999 increased 7%, and cash costs per ounce decreased 6% from the prior year primarily due to higher ore

grades at the Williams mine and the recovery of 4,700 ounces from the clean up of the David Bell mill following closure, partially offset by lower ore grades at the David Bell mine. The lower production from the Hemlo mines in 1998 compared to 1997 primarily was attributable to lower ore grades, partially offset by increased throughput at the Williams mine.

During 1999, production from the Snip mine located in British Columbia was 42,300 ounces at a cash cost of $208 per ounce compared to 99,300 ounces at a cash cost of $205 per ounce during 1998 and 115,600 ounces at a cash cost of $213 per ounce during 1997. All mining and milling activities at the Snip mine were completed during the second quarter of 1999 as the mine's reserves were depleted. All active reclamation activities were completed early in the fourth quarter of 1999.

Australia

Western Australia gold production of 835,500 ounces at a total cash cost of $219 per ounce during 1999 compares to production of 925,700 ounces at a cash cost of $224 per ounce during 1998 and 974,300 ounces at a cash cost of $269 per ounce during 1997.

Homestake's 50% share of production from the Kalgoorlie operations totaled 360,100 ounces at a cash cost of $235 per ounce during 1999 compared to 390,200 ounces at a cash cost of $229 per ounce during 1998 and 425,900 ounces at a cash cost of $259 per ounce during 1997. The decreases in production in 1999 and 1998 primarily are due to lower throughput as a result of mechanical difficulties encountered at the Fimiston SAG mill. From June 1998, until a permanent replacement gear was installed in May 1999, structural cracks in the mill's ring gear required that the mill be operated at a reduced rotation speed to minimize stress on the gears, which limited capacity. During 1999, the Company received insurance proceeds of $4.8 million related to the ring gear failure. Further, as yet undetermined, recoveries are expected in 2000. Cash costs per ounce in 1999 increased as a result of a slightly stronger Australian dollar and a temporary increase in mining costs associated with an interim mining agreement with the contract miner, partially offset by the ring gear insurance proceeds. Production in 1998 also was lower than in the previous year due to a decrease in production at the Mt Charlotte mine. The decrease in cash costs in 1998 from 1997 primarily reflects a weakening of the Australian dollar. During the third quarter of 1999, Homestake and its 50% joint venture partner Normandy Mining Ltd. ("Normandy") began progressively transferring Super Pit mining operations from a mining contractor to owner mining. Once conversion to owner mining is completed in the first quarter of 2000, Homestake expects Super Pit cash operating costs to be significantly reduced.

In July 1999, development was suspended and a 40-person reduction in workforce at the Mt Charlotte underground mine was announced. Mining activities since that time have concentrated on previously developed ore blocks. The current mine plan extends to August 2000, but performance of the mine will be monitored to determine whether the operation will continue until that date.

Gold production at the Yilgarn operations, which consist of the Plutonic, Lawlers and Darlot mines, was 453,900 ounces at a cash cost of $208 per ounce in 1999 compared to 459,400 ounces at a cash cost of $218 per ounce in 1998 and 427,300 ounces at a cash cost of $252 per ounce in 1997. Production at the Plutonic mine totaled 236,500 ounces at a cash cost of $221 per ounce in 1999 compared to 255,500 ounces at a cash cost of $226 per ounce in 1998 and 274,600 ounces at a cash cost of $234 per ounce in 1997. Production decreased in 1999 compared to 1998 primarily due to a lower average ore grade milled, and in 1998 compared to 1997 primarily due to lower ore grades and lower mill throughput as the mine began its conversion from an open pit to an underground mining operation following depletion of the Main Pit at the end of 1997. During 1999 and 1998, the processing of underground ore was supplemented with ore from lower grade open-pit stockpiles, which enabled the mill to operate at full capacity. During 1999, ore sourced from the underground operations comprised 65% of total production compared to 41% and 26% in 1998 and 1997, respectively.

Production at the Darlot mine continued to increase, and cash costs per ounce continued to decrease in 1999 as a result of the commencement of mining in the higher-grade Centenary underground orebody in late 1998. Darlot production in 1999 amounted to 113,100 ounces at a cash cost of $198 per ounce compared to production of 77,500 ounces at a cash cost of $250 per ounce in 1998 and 65,200 ounces at a cash cost of $320 per ounce in 1997. Production in 1999 also benefited from the completion of a mill upgrade, which has improved recoveries.

Production at the Lawlers mine totaled 104,300 ounces in 1999 compared to 126,400 and 87,500 ounces in 1998 and 1997, respectively. The Lawlers mine now is exclusively an underground operation. Production in 1999 decreased 17% as a result of the completion of open-pit mining in October 1998 and reduced ore grades resulting from difficulties associated with developing high-grade ore sources in the second half of the year. Production in 1998 increased 44% from 1997 due to higher grades and increased throughput, primarily from the New Holland and Fairyland deposits. Cash costs per ounce increased 4% to $189 per ounce in 1999 as the effect of lower production and higher average exchange rates largely were offset by lower operating costs and improved operating efficiencies. Cash costs per ounce declined to $181 per ounce in 1998 compared to

$260 per ounce in 1997 as a result of lower costs in conjunction with higher production.

During 1998, mining operations were completed at the then 80%-owned Mt Morgans mine and at the 66.7%-owned Peak Hill mine. Processing of lower-grade stockpiles continued at the Mt Morgans mine until November 1998 and at the Peak Hill mine until November 1999. Homestake is continuing active exploration in the vicinity of these properties.

Main Pass 299: The Company has a 16.7% undivided interest in the Main Pass 299 sulfur mine and oil recovery operations in the Gulf of Mexico. Homestake recorded Main Pass 299 operating losses of $3.8 million in 1999 compared to operating losses of $5.3 million during 1998 and $3.6 million in 1997. The lower 1999 loss in comparison to 1998 reflects higher sales prices, partially offset by lower sales volumes, for both sulfur and oil, and lower depreciation charges as the oil assets were fully depreciated at the end of 1998. Results in 1998 compared to 1997 reflect lower sales prices and volumes and higher per unit operating costs.

During 1997, due to a prolonged period of low sulfur prices and Homestake's assessment of estimated future cash flows from sulfur operations, the Company wrote-down to zero its then carrying value of $107.8 million of the Main Pass 299 sulfur fixed assets.

The Main Pass 299 sulfur operating agreement provides that each participant pays its share of capital and operating costs and has the right to take its share of production in kind in proportion to its undivided interest. In certain circumstances, Homestake can make an annual election to not take its share of the following year's production and not pay for the operating costs related to that year's production.

In the fall of 1999, Homestake exercised its right under the sulfur joint operating agreement to not take and not pay for its share of the sulfur production in the year 2000. In December 1999, Freeport-McMoRan Sulfur LLC ("FMS") denied that Homestake had the right to make the election or that Homestake had made the election on a timely basis. Homestake filed suit in Delaware seeking a declaratory judgement affirming that it had the right to make the election and that it had made the election on a timely basis. Subsequently, FMS has refused to pay to Homestake amounts due to it, including amounts due under the oil and gas operating agreement, contending that it has a right to offset those amounts against amounts it claims to be due under the sulfur operating agreement. Homestake has amended its complaint in Delaware seeking damages against FMS for failing to pay the amounts due. FMS has filed its answer, disputing Homestake's contention and also seeking declaratory relief and damages.

In January 2000, FMS announced that it had reduced its proven sulfur reserves at year-end 1999 to 13.7 million long tons, compared to 52.4 million long tons at December 31, 1998. In its announcement, FMS stated that "Although our estimate of physically producible sulfur has not changed, we have reduced our estimates of commercially recoverable reserves primarily based on our expectations of decreased production rates at the mine, partially offset by anticipated decreases in costs. These factors have also caused us to reduce the expected useful life of the mine from 30 years to 10 years, which will result in an increase in abandonment and reclamation accruals by approximately $3.0 million per year. The price of sulfur is a critical factor in the determination of commercially recoverable reserves. A future increase in sulfur prices could result in a restoration of the reserves being reduced at year-end 1999."

Based on the foregoing announcement, Homestake has reduced its share of reserves at the mine to 2.3 million tons as of December 31,1999. Homestake's total estimated reclamation liability with respect to its 16.7% of the sulfur interest is $9.5 million, of which $1.7 million was accrued at December 31, 1999.

Other income (loss) of $40.8 million in 1999 compares to $(24.7) million in 1998 and $63.7 million in 1997. Other income includes pretax unrealized foreign currency gains of $26.7 million in 1999, primarily with respect to foreign currency option contracts and intercompany advances, compared to losses of $38.7 million and $33.8 million during 1998 and 1997, respectively. Other income in 1998 also includes gains on sales of investments of $5.3 million. In 1997, other income also includes gains of $62.9 million related to the fee received on termination of the merger with Santa Fe Pacific Gold Corporation ("Santa Fe"), $10.4 million related to an agreement to sell a right to cancel the Company's option to acquire shares of Great Central Mines Limited, and $13.5 million from the sale of the George Lake and Back River joint venture interests.

Depreciation, depletion and amortization declined to $134.5 million during 1999 from $139.4 million during 1998 and $162.8 million during 1997. Depreciation expense decreased in 1999 and 1998 following the asset write-downs recorded in 1998 and 1997.

Administrative and general expense declined to $42.0 million during 1999 from $46.8 million during 1998 and $49.5 million during 1997. Reduced administrative and general expenses in 1999 are the result of continuing cost reduction efforts. In July 1999, the Company announced its intent to reduce overhead costs by an additional 10%, which together with reduced exploration spending, is expected to reduce costs by up to $30 million annually.

Exploration expense decreased to $39.5 million in 1999 compared to $59.9 million in 1998 and $67.6 million in 1997. Expenditures in 1999 include $2.6 million of exploration expenses incurred by Argentina Gold on the Veladero joint venture property prior to Homestake's acquisition, $3.2 million incurred by Homestake subsequent to the acquisition and $1.1 million for metallurgical studies on the Jeronimo deposit at the Agua de la Falda property in northern Chile. Expenses related to in-mine definition drilling at Homestake's operating mines are included in the individual mine operating expenses and cost per ounce calculations. The reduced exploration spending levels reflect general gold industry trends and an increased exploration focus following the acquisitions of Plutonic in 1998 and Argentina Gold in 1999. Homestake has withdrawn from northern Latin America and Eastern Europe and is concentrating its exploration resources on existing major projects and on the extensive land packages in prime gold belts associated with these acquisitions. The Company currently plans to spend approximately $30 million on exploration activities during 2000, primarily around existing operations and on advanced exploration projects that have the greatest prospect of creating commercially viable mines. In addition, the Company expects to spend approximately $14.2 million on resource development at the Veladero and Jeronimo projects in 2000.

Resource asset write-downs: During 1999, the Company reviewed the carrying values of its gold mining operations using $325 per ounce gold price. Based on this review, the Company determined that none of its mining operations was impaired. However, the Company recorded resource asset write-downs of $11.7 million including $10 million to write-off certain exploration properties acquired as part of the Plutonic acquisition and $1.7 million to reduce the carrying value of redundant equipment at the Kalgoorlie operations in Australia. In addition, the Company recorded a $3.5 million write-down related to an investment in an exploration joint venture in Eastern Europe following a decision to exit the venture.

During 1998, the Company reviewed the carrying values of its gold mining operations also using a $325 per ounce gold price. As a result of that review, the Company determined that certain assets were impaired and that write-downs were required to reduce the carrying values of those assets. Based on estimated future cash flows, the Company did not expect to recover its remaining investments in property, plant and equipment at the Homestake and Mt Charlotte mines. Accordingly, the Company recorded write-downs of $76.1 million and $38.4 million, reducing the remaining carrying values of property, plant and equipment at the Homestake and Mt Charlotte mines, respectively, to zero. The Company also recorded write-downs of $37.1 million related to other mineral properties, including $22.3 million and $10.2 million related to mineral properties acquired as part of the Plutonic and Argentina Gold acquisitions.

In 1997, the Company reviewed the carrying values of its gold mining operations and determined that impairment existed and that write-downs were required to reduce the carrying values of several of its assets with short remaining lives. As a result, write-downs were recorded related to the Mt Morgans and Peak Hill mines, the Pinson mine, the Homestake mine's Open Cut, low-grade stockpiled ore and exploration properties at certain locations in Western Australia and redundant mining equipment at the Kalgoorlie operations.

Environmental: During 1999, following an environmental audit, the Company recorded a provision of $5.2 million for additional reclamation costs at certain nonoperating properties in Australia acquired as a result of the Plutonic acquisition.

During 1998, the Company recorded a provision for estimated additional remediation and related reclamation costs at the Homestake mine of $35 million. The recognition of this liability was caused by the findings of an environmental audit and changes in the operation's mining plans.

During 1997, the Company increased reclamation accruals for certain of its nonoperating properties by $29.2 million, including the Santa Fe and Nickel Plate mines and the Grants uranium complex to reflect revised estimates, changed conditions and more stringent future reclamation requirements.

Income and mining taxes: Homestake's consolidated income and mining tax expense was $7.4 million in 1999, compared to tax benefits of $13.1 million and $19.5 million in 1998 and 1997, respectively. Homestake's effective income and mining tax rate was 68.1% on 1999 pretax income compared to 5.7% and 7.9% on 1998 and 1997 pretax losses, respectively. The geographic mix of pretax income and losses dramatically impacts the overall effective tax rate. During 1999, the Company had pretax income of $34.7 million in the United States and $12.3 million in Canada, and pretax losses of $22.1 million and $14.0 million in Australia and South American jurisdictions, respectively. Homestake recorded tax expense of $4.7 million on United States income and $10.0 million on Canadian income, and a tax benefit of $7.3 million on Australian losses. In 1999, no

tax benefit was recognized on losses incurred in South American jurisdictions due to the uncertainty of their realization.

The statutory tax rate in the United States is 35%. However, while the Company has sufficient tax attributes to shelter regular United States income taxes, it is subject to the 20% Alternative Minimum Tax ("AMT"), which can be reduced by 90% through the use of foreign tax credits. The Company's effective United States tax rate was 13.5% in 1999 reflecting foreign withholding taxes on intercompany interest income and AMT on intercompany dividends from Canada following the Prime acquisition. The Canadian statutory tax rate, including federal and provincial income tax and mining tax is approximately 49.1%. The Company's effective Canadian tax rate in 1999 was 81.5%, primarily due to depreciation expense recorded in the financial statements that is not deductible for tax purposes and a valuation allowance established for Argentina Gold's Canadian losses due to the uncertainty of their realization. These adjustments were partially offset by a reduction in prior years' tax accruals for certain contingencies that were resolved favorably. The Australian statutory tax rate is 36%. The Company's effective Australian tax rate was 33%, reflecting expenses recorded in the financial statements that are not deductible for tax purposes, offset by a tax benefit from a change in corporate tax rates. In December 1999, the Australian government reduced corporate tax rates to 34% for the fiscal year beginning July 1, 2000 and to 30% thereafter.

At December 31, 1999 and 1998 the Company had valuation allowances related to its deferred tax assets of $309.1 million and $217.5 million, respectively. Future tax benefits for United States and South America have not been recognized because realization of these benefits is uncertain. In addition, there currently is not a strategy that would result in the realization of certain Australian and Canadian deferred tax assets.

Minority interests: Losses allocable to minority interests in consolidated subsidiaries amounted to $1.4 million in 1999 compared to income allocable to minority interests of $3.2 million in 1998 and $4 million in 1997. The reduction in income allocable to minority interests in 1999 from 1998 is due to the December 1999 acquisition of the Prime minority interests. The decrease in income allocable to minority interests in 1998 from 1997 primarily is attributable to the minority interests' share of the Lachlan mineral property write-downs during 1998. Minority interests share of net assets increased during 1999 as a result of additional assets contributed to Agua de La Falda joint venture ("Agua") by Agua's 49% shareholder, Codelco, partially offset by the allocation of losses allocable to minority interests, primarily exploration and prefeasibility expenditures in excess of joint venture operating earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash and short-term investments totaled $266.6 million at the end of 1999 compared with $301.9 million at the end of 1998, a decrease of $35.3 million. Net cash provided by operations in 1999 amounted to $117.3 million compared to $115.1 million and $157.9 million in 1998 and 1997, respectively. The increase in cash provided by operations during 1999 from 1998 reflects improved operating performance and $35 million of proceeds related to the early close out of forward sales contracts, partially offset by the effect of lower gold prices. The decrease in cash flow from operations in 1998 from 1997 primarily is due to lower gold prices and the inclusion in 1997 cash flows of the $65 million fee received on termination of the merger with Santa Fe.

Total debt outstanding, including capital lease obligations, was $315.7 million at December 31, 1999, compared to $357.4 million at the prior year end. The Company has a cross-border credit facility ("Credit Facility") providing a total availability of $430 million. The Credit Facility is available through July 14, 2003 and provides for borrowings in United States, Canadian, or Australian dollars, or gold, or a combination of these. Australian dollar-denominated borrowings outstanding at December 31, 1998 under the credit facility were repaid in 1999. At December 31, 1999, borrowings outstanding under the Credit Facility consisted of Canadian dollar-denominated borrowings of $102.7 million (C$148.2 million). The Company pays a commitment fee on the unused portion of this facility ranging from 0.15% to 0.35% per annum, depending upon rating agencies' ratings for the Company's senior debt. The credit agreement requires, among other provisions, a minimum consolidated net worth, as defined in the agreement (primarily shareholders' equity plus the amount of all noncash write-downs made after December 31, 1997), of $500 million. Interest on the Canadian dollar borrowings is payable quarterly based on the Bankers' Acceptance discount rate plus a stamping fee. At December 31, 1999 this rate was 6.17%.

During 1999 the Company entered into capital leases to finance its portion of the purchase of mining equipment at the Kalgoorlie operations. Leased assets of $23 million are included in property, plant and equipment at December 31, 1999.

In July 1997, Lawrence County, South Dakota issued $30 million of Solid Waste Disposal Revenue Bonds ("Waste Disposal Bonds") and $18 million of Pollution Control Refunding Revenue Bonds, both of which are due in 2032. The Company is responsible for funding principal and interest payments on these bonds. Due to a reduction in the size of the Homestake mine tailings project, the Company repaid $10 million of the Waste Disposal Bonds in March 1999 out of the funds held in trust.

During 1999, the Company repurchased $15 million of the 5.5% Convertible Notes ("Convertible Notes"), which mature on

June 23, 2000. At December 31, 1999, the Company has classified $100 million of Convertible Notes as long-term debt since the Company intends to refinance that portion of these obligations under the Credit Facility for a period longer than one year from December 31, 1999. The remaining $35 million of Convertible Notes have been classified as current, as the Company expects to retire this debt using cash and equivalent balances. Interest on the notes is payable semiannually in June and December. The notes are convertible into the Company's common shares at a rate of $23.06 per common share. See note 12 to the Consolidated Financial Statements for further information on the Company's long-term debt.

Long-term debt repayments, net of borrowings, amounted to $51.5 million in 1999, compared to $8.1 million in 1998 and net borrowings of $76.7 million in 1997. Net debt repayments in 1999 include the repurchase of $15 million of the Convertible Notes, repayment of all Australian dollar-denominated borrowings under the Credit Facility from existing cash and short-term investment balances, repayment of $10 million of the Waste Disposal Bonds, borrowings of $23 million (A$35.2 million) under the capital leases and $99.8 million (C$148.2 million) of Canadian dollar-denominated borrowings under the Credit Facility.

In December 1998, Homestake purchased the Prime minority interests for stock. Total acquisition cost was $321.8 million (including $4 million of capitalized direct acquisition costs). The excess of the purchase price paid over the net book value of the minority interests acquired was $224 million of which $174 million ($259.6 million including an increase related to deferred taxes) was allocated to the Eskay Creek mine's ore reserves and $50 million ($74.6 million including an increase related to deferred taxes) was allocated to the Eskay Creek exploration properties.

In February 1997, Homestake sold its interests in the George Lake and Back River joint ventures in Canada to Kit Resources Corporation ("Kit") for $9.3 million in cash and 3.6 million shares of Kit common stock. This transaction resulted in a pretax gain of $13.5 million.

In November 1997, Homestake purchased a 20% interest in Navan Bulgarian Mining BV ("Navan BV") for $12 million. In September 1998, Homestake completed its evaluation of Navan BV's Chelopech project and concluded that the project did not warrant Homestake's participation and therefore terminated its participation in Navan BV. Navan BV returned approximately $11 million of Homestake's investment.

In 1997, the Company received $37.1 million (A$50 million) upon repayment of Edensor Nominees Pty, Ltd. debt owed to the Company.

Capital expenditures of $104.9 million in 1999 include $39.7 million at the Yilgarn operations primarily for underground development work, $33.5 million at the Kalgoorlie operations primarily to acquire equipment for owner mining and $11.2 million at the Homestake mine primarily for underground mobile mining equipment and a raise on the tailings dam. The remaining expenditures primarily were for replacement capital to maintain existing production capacity.

In addition to sustaining capital, planned capital expenditures of approximately $70 million during 2000 include $12 million at the Super Pit primarily to complete the purchase of owner mining equipment and to upgrade the Fimiston mill flotation circuit, a total of $20 million at the Yilgarn operations primarily for underground development, $8 million at the Homestake mine related to the Ross Shaft upgrade and restructuring of the underground operations and $3 million at the Eskay Creek mine primarily for a mill expansion project.

During 1999, Homestake paid dividends of $.05 per share and $.025 per share in the second and fourth quarters, respectively. At the time the fourth quarter dividend was declared, the Company also announced that under current economic conditions the Board of Directors would consider future payments of dividends once a year during the second half of the year.

The Company paid cash income and mining taxes of $33.3 million in 1999, consisting primarily of Canadian taxes.

Future results will be impacted by such factors as the market price of gold and, to a lesser extent silver, the Company's ability to expand its ore reserves and fluctuations of foreign currency exchange rates. The Company believes that the combination of cash, short-term investments, available lines of credit and future cash flows from operations will be sufficient to meet normal operating requirements, planned capital expenditures and anticipated dividends.

Foreign currency, gold and other commitments

Homestake's precious metals hedging policy provides for the use of forward sales contracts to hedge up to 30% of each of the following ten year's expected annual gold production, and up to 30% of each of the following five year's expected annual silver production, at prices in excess of certain targeted prices. The policy also provides for the use of combinations of put and call option contracts to establish minimum floor prices. Homestake does not hold or issue financial instruments or derivative financial instruments for trading purposes or to create hedge positions in excess of forecast identifiable exposures.

During 1999, 1998 and 1997 the Company delivered or financially settled 449,980, 1,258,000 and 656,000 ounces of gold at average prices of $327, $335 and $421 per ounce, respectively, under maturing forward sales and option contracts. In 1999, the Company also delivered or financially settled option contracts for 3,095,000 ounces of silver at an average price of $6.35 per ounce. In July 1999, the Company closed out and financially settled US dollar-denominated forward sales gold

contracts covering 245,000 ounces maturing in the years 2001, 2002 and 2003. The pretax gain of $35 million realized as a result of this transaction has been deferred and will be recorded in income as the originally designated production is sold. The estimated fair value of the Company's remaining gold and silver hedging position at December 31, 1999 was approximately $30 million. At December 31, 1999, Homestake's gold hedging program covered approximately 5% of its proven and probable reserves and contained no exposure to floating lease rates or margin call requirements.

Under the Company's foreign currency protection program, the Company has entered into foreign currency option contracts to minimize the effects of a strengthening of either the Canadian or Australian currencies in relation to the United States dollar. Realized and unrealized gains and losses on this program are recorded in other income. At December 31,1999, the Company had net unrealized gains of $3.4 million on open contracts under this program.

In June 1998, FASB issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 requires that all derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivatives and whether they qualify for hedge accounting as either a fair value hedge or a cash flow hedge. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows of the hedging instruments and the hedged items. The Company believes that under SFAS 133, changes in unrealized gains and losses on Homestake's foreign currency contracts will qualify for hedge accounting and be deferred in other comprehensive income. The Company also believes that contracts under its precious metals hedging program will qualify as cash flow hedges under SFAS 133. However, there are many complexities to this new standard. The Company currently is evaluating the impact that SFAS 133 will have on reported operating results and financial position. The Company expects to adopt SFAS 133 effective January 1, 2001.

See notes 2 and 18 to the consolidated financial statements for additional information regarding the Company's hedging programs.

Risks and uncertainties

Homestake's operations are affected by the quantity of metals produced, market prices of gold, and to a lesser extent silver, operating costs, interest rates on borrowings and investments, and exploration spending levels. The market price for gold is a worldwide market. Gold prices are subject to volatile price movements over short periods of time and are influenced by numerous factors over which Homestake has no control, including expectations with respect to rates of inflation, the relative strength of the United States dollar, and certain other currencies, interest rates, global or regional political or economic crises, demand for jewelry and industrial products containing gold, speculation, and sales by holders and producers of gold in response to these factors. In addition, because Homestake operates internationally, exposure also exists with respect to fluctuations in currency exchange rates, political risk and levels of taxation. Homestake attempts to manage its exposures to these risks through currency and commodity hedging programs and by maintaining appropriate levels of liquidity and leverage.

The Company competes with other mining companies for exploration properties, mining claims, joint-venture agreements and for the acquisition of gold mining assets. Such competition could increase the difficulty of acquiring assets on terms acceptable to Homestake.

Homestake's estimates of its remediation and reclamation obligations are based on currently available facts, existing technology and presently enacted laws and regulations. Environmental laws and regulations continually are changing in all of the regions in which Homestake operates. It is not possible to determine the impact of future changes in environmental laws and regulations on its future financial position because of uncertainty surrounding the form such changes may take. The Company regularly reviews these obligations. However, it is reasonably possible that as reclamation plans and associated cost estimates change, the Company's remediation and reclamation liability could change significantly.

Cautionary Statement

Year 2000

The Year 2000 ("Y2K") issue is the result of computerized systems using two digits rather than four to identify an applicable year. Date-sensitive systems may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculation causing disruptions of business operations. In 1999, the Company completed a review of its computer-based information systems and developed a plan to ensure that all of these systems would be Year 2000 compliant. Year 2000 compliant upgrades for the Company's core financial systems were installed and tested. To date, no significant Y2K problems have been encountered during the year 2000 and none are expected. However, factors may exist that could cause Y2K-related problems in the future. Homestake's management information systems and operations staff will again monitor critical operations during the December 31, 2000 - January 1, 2001 Y2K rollover dates.

The Company has not established systems to track Y2K-related costs directly. Total Y2K program expenditures, which are composed primarily of internal payroll costs and external consulting fees, totaled approximately $1.5 million.

Cautionary Statement Under the Private Securities Litigation Reform Act

This report contains forward-looking statements that are based on management's expectations and assumptions. They include statements preceded by the words "believe," "estimate," "expect," "intend," "will," and similar expressions, and estimates of reserves, future production and mine life, costs per ounce, reclamation and remediation costs, dates of construction completion, costs of capital projects and commencement of operations, exploration costs and taxes. Actual results may differ materially from expectations.

Among the important factors that could cause actual results to differ materially are the following. Reserve estimation is an interpretive process based on drilling results and past experience as well as estimates of ore characteristics and mining dilution, prices, costs of mining and processing, capital expenditures and many other factors. Actual quality, quantity and characteristics of ore deposits cannot be known until ore is actually mined. Reserve estimates change over time to reflect actual experience. Grades of ore processed at any time also may vary from reserve estimates due to geologic variations within areas mined. Production and mine lives may vary from estimates for particular properties and for the Company as a whole because of changes in reserves, variation in ore mined from estimated grade and metallurgical characteristics, unexpected ground conditions, mining dilution, labor actions, government restrictions, and general economic conditions. Cash costs may vary due to changes from reserve and production estimates, unexpected mining conditions, and changes in estimated costs of equipment, supplies, utilities, labor costs and exchange rates. Noncash costs estimates, based on total capital costs and reserve estimates, change based on actual amounts of unamortized capital, changes in estimates of final reclamation, and changes in reserves. Reclamation and remediation cost estimates are based on existing and expected legal requirements, past experience, cost estimates by the Company and others, and expectations regarding government action and time for government agencies to act, all of which change over time and require periodic reevaluation. Capital cost estimates are based on operating experience, reserve estimates and expected production rates, estimates by and contract terms with third-party suppliers, expected legal requirements, feasibility reports by Company personnel and others, and other factors. Factors involved in estimated time for completion of projects include the Company's experience in completing capital projects, estimates by and contract terms with contractors, engineers, suppliers and others involved in design and construction of projects, and estimated time for the government to process applications, issue permits and take other actions. Changes in any factor may cause costs and time for completion to vary significantly from estimates. There is a greater likelihood of variation for properties and facilities not yet in production due to lack of actual experience. Exploration cost estimates are based on past experience, estimated levels of future activity and assumptions regarding results on a particular property and change based on actual exploration results (increasing or decreasing expenditures), changed conditions and property acquisitions and dispositions. Tax estimates reflect expectations regarding geographic sources of income, locations of expenditures and expected tax rates in each jurisdiction, and change as the mix of income, expenditures and tax rates change.

Statements of Consolidated Operations

(In thousands, except per share amounts)	For the Year Ended December 31, 1999	1998	1997
Revenues			
Gold and ore sales	**$671,572**	$ 782,159	$ 863,628
Sulfur and oil sales	**19,376**	20,975	26,821
Interest income	**16,366**	19,501	17,435
Other income (loss) (note 4)	**40,811**	(24,745)	63,682
	748,125	797,890	971,566
Costs and Expenses			
Production costs	**473,775**	537,291	627,639
Depreciation, depletion and amortization	**134,478**	139,371	162,781
Administrative and general expense	**42,045**	46,832	49,455
Exploration expense	**39,511**	59,865	67,587
Interest expense	**17,827**	20,884	20,756
Business combination and integration costs (note 3)	**4,764**	19,351	–
Write-downs and other unusual charges (note 5)	**20,415**	213,813	285,315
Other expense	**4,453**	4,165	6,836
	737,268	1,041,572	1,220,369
Income (Loss) Before Taxes and Minority Interests	**10,857**	(243,682)	(248,803)
Income and Mining Taxes (note 6)	**(7,388)**	13,087	19,458
Minority Interests	**1,395**	(3,185)	(4,009)
Net Income (Loss)	**$ 4,864**	$ (233,780)	$ (233,354)
Net Income (Loss) Per Share (Basic and Diluted)	**$ 0.02**	$ (1.01)	$ (1.02)
Average Shares Used in the Computation	**259,964**	231,747	228,584

The accompanying notes are an integral part of these financial statements.

Consolidated Balance Sheets

(In thousands, except per share amounts)	1999	December 31, 1998
Assets		
Current Assets		
Cash and equivalents	$ 130,273	$ 147,519
Short-term investments	136,362	154,346
Receivables (note 7)	44,988	45,929
Inventories (note 8)	63,337	78,906
Deferred income and mining taxes (note 6)	14,663	22,792
Other	7,479	5,105
Total current assets	397,102	454,597
Property, Plant and Equipment - net (note 9)	1,132,846	1,102,739
Investments and Other Assets		
Noncurrent investments	10,473	12,945
Other assets (note 10)	94,048	90,325
Total investments and other assets	104,521	103,270
Total Assets	$ 1,634,469	$ 1,660,606
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 34,873	$ 43,457
Accrued liabilities (note 11)	64,460	102,113
Income and other taxes payable	3,469	3,151
Current portion of long-term debt (note 12)	37,206	–
Total current liabilities	140,008	148,721
Long-term Liabilities		
Long-term debt (note 12)	278,494	357,410
Other long-term obligations (note 13)	184,893	176,887
Total long-term liabilities	463,387	534,297
Deferred Gain on Close-out of Forward Sales Contracts (note 18)	34,956	–
Deferred Income and Mining Taxes (note 6)	216,958	230,567
Minority Interests in Consolidated Subsidiaries	13,800	7,825
Shareholders' Equity (note 16)		
Capital stock, $1 par value per preferred and common share:		
Authorized – Preferred: 10,000 shares; no shares outstanding		
– Common: 450,000 shares		
Outstanding – HCI exchangeable shares: 1999 - 6,657; 1998 - 11,139		
– Common: 1999 - 253,808; 1998 - 247,483	253,808	247,483
Additional paid-in capital	923,091	920,816
Deficit	(382,271)	(368,648)
Accumulated other comprehensive loss	(29,268)	(60,455)
Total shareholders' equity	765,360	739,196
Total Liabilities and Shareholders' Equity	$ 1,634,469	$ 1,660,606

Commitments and Contingencies - see note 18.
The accompanying notes are an integral part of these financial statements.

Statements of Consolidated Shareholders' Equity

For the Years Ended December 31, 1999, 1998 and 1997

(In thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income: Accumulated Translation Adjustments	Accumulated Other Comprehensive Income: Unrealized Securities Gains (Losses)	Total
Balances, December 31, 1996	$ 228,466	$ 613,102	$ 151,724	$ 58,468	$ (8,383)	$ 1,043,377
Comprehensive income:						
Net loss			(233,354)			(233,354)
Other comprehensive income (loss)				(92,163)	10,210	(81,953)
Dividends paid			(31,784)			(31,784)
Exercise of stock options	277	1,012				1,289
Other		2,216				2,216
Balances, December 31, 1997	228,743	616,330	(113,414)	(33,695)	1,827	699,791
Comprehensive income:						
Net loss			(233,780)			(233,780)
Other comprehensive income (loss)				(32,524)	3,937	(28,587)
Dividends paid			(21,454)			(21,454)
Stock issued to employee savings plan	148	1,416				1,564
Stock issued for acquisition of Plutonic options and partly-paid shares (note 3)	503	(503)				–
Stock issued in private placement	1,390	1,845				3,235
Exercise of stock options	34	(10)				24
Stock issued for purchase of Prime minority interests (note 3):						
Homestake common shares	16,672	173,843				190,515
HCI exchangeable shares		127,285				127,285
Other	(7)	610				603
Balances, December 31, 1998	247,483	920,816	(368,648)	(66,219)	5,764	739,196
Comprehensive income:						
Net income			4,864			4,864
Other comprehensive income				28,595	2,592	31,187
Dividends paid			(18,487)			(18,487)
Stock issued to employee savings plan	167	1,285				1,452
Stock issued in exchange for HCI exchangeable shares	4,482	(4,482)				–
Stock issued in private placement	1,090	5,199				6,289
Exercise of stock options	499	(121)				378
Other	87	394				481
Balances, December 31, 1999	$ 253,808	$ 923,091	$ (382,271)	$ (37,624)	$ 8,356	$ 765,360

The accompanying notes are an integral part of these financial statements.

Statements of Consolidated Cash Flows

(In thousands)	1999	For the Year Ended December 31, 1998	1997
Cash Flows from Operations			
Net income (loss)	$ 4,864	$(233,780)	$(233,354)
Reconciliation to net cash provided by operations:			
Depreciation, depletion and amortization	134,478	139,371	162,781
Deferred gains on close-out of forward sales contracts	34,956	–	–
Write-downs and other unusual charges (note 5)	20,415	204,934	285,315
Foreign currency exchange (gains) losses on intercompany debt (note 4)	(9,975)	5,671	5,657
Gains on asset disposals	(3,400)	(3,664)	(16,933)
Deferred income and mining taxes (note 6)	(17,824)	(39,436)	(56,318)
Minority interests	(1,395)	3,185	4,009
Reclamation – net	(2,755)	1,404	2,970
Other items – net	(64)	(12,423)	11,433
Effect of changes in operating working capital items:			
Receivables	3,239	(6,889)	(370)
Inventories	12,729	43,815	2,932
Accounts payable	(9,837)	(15,109)	9,602
Accrued liabilities and taxes payable	(34,183)	26,215	(18,199)
Other	(13,909)	1,760	(1,585)
Net cash provided by operations	117,339	115,054	157,940
Investment Activities			
Decrease (increase) in short-term investments	19,069	(19,307)	(11,063)
Additions to property, plant and equipment	(104,927)	(73,323)	(204,629)
Proceeds from sale – leaseback of equipment (note 18)	23,044	–	–
Proceeds from asset sales	6,309	15,606	33,536
Decrease (increase) in restricted cash	11,772	2,429	(15,990)
Investments in mining companies	–	11,088	(22,950)
Decrease in note receivable	–	–	37,210
Other	–	(135)	(1,376)
Net cash used in investment activities	(44,733)	(63,642)	(185,262)
Financing Activities			
Borrowings	99,791	97,697	126,847
Debt repayments	(174,287)	(105,747)	(50,133)
Dividends paid	(18,487)	(22,494)	(33,935)
Common shares issued	6,707	3,399	1,289
Other	–	1,795	4,234
Net cash provided by (used in) financing activities	(86,276)	(25,350)	48,302
Effect of Exchange Rate Changes on Cash and Equivalents	(3,576)	(7,433)	(2,844)
Net Increase (Decrease) in Cash and Equivalents	(17,246)	18,629	18,136
Cash and Equivalents, January 1	147,519	128,890	110,754
Cash and Equivalents, December 31	$ 130,273	$ 147,519	$ 128,890

The accompanying notes are an integral part of these financial statements.

Statements of Consolidated Comprehensive Income (Loss)

(In thousands)	For the Year Ended December 31, 1999	1998	1997
Net Income (Loss)	**$ 4,864**	$ (233,780)	$(233,354)
Other Comprehensive Income (Loss)			
Changes in unrealized gains (losses) on securities:			
Unrealized holding gains (losses) arising during period	**4,012**	1,213	(32,128)
Less: Reclassification adjustments for gains and losses included in net income (loss)	**1,033**	(1,620)	(43,403)
	2,979	2,833	11,275
Income taxes	**(387)**	1,104	(1,065)
	2,592	3,937	10,210
Foreign currency translation adjustments (before and after tax)	**28,595**	(32,524)	(92,163)
Other Comprehensive Income (Loss)	**31,187**	(28,587)	(81,953)
Comprehensive Income (Loss)	**$ 36,051**	$ (262,367)	$(315,307)

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

(unless otherwise noted, all tabular amounts are in thousands)

Note 1: Nature of Operations

Homestake Mining Company ("Homestake" or the "Company") is engaged in gold mining and related activities including exploration, extraction, processing, refining and reclamation. Gold bullion, the Company's principal product, is produced and sold in the United States, Canada, Australia and Chile. Ore and concentrates containing gold and silver from the Eskay Creek mine in Canada are sold directly to smelters.

Note 2: Significant Accounting Policies

Basis of presentation: The consolidated financial statements include Homestake and its majority-owned subsidiaries, and their undivided interests in joint ventures after elimination of intercompany amounts. Undivided interests in gold mining operations and development projects (the Round Mountain, Pinson and Marigold mines in Nevada; the Kalgoorlie operations and the Peak Hill mine in Western Australia; the Williams and David Bell mines in Canada; and the Veladero project in Argentina) and in the sulfur and oil recovery operations at Main Pass 299 in the Gulf of Mexico are reported using pro rata consolidation whereby the Company reports its proportionate share of assets, liabilities, income and expenses.

Use of estimates: The preparation of financial statements in conformity with United States generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the related notes thereto. Actual results could differ from those estimates.

Cash and equivalents include all highly-liquid investments with original maturities of three months or less at the date of purchase. The Company minimizes its credit risk by investing its cash and equivalents with major international banks and financial institutions located principally in the United States, Canada and Australia. The Company believes that no concentration of credit risk exists with respect to the investment of its cash and equivalents.

Short-term investments principally consist of highly-liquid United States and foreign government and corporate securities with original maturities in excess of three months. The Company classifies all short-term investments as available-for-sale. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income, a separate component of shareholders' equity, except that declines in market value judged to be other than temporary are recognized in determining net income.

Inventories, which include finished products, ore in process, stockpiled ore, ore in transit and supplies, are stated at the lower of cost or net realizable value. The cost of gold produced by certain United States operations is determined principally by the last-in, first-out method. The cost of other inventories is determined primarily by averaging methods.

Exploration costs are expensed as incurred. All costs related to property acquisitions are capitalized.

Development costs: Following completion of a favorable feasibility study, development costs incurred to place new mines into production and to complete major development projects at operating mines are capitalized. Ongoing costs to maintain production are expensed as incurred.

Depreciation, depletion and amortization of mining properties, mine development costs and major plant facilities is computed principally by the units-of-production method based on estimated quantities of ore which can be recovered economically in the future from known mineral deposits. Such estimates are based on current and projected costs and prices. Other equipment and plant facilities are depreciated using straight-line or accelerated methods principally over estimated useful lives of three to ten years.

Property evaluations: Long-lived assets are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If deemed impaired, an impairment loss is measured and recorded based on the fair value of the asset, which generally will be computed using discounted cash flows. Estimated future net cash flows from each mine are calculated using estimates of production, future sales prices (considering historical and current prices, price trends and related factors), production costs, capital and reclamation costs. During 1999, 1998 and 1997, the Company estimated future net cash flows from its gold operations using gold prices of $325, $325 and $350 per ounce, respectively, to perform impairment reviews. The Company's estimates of future cash flows are subject to risks and uncertainties. Therefore, it is possible that changes could occur that may affect the recoverability of the Company's investments in mineral properties and other assets.

Undeveloped properties upon which the Company has not performed sufficient exploration work to determine whether sig-

Notes to Consolidated Financial Statements

nificant mineralization exists are carried at original acquisition cost. If it is determined that significant mineralization does not exist, the property is written down to estimated net realizable value at the time of such determination.

Reclamation and remediation: Reclamation costs (undiscounted) and related liabilities, which are based on the Company's interpretation of current environmental and regulatory requirements, are accrued and expensed principally by the units-of-production method based on estimated quantities of ore which can be recovered economically in the future from known mineral deposits. Remediation liabilities, including estimated governmental oversight costs, are expensed upon determination that a liability has been incurred and where a minimum cost or reasonable estimate of the cost can be determined. Amounts to be received from the Federal Government for its share of the cost of future reclamation activities are offset against estimated remaining reclamation liabilities and are recorded in the period that such expenditures are made.

Based on current environmental regulations and known reclamation requirements, the Company has included its best estimates of these obligations in its reclamation accruals. The Company updates these estimates regularly, however, the Company's estimates of its ultimate reclamation liabilities could change significantly as a result of changes in regulations or cost estimates.

Investments: Investments in mining securities that have readily determinable fair values and assets held in trust to fund employee benefits are classified as available-for-sale investments. Unrealized gains and losses on these investments are recorded in accumulated other comprehensive income, except that declines in market value judged to be other than temporary are recognized in determining net income. Realized gains and losses on these investments are included in determining net income.

Product sales are recognized when title passes at the shipment or delivery point.

Derivative financial instruments: The Company uses derivative financial instruments as part of an overall risk-management strategy. These instruments are used as a means of hedging exposure to precious metals prices and foreign currency exchange rates. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company uses forward sales contracts and combinations of put and call options to hedge its exposure to precious metals prices. The underlying hedged production is designated at the inception of the hedge. Deferral accounting is applied only if the derivatives continue to reduce the price risk associated with the underlying hedged production. Contracted prices on forward sales contracts and options are recognized in product sales as the designated production is delivered or sold. In the event of early settlement of hedge contracts, gains and losses are deferred and recognized in income at the originally designated delivery date.

The Company uses combinations of put and call options to hedge its exposure to foreign currency exchange rates. Currently, these options do not qualify for deferral accounting and, accordingly, are marked to market at each balance sheet date. Realized and unrealized gains and losses on these options are recognized in other income.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 requires that all derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the values of derivatives are to be accounted for depending on the use of the derivatives and whether the derivatives qualify for hedge accounting as either a fair value hedge or a cash flow hedge. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in fair value or cash flows of the hedging instruments and the hedged items. SFAS 133 is effective for fiscal years beginning after June 15, 2000, but earlier adoption is permitted. The Company believes that under SFAS 133, changes in unrealized gains and losses on Homestake's foreign currency derivatives will qualify for hedge accounting and be deferred in accumulated other comprehensive income. The Company also believes that contracts under its precious metals hedging program will qualify as cash flow hedges under SFAS 133. However, there are many complexities to this new standard and the Company continues to evaluate the impact that SFAS 133 will have on reported operating results and financial position. The Company expects to adopt SFAS 133 effective January 1, 2001.

Income taxes: The Company follows the liability method of accounting for income taxes whereby deferred income taxes are recognized for the tax consequences of temporary differences by applying statutory tax rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of certain assets and liabilities. Changes in deferred tax assets and liabilities include the impact of any tax rate changes enacted during the year. Mining taxes represent Canadian provincial taxes levied on mining operations. Foreign withholding taxes represent Canadian and Australian withholding taxes on intercompany interest.

Foreign currency: Substantially all assets and liabilities of foreign subsidiaries are translated at exchange rates in effect at the end of each period. Revenues and expenses are translated at the average exchange rate for the period. Accumulated currency translation adjustments are included in accumulated other comprehensive income. Foreign currency transaction gains and losses are included in the determination of net income.

Pension plans and other postretirement benefits: Pension costs related to United States employees are determined using the projected unit credit actuarial method. The Company's funding policy for defined benefit pension plans is to fund the plans annually to the extent allowed by the applicable regulations. In addition, the Company provides medical and life insurance benefits for certain retired employees and accrues the cost of such benefits over the period in which active employees become eligible for the benefits. The costs of the postretirement medical and life insurance benefits are paid at the time such benefits are provided.

Net income or loss per share is computed by dividing net income or loss by the weighted average number of common shares outstanding, including the Homestake Canada Inc. ("HCI") exchangeable shares. The Company's basic and diluted net income or loss per share are the same since the exercise of stock options and the conversion of the 5.5% convertible subordinated notes would produce anti-dilutive results.

Statement of Position 98-5: In April 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 ("SOP 98-5"), "Reporting on the Cost of Start-up Activities". SOP 98-5 provides guidance on the financial reporting of start-up costs and requires that costs of start-up activities be expensed as incurred, as well as the recognition of a cumulative effect of a change in an accounting principle for retroactive application of the standard. Homestake adopted SOP 98-5 as required on January 1, 1999 and adoption of the standard had no financial statement impact.

Preparation of financial statements: Certain 1998 and 1997 amounts have been reclassified to conform to the current year's presentation. All dollar amounts are expressed in United States dollars unless otherwise indicated.

Note 3: Acquisitions and Divestitures

Agua de la Falda: In October 1999, the Company and Corporacion Nacional del Cobre Chile ("Codelco") contributed additional capital of $14.9 million to Agua de La Falda ("ADLF") in proportion to their ownership interests (Homestake 51% and Codelco 49%). The Company's subscribed capital contribution primarily was in the form of cash. Codelco contributed property, subject to a retained royalty.

Argentina Gold Corp.: On April 29, 1999, Homestake completed the acquisition of Argentina Gold Corp. ("Argentina Gold"), a publicly-traded Canadian gold exploration company. Homestake issued 20.9 million common shares to acquire all of the shares of Argentina Gold. The business combination with Argentina Gold has been accounted for as a pooling of interests and accordingly, Homestake's consolidated financial statements include Argentina Gold for all periods presented. Argentina Gold's principal asset is its 60% interest in the Veladero property located in northwest Argentina along the El Indio gold belt.

In 1999, the Company recorded business combination expenses of $4.8 million related to this transaction. Combined and separate preacquisition results for Homestake and Argentina Gold for the three months ended March 31, 1999 and for the years ended December 31, 1998 and 1997 are as follows:

	Homestake Historical	Argentina Gold Historical (a)	Combined
Three months ended March 31, 1999:			
Revenues	$178,533	$ 81	$178,614
Net income (loss)	2,198	(3,147)	(949)
Shareholders' equity at March 31	737,843	6,526	744,369
Year ended December 31, 1998:			
Revenues	797,777	113	797,890
Net loss	(218,325)	(15,455)	(233,780)
Shareholders' equity at December 31	735,832	3,364	739,196
Year ended December 31, 1997:			
Revenues	971,415	151	971,566
Net loss	(230,606)	(2,748)	(233,354)
Shareholders' equity at December 31	683,505	16,287	699,792

(a) Argentina Gold's historical results have been adjusted to reflect i) United States generally accepted accounting principles and the format, classifications and accounting policies utilized by Homestake, and ii) translation into US dollars using the average exchange rate for each period. Shareholders' equity has been translated into US dollars using the end-of-period exchange rates.

Plutonic Resources Limited: In April 1998, Homestake acquired Plutonic Resources Limited ("Plutonic"), a publicly-traded Australian gold producer. Homestake issued 64.4 million common shares in exchange for all of the Plutonic fully-paid ordinary shares, partly-paid shares and options outstanding. The business combination was accounted for as a pooling of interests and accordingly, Homestake's consolidated financial statements include Plutonic for all periods presented. Business combination and integration costs of $19.1 million were incurred in 1998 related to this merger.

Prime Resources Group Inc.: In December 1998, Homestake acquired the 49.4% of Prime Resources Group Inc. ("Prime") it did not already own. The Prime minority shareholders received Homestake common shares or HCI exchangeable shares. Each HCI exchangeable share is exchangeable for one Homestake common share at any time at the option of the holder and has essentially the same voting, dividend (payable in Canadian dollars) and other rights as one Homestake common share. Homestake issued 16.7 million Homestake shares and 11.1 million HCI exchangeable shares with a total value of $317.8 million. The acquisition of the Prime minority interests was accounted for as a purchase.

Lachlan Resources NL: In April 1997, Lachlan Resources NL ("Lachlan") acquired the 9.3% interest in Archaean Gold NL it did not already own. This acquisition was funded by a $33.2 million (A$50.9 million) loan from the Company to Lachlan. In May 1998, Lachlan repaid this loan by issuing additional shares to the Company that increased the Company's interest in Lachlan from 62.1% to 81.2%.

George Lake and Back River Joint Ventures: In February 1997, Homestake sold its interests in the George Lake and Back River joint ventures in Canada to Kit Resources Corporation ("Kit") for $9.3 million in cash and 3.6 million shares of Kit common stock. As a result of this transaction, the Company recorded a pretax gain of $13.5 million, which was included in other income.

Note 4: Other Income (Loss)

	1999	1998	1997
Gains on asset disposals	**$ 3,304**	$ 3,651	$ 16,926
Foreign currency contract gains (losses)	**15,814**	(34,332)	(28,453)
Foreign currency exchange gains (losses) on intercompany advances and other	**10,913**	(4,400)	(5,357)
Gain on sale of Great Central option	–	–	10,419
Gain on termination of Santa Fe merger	–	–	62,925
Other	**10,780**	10,336	7,222
	$ 40,811	$(24,745)	$ 63,682

In March 1997, Santa Fe Pacific Gold Corporation terminated its merger agreement with Homestake and paid Homestake a $65 million termination fee. As a result, in 1997 the Company recorded a pretax gain of $62.9 million ($47.2 million after tax), net of merger related expenses of $2.1 million.

Note 5: Write-downs and Other Unusual Charges

	1999	1998	1997
Reduction in the carrying values of resource assets (a)	**$ 11,730**	$151,581	$ 84,655
Increase in the estimated accrual for remediation and reclamation expenditures (b)	**5,185**	36,000	29,156
Homestake mine restructuring charges (c)	–	8,879	–
Write-down of Homestake's investment in the Main Pass 299 sulfur mine (d)	–	–	107,761
Write-downs of noncurrent investments (e)	**3,500**	8,213	47,932
Other	–	9,140	15,811
	$ 20,415	$213,813	$285,315

a) The Company reviews the carrying values of its long-lived assets annually and when events or changes in circumstances indicate an asset may be impaired. As a result of these reviews and other circumstances:

i. During 1999, the Company recorded charges of $10 million to write off an exploration property acquired as part of the Plutonic acquisition and $1.7 million to write down certain redundant equipment at the Kalgoorlie operations in Western Australia.

ii. In 1998, the Company recorded a $76.1 million write-down of property, plant and equipment at the Homestake

mine in South Dakota and a $34.5 million write-down of property and $3.9 million for severance and other charges at the Mt Charlotte mine in Western Australia. Also in 1998, based on evaluation of the recoverability of the carrying values of other mineral properties, the Company recorded write-downs of $37.1 million, including $22.3 million and $10.2 million related to mineral properties of Plutonic and Argentina Gold, respectively.

iii. In 1997, the Company recorded write-downs to reduce the carrying values of several of its assets or operations with short remaining lives, including the Mt Morgans and Peak Hill mines, the Pinson mine, the Homestake mine's Open Cut, low-grade stockpiled ore and exploration properties at certain locations in Western Australia, and redundant mining equipment at the Kalgoorlie operations.

b) During 1999, following an environmental audit, the Company recorded a charge of $5.2 million to increase the estimated reclamation liability for certain non-operating properties acquired as a result of the Plutonic acquisition in 1998.

In 1998, following an environmental audit at the Homestake mine and a change in that operation's mining plans, the Company recorded a provision for estimated additional remediation and related reclamation costs of $35 million. In addition, a $1 million increase in the provision for reclamation at closed operations was recorded in 1998.

In 1997, as a result of a review of the Company's reclamation liabilities, the Company determined that it was necessary to increase reclamation accruals for certain of its non-operating properties, including the Santa Fe mine in Nevada, the Nickel Plate mine in Canada and the Grants uranium complex in New Mexico, to reflect revised estimates, changed conditions and more stringent future reclamation requirements.

c) In January 1998, the Company commenced a restructuring of underground operations at the Homestake mine, including a significant reduction in that mine's workforce. As a result of the restructuring, the Company recorded severance and other costs of $8.9 million, net of pension and other postretirement curtailment and settlement gains of $9.3 million.

d) Homestake owns a 16.7% undivided interest in the Main Pass 299 sulfur mine. Due to a prolonged period of low sulfur prices and Homestake's assessment of estimated future cash flows from the Main Pass 299 sulfur mine, in 1997 the Company wrote-off its remaining investment in the Main Pass 299 sulfur property, plant and equipment.

e) In 1999, 1998 and 1997, the Company recorded in income the reductions in the carrying values of certain marketable securities and other investments that it deemed to be other than temporary.

Note 6: Income Taxes

The provision for income and mining taxes consists of the following:

	1999	1998	1997
Current			
Income taxes			
United States	**$ 3,400**	$ (11,332)	$ 654
Canada	**6,275**	22,576	25,945
Foreign withholding taxes	**2,848**	421	464
Mining taxes - Canada	**12,689**	14,684	9,797
Total current taxes	**25,212**	26,349	36,860
Deferred			
Income taxes			
United States	**(1,579)**	10,911	(27,177)
Canada	**(3,453)**	(19,286)	(7,039)
Australia	**(7,297)**	(28,947)	(22,282)
Mining taxes - Canada	**(5,495)**	(2,114)	180
Total deferred taxes	**(17,824)**	(39,436)	(56,318)
Total income and mining taxes	**$ 7,388**	$ (13,087)	$ (19,458)

The provision for income taxes is based on pretax income (loss) before minority interests as follows:

	1999	1998	1997
United States	**$ 34,667**	$(163,374)	$(167,570)
Canada	**12,298**	38,058	50,592
Australia	**(22,115)**	(94,903)	(115,323)
South America and other foreign	**(13,993)**	(23,463)	(16,502)
	$ 10,857	$(243,682)	$(248,803)

In December 1999, the Australian government enacted certain significant changes to the structure of taxation in Australia. These changes included a reduction of the statutory corporate tax rate from 36% to 34% for the Australian fiscal year beginning July 1, 2000 and a further reduction to 30% for subsequent years. As a result, the 1999 deferred tax provision includes a tax benefit of $1.8 million reflecting the impact of these reduced rates on the Company's net Australian deferred tax liabilities. Further changes to the structure of taxation, the impact of which currently cannot be estimated, are expected to be enacted during 2000.

Notes to Consolidated Financial Statements

Deferred tax liabilities and assets as of December 31, 1999 and 1998 relate to the following:

	December 31, 1999	December 31, 1998
Deferred Tax Liabilities		
Depreciation and other resource property differences	**$ 238,000**	$255,874
Other	**60,952**	47,176
Gross deferred tax liabilities	**298,952**	303,050
Deferred Tax Assets		
Tax loss carry-forwards	**107,415**	84,418
Reclamation costs	**45,141**	43,882
Depreciation, land and other resource property	**35,039**	61,855
Employee benefit costs	**23,244**	28,234
Alternative minimum tax credit carry-forwards	**35,955**	31,677
Foreign tax credit carry-forwards	**111,469**	12,007
Unrealized foreign exchange losses	**–**	12,366
Deferred gain on close-out of forward sales contracts	**12,724**	–
Write-downs of noncurrent investments	**3,046**	11,567
Inventory	**9,306**	12,804
Other	**22,457**	13,968
Gross deferred tax assets	**405,796**	312,778
Valuation allowance	**(309,139)**	(217,503)
Net deferred tax assets	**96,657**	95,275
Net deferred tax liability	**$ 202,295**	$207,775
Net deferred tax liability consists of		
Current deferred tax assets	**$ (14,663)**	$ (22,792)
Long-term deferred tax liability	**216,958**	230,567
Net deferred tax liability	**$ 202,295**	$207,775

The classification of deferred tax assets and liabilities as current or long-term is based on the related asset or liability creating the deferred tax. Deferred taxes not related to a specific asset or liability are classified based on the estimated period of reversal.

The valuation allowance represents the portion of the Company's consolidated deferred tax assets as to which, based on projections at December 31, 1999, the Company does not believe realization is "more likely than not." The valuation allowance primarily relates to a full valuation allowance against United States and South American net deferred tax assets of $235.5 million and $42.7 million, respectively. The remaining valuation allowance primarily relates to certain restricted Australian tax loss carry-forwards and Argentina Gold Canadian loss carry-forwards of $19.9 million and $5.1 million, respectively.

The Company had a significant increase in United States foreign tax credit carry-forwards as a result of Canadian dividends paid by HCI to its parent company following the Prime acquisition, on which a full valuation allowance has been recorded. The foreign tax credit carry-forwards are due to expire at various times through the year 2004. Argentina tax loss carry-forwards expire if not utilized within five taxable years following the loss year. Australian and Chilean loss carry-forwards can be carried forward indefinitely.

Major items causing the Company's income tax provision to differ from the federal statutory rate of 35% were as follows:

	1999	1998	1997
Income tax expense (benefit) based on statutory rate	**$ 3,800**	$(79,879)	$(86,120)
Percentage depletion	**(1,835)**	(1,806)	(900)
Earnings in foreign jurisdictions at different rates	**(3,912)**	(2,143)	273
Canadian mining taxes	**7,217**	12,570	9,977
Change in prior year accruals	**(5,050)**	(15,953)	–
Nondeductible expenses	**5,537**	7,934	37,770
Foreign income less tax credits utilized	**4,462**	–	–
Foreign tax credits generated and not utilized	**(99,462)**	–	–
Change in valuation allowance	**91,636**	61,700	13,800
Other - net	**4,995**	4,490	5,742
Total income and mining taxes	**$ 7,388**	$(13,087)	$(19,458)

Note 7: Receivables

	December 31, 1999	December 31, 1998
Trade accounts	**$ 28,096**	$29,548
US Government receivable (see note 13)	**2,000**	4,500
Interest and other	**14,892**	11,881
	$ 44,988	$45,929

Note 8: Inventories

	December 31, 1999	December 31, 1998
Finished products	**$ 7,452**	$13,312
Ore and in-process	**30,591**	39,465
Supplies	**25,294**	26,129
	$ 63,337	$78,906

Note 9: Property, Plant and Equipment

	December 31, 1999	1998
Mining properties and development costs	$ 1,562,040	$ 1,436,213
Plant and equipment	1,141,650	1,082,046
Construction and mine development in progress	16,224	7,534
	2,719,914	2,525,793
Accumulated depreciation, depletion and amortization	(1,587,068)	(1,423,054)
	$ 1,132,846	$ 1,102,739

Note 10: Other Assets

	December 31, 1999	1998
Assets held in trust (see note 14)	$ 47,918	$44,756
Restricted cash (see note 12)	1,789	13,561
Ore stockpiles	15,971	9,807
U.S. Government receivable (see note 13)	6,063	3,681
Prepaid pension assets (see note 14)	12,747	8,709
Other	9,560	9,811
	$ 94,048	$90,325

Note 11: Accrued Liabilities

	December 31, 1999	1998
Accrued payroll and other compensation	$ 21,730	$ 31,587
Accrued reclamation and closure costs	20,092	23,206
Unrealized loss on foreign currency exchange contracts	–	24,003
Other	22,638	23,317
	$ 64,460	$102,113

At December 31, 1999, the Company had an unrealized gain on foreign currency exchange contracts of $3.4 million, which is included in other current assets.

Note 12: Long-term Debt

	December 31, 1999	1998
Convertible subordinated notes (due 2000)	$ 134,990	$ 150,000
Pollution control bonds		
Lawrence County,		
South Dakota (due 2032)	38,000	48,000
State of California (due 2004)	17,000	17,000
Cross-border credit facility (due 2003)		
Canadian dollar denominated borrowings	102,666	–
Australian dollar denominated borrowings	–	142,410
Capital leases (see note 18)	23,044	–
	315,700	357,410
Less current portion	37,206	–
	$ 278,494	$357,410

Convertible subordinated notes: The Company's 5.5% convertible subordinated notes ("Convertible Notes"), which mature on June 23, 2000, are convertible into common shares at a price of $23.06 per common share and are redeemable by the Company in whole at any time. Interest on the notes is payable semiannually in June and December. Issuance costs of $3.9 million were capitalized and are being amortized over the life of the notes.

During 1999, the Company repurchased Convertible Notes having a principal amount of $15 million. The Company has classified $100 million of Convertible Notes outstanding at December 31, 1999 as long-term debt since the Company intends to refinance $100 million of these notes for a period longer than one year from December 31, 1999 with funds drawn down on the cross-border credit facility. The remaining $35 million of Convertible Notes have been classified as current as the Company expects to retire this debt using cash and equivalent balances.

Pollution control bonds: In July 1997, Lawrence County, South Dakota issued $30 million of South Dakota Solid Waste Disposal Revenue Bonds ("Waste Disposal Bonds") and $18 million of South Dakota Pollution Control Refunding Revenue Bonds, both of which are due in 2032. The Company is responsible for funding principal and interest payments on these bonds. Proceeds from the Waste Disposal Bonds were placed in a trustee account and are being used for construction of a new tailings dam lift and other qualifying expenditures at the Homestake mine. During 1999, Homestake reduced the projected size of the tailings dam project and redeemed $10 million of the Waste Disposal Bonds from funds held in the trustee account.

The Company pays interest monthly on the pollution control bonds based on variable short-term, tax-exempt obligation rates. Interest rates at December 31, 1999 and 1998 were 5.1% and 4.8%, respectively. No principal payments are required until cancellation, redemption or maturity.

Cross-border credit facility: The Company has a credit facility ("Credit Facility") providing a total borrowing availability of $430 million. This facility is available through July 14, 2003, and provides for borrowings in United States, Canadian, or Australian dollars, or gold, or a combination of these. Australian dollar-denominated borrowings outstanding at December 31, 1998 under the Credit Facility were repaid in 1999. At December 31, 1999, Canadian dollar-denominated borrowings under the Credit Facility of $102.7 million (C$148.2 million) were outstanding. The Company pays a commitment fee on the unused portion of this facility ranging from 0.15% to 0.35% per annum, depending upon credit ratings for the Company's senior debt. The credit agreement requires, among other provisions, a minimum consolidated net worth, as defined in the agreement (primarily shareholders' equity plus the amount of all noncash write-downs made after December 31, 1997), of $500 million. Interest on the Canadian dollar borrowings is payable quarterly based on the Bankers' Acceptance discount rate plus a stamping fee. At December 31, 1999, this rate was 6.17%.

Note 13: Other Long-term Obligations

	December 31, 1999	1998
Accrued reclamation and closure costs	**$ 116,580**	$107,370
Accrued pension and other postretirement benefit obligations (see note 14)	**58,299**	59,278
Other	**10,014**	10,239
	$ 184,893	$176,887

While the ultimate amount of reclamation and site restoration costs to be incurred in the future is uncertain, the Company has estimated that the aggregate amount of these costs for operating properties, plus previously accrued reclamation and remediation liabilities for nonoperating properties, will be approximately $210 million. At December 31, 1999, the Company had accrued $136.7 million for estimated ultimate reclamation and site restoration costs and remediation liabilities (see note 11).

Grants: The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") imposes heavy liabilities on persons who discharge hazardous substances. The Environmental Protection Agency ("EPA") publishes a National Priorities List ("NPL") of known or threatened releases of such substances. Homestake's former uranium millsite near Grants, New Mexico is listed on the NPL.

Pursuant to the Energy Policy Act of 1992, the United States Department of Energy ("DOE") is responsible for 51.2% of past and future costs of reclaiming the Grants site in accordance with Nuclear Regulatory Commission license requirements. Through December 31, 1999, Homestake had received $27.7 million from the DOE and the accompanying balance sheet at December 31, 1999, includes an additional receivable of $8.1 million (see notes 7 and 10) for the DOE's share of reclamation expenditures made by Homestake through 1999.

Note 14: Employee Benefit Plans

United States pension and other postretirement benefit plans: The Company has pension plans covering substantially all United States employees. Pension plans covering salaried and other nonunion employees provide benefits based on years of service and the employee's highest compensation for a period prior to retirement. Pension plans covering union employees provide defined benefits for each year of service. The Company also has other postretirement plans that provide medical and life insurance benefits for certain retired employees, primarily retirees of the Homestake mine.

The following table provides a reconciliation of benefit obligations, plan assets and the funded status of the plans:

	Pension Benefits		Other Postretirement Benefits	
	1999	**1998**	**1999**	**1998**
Change in benefit obligations				
Benefit obligations, January 1	**$256,674**	$ 237,351	**$ 34,750**	$ 37,000
Service cost	**4,752**	4,215	**19**	188
Interest cost	**16,784**	16,969	**1,931**	2,406
Plan amendments and special terminations	**3,222**	6,222	**–**	(6,450)
Actuarial (gains) losses	**(23,672)**	22,859	**(7,132)**	7,272
Benefits paid	**(31,880)**	(23,696)	**(1,761)**	(2,373)
Curtailments	**–**	(7,246)	**–**	(3,293)
Benefit obligations, December 31	**$225,880**	$ 256,674	**$ 27,807**	$ 34,750
Change in plan assets				
Fair value of plan assets, January 1	**$259,371**	$ 257,147		
Actual return on plan assets	**16,834**	24,816		
Company contributions	**4,583**	1,104	**$ 1,761**	$ 2,373
Benefits paid	**(31,880)**	(23,696)	**(1,761)**	(2,373)
Fair value of plan assets, December 31	**$248,908**	$ 259,371	**$ –**	$ –
Plan assets in excess of (less than) projected benefit obligations	**$ 23,028**	$ 2,697	**$(27,807)**	$(34,750)
Unrecognized net actuarial (gains) losses	**(43,741)**	(24,927)	**(4,353)**	2,488
Unrecognized prior service cost	**10,309**	8,527	**(5,064)**	(5,914)
Unrecognized net transition asset	**(1,324)**	(1,567)	**–**	–
Accrued pension and postretirement benefit obligations	**$ (11,728)**	$ (15,270)	**$(37,224)**	$(38,176)

Amounts for pension and postretirement benefits recognized in the consolidated balance sheets consist of the following:

	Pension Benefits		Other Postretirement Benefits	
	1999	**1998**	**1999**	**1998**
Prepaid pension asset	**$ 12,747**	$ 8,709		
Intangible asset	**–**	523		
Accrued benefit liability				
– current	**(1,200)**	(1,200)	**$ (2,200)**	$ (2,200)
– long-term	**(23,275)**	(23,302)	**(35,024)**	(35,976)
	$(11,728)	$(15,270)	**$(37,224)**	$(38,176)

The weighted-average actuarial assumptions as of December 31 were as follows:

	Pension Benefits			Other Postretirement Benefits		
	1999	**1998**	**1997**	**1999**	**1998**	**1997**
Discount rate	**7.75%**	6.50%	7.00%	**7.75%**	6.50%	7.00%
Expected return on plan assets	**8.50%**	8.50%	8.50%			
Rate of compensation increase	**5.00%**	5.00%	5.00%			

The Company has assumed a health care cost trend rate of 8.5% for 1999, decreasing ratability to 5.0% in 2006 and thereafter.

Net periodic pension and other postretirement benefit costs include the following components:

	Pension Benefits		
	1999	**1998**	**1997**
Service cost	**$ 4,752**	$ 4,215	$ 4,308
Interest cost	**16,784**	16,969	15,958
Expected return on assets	**(21,496)**	(21,346)	(18,596)
Amortization of:			
Transition asset	**(242)**	(370)	(370)
Prior service costs	**1,440**	1,005	1,534
Actuarial gains	**(196)**	(898)	–
Net periodic benefit cost	**1,042**	(425)	2,834
Additional charges (credits):			
Special termination charges	**–**	3,922	–
Curtailment credits	**–**	(7,246)	–
Settlement credits	**–**	(2,531)	–
Total net benefit cost (credit)	**$ 1,042**	$(6,280)	$ 2,834

	Other Postretirement Benefits		
	1999	**1998**	**1997**
Service cost	**$ 19**	$ 188	$ 568
Interest cost	**1,931**	2,406	2,631
Amortization of:			
Prior service costs	**(850)**	(850)	60
Actuarial (gains) losses	**(291)**	60	(660)
Net periodic benefit cost	**809**	1,804	2,599
Additional charges (credits):			
Special termination charges	**–**	600	–
Curtailment credits	**–**	(3,293)	–
Total net benefit cost (credit)	**$ 809**	$ (889)	$ 2,599

The projected benefit obligations and accumulated benefit obligations for pension plans with accumulated benefit obligations in excess of plan assets were $30.9 million and $22.9 million, respectively, at December 31, 1999, and $32.4 million and $24.1 million, respectively, at December 31, 1998. These amounts pertain to a nonqualified supplemental pension plan covering certain employees and a nonqualified pension plan covering directors of the Company. These plans are unfunded. The Company has established a grantor trust, consisting of money market funds, mutual funds and corporate-owned life insurance policies, to provide funding for the benefits payable under these nonqualified plans and certain other deferred compensation plans. The grantor trust, which is included in other assets, amounted to $47.9 million and $44.8 million at December 31, 1999 and 1998, respectively.

Health care benefits are contributory and were restricted to employees at the Homestake mine whose combined years of age and years of service exceeded 65 as of January 1, 1999.

The assumed health care cost trend rate has a significant effect on the amounts reported. A one percentage point change in the assumed health care cost trend rate would have had the following effects on 1999 service and interest costs and the accumulated postretirement benefit obligation at December 31, 1999:

One percentage point change	Increase	Decrease
Effect on service and interest components of net periodic cost	$ 223	$ (199)
Effect on accumulated postretirement benefit obligation	2,781	(2,258)

Foreign pension plans: Certain of the Company's foreign operations also participate in pension plans. The Company's share of contributions to these plans was $2.2 million in 1999, $2.5 million in 1998 and $2.3 million in 1997.

Stock option and share rights plan: The Company's 1996 Stock Option and Share Rights Plan ("1996 Plan") provides for grants of up to 6 million common shares. At December 31, 1999, and 1998, 1.6 million and 3 million shares, respectively, were available for future grants. At December 31, 1999, stock options and share rights for 4 million shares were outstanding under the 1996 Plan and stock options for 2 million shares were outstanding under prior plans.

The exercise price of each stock option granted under these plans is equal to or greater than the market price of the Company's stock on the date of grant and an option's maximum term is ten years. Options usually vest over a four-year period.

A summary of the status of the Company's stock options as of December 31, 1999, 1998 and 1997 and changes during the years ending on those dates is presented below:

	1999		1998		1997	
	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share	Number of Shares	Average Price Per Share
Balance at January 1	**4,947**		4,873		4,692	
Granted	**1,600**	**$ 9.40**	2,129	$ 7.28	902	$13.62
Exercised	**(500)**	**0.74**	(35)	0.74	(63)	13.99
Plutonic options retired (note 3)			(1,033)	15.52		
Expired	**(394)**	**16.27**	(987)	11.86	(658)	7.53
Balance at December 31	**5,653**		4,947		4,873	
Options exercisable at December 31	**2,916**		2,136		2,248	
Fair value of options granted during the year		**$ 2.69**		$ 3.03		$ 4.95

Note: The above table includes stock option activity of Argentina Gold and Plutonic prior to their acquisition by Homestake in April 1999 and April 1998, respectively.

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option-pricing model with the following weighted-average assumptions: an expected life of 0.8, 1.2 and 1.7 years from the vesting date (with incremental vesting over four years) for 1999, 1998 and 1997, respectively; expected volatility of 35%, 31% and 31% for 1999, 1998 and 1997, respectively; a dividend yield of 1% in each year; and a risk-free interest rate of 5.0%, 5.7% and 6.6% in 1999, 1998 and 1997, respectively.

The following table summarizes information about stock options outstanding at December 31, 1999:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices Per Share	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price Per Share	Number Exercisable	Weighted-Average Exercise Price Per Share
$ 7.85 to $ 9.41	2,761	8.7 years	$ 9.37	534	$ 9.37
9.74 to 16.25	1,927	5.2 years	14.29	1,487	14.47
16.78 to 39.02	965	4.0 years	19.81	895	19.86
	5,653			2,916	

At December 31, 1999, there were 0.4 million share rights (1998: 0.3 million) outstanding under the 1996 plan. Share rights are converted into common stock when certain performance measurement or vesting criteria are met. During 1999, 75,000 shares valued at $0.7 million were converted into common stock.

The Company elected to use the pro forma disclosure provisions of SFAS 123, "Accounting for Stock-Based Compensation," and has applied Accounting Principles Board Opinion 25 and related interpretations in accounting for its stock options. Accordingly, no compensation cost has been recognized for the Company's stock options. The compensation cost for share rights is being recognized based on the fair value of the Company's stock over the period that the performance measurement and vesting criteria are estimated to be met. Had compensation expense for the Company's stock options been determined based on the fair value of options at the grant dates as calculated in accordance with SFAS 123, the Company's net income and earnings per share for the years ended December 31, 1999, 1998 and 1997 would have been as follows:

	1999		1998		1997	
	Net Earnings	Earnings Per Share	Net Loss	Loss Per Share	Net Loss	Loss Per Share
As reported	**$ 4,864**	**$ 0.02**	$(233,780)	$(1.01)	$(233,354)	$(1.02)
Pro forma	**1,526**	**0.01**	(237,092)	(1.02)	(236,065)	(1.03)

Other plans: Substantially all full-time United States employees of the Company are eligible to participate in the Company's defined contribution savings plans. The Company's matching contribution was approximately $1.8 million in 1999, $1.9 million in 1998 and $2.6 million in 1997. The Company's 1999 and 1998 contributions primarily were in the form of Homestake stock.

Notes to Consolidated Financial Statements

Note 15: Fair Value of Financial Instruments

At December 31, 1999 and 1998, the carrying values of the Company's cash and equivalents, short-term investments, noncurrent investments, long-term debt and foreign currency options approximated their estimated fair values.

Note 16: Shareholders' Equity

HCI exchangeable shares: In connection with the 1998 acquisition of the minority interests in Prime (see note 3), HCI issued 11.1 million HCI exchangeable shares. Each HCI exchangeable share is exchangeable for one Homestake common share at any time at the option of the holder and has essentially the same voting, dividend (payable in Canadian dollars), and other rights as one Homestake common share. A share of special voting stock, which was issued to the Transfer Agent in trust for the holders of the HCI exchangeable shares, provides the mechanism for holders of the HCI exchangeable shares to receive their voting rights. During 1999, 4.5 million HCI exchangeable shares were exchanged for an equivalent number of Homestake common shares. At December 31, 1999, the Company had reserved 6.7 million shares of common stock for issuance on exchange of the HCI exchangeable shares outstanding.

Stock rights: Each share of common stock includes and trades with a right which will become exercisable on a date designated by the Board of Directors following the commencement of, or announcement of an intent to commence, a tender offer by any person, entity or group for 15% or more of the Company's common stock and the HCI exchangeable shares, considered as a single class. When exercisable, each right initially entitles the owner to purchase from the Company one one-hundredth of a share of Series A Participating Preferred Stock, par value $1 per share, at a price of $75 per share (the "Purchase Price"). Each one one-hundredth of a share of Series A Preferred Stock is equivalent to one Homestake common share with respect to voting and is entitled, on a quarterly basis, to the greater of a ten cent cash dividend or the dividend payable on one Homestake common share. In addition, if any person, entity or group (an "Acquiring Person") acquires 15% or more of the Company's common stock and the HCI exchangeable shares, considered as a single class, each right (whether or not previously exercisable) thereafter entitles the owner (other than an Acquiring Person or its affiliates and associates) to purchase for the Purchase Price the number of one one-hundredth of a share of Series A Preferred Stock equal to the Purchase Price divided by one-half of the market price of the Company's common stock. In lieu of the rights holder exercising such right, the Board of Directors has the option to issue, in exchange for each right, one-half of the number of shares of preferred stock (or common stock having a value equal to the Purchase Price) that would be issuable on the exercise of the right. If the Board of Directors has not exchanged shares for the rights and the Company engages in a business combination with an Acquiring Person (or affiliate or associate thereof), the holder of rights will be entitled to purchase for the Purchase Price (i) common stock of the surviving company or its publicly-held affiliate having a market value equal to twice the Purchase Price, or (ii) common stock of the surviving company having a book value equal to twice the Purchase Price if the surviving company and its affiliates are not publicly held. The numbers of shares and the Purchase Price are subject to adjustment for stock dividends, stock splits and other changes in capitalization. The rights expire on October 15, 2007.

Each HCI exchangeable share trades with an HCI right issued under the HCI rights agreement. The HCI rights entitle the holders to acquire additional HCI exchangeable shares at the same price and in the same amounts and circumstances in which holders of Company rights are entitled to acquire Company common stock.

Note 17: Additional Cash Flow Information

Cash paid for interest and for income and mining taxes is as follows:

	1999	1998	1997
Interest	**$18,377**	$20,236	$19,506
Income and mining taxes, net of refunds	**33,292**	22,620	66,227

Certain investing and financing activities of the Company affected its financial position but did not affect its cash flows. See note 3 for discussions of the noncash acquisitions of the interests in Argentina Gold, Plutonic and Prime and additions to property at ADLF.

Note 18: Commitments and Contingencies

Foreign currency contracts

Under the Company's foreign currency protection program, the Company has entered into a series of foreign currency option contracts to minimize the effects of a strengthening of either the Canadian or Australian currencies in relation to the United States dollar. At December 31, 1999, net unrealized gains of $3.4 million were outstanding on these contracts compared to net unrealized losses of $24 million at December 31, 1998. Other income for the years ended December 31, 1999, 1998 and 1997 includes income (losses) of $15.8 million, $(34.3) million and $(28.5) million, respectively, related to this program.

At December 31, 1999, the Company had foreign currency contracts outstanding as follows:

	Expected Maturity or Transaction Date			
(US$ in millions)	**2000**	**2001**	**2002**	**Total or Average**
Canadian $ / US $ option contracts:				
US$ covered	$105.4	$62.1	–	$167.5
Written puts, average exchange rate[1]	0.69	0.66	–	0.68
US$ covered	$105.4	$66.1	–	$171.5
Purchased calls, average exchange rate[2]	0.72	0.69	–	0.71
US$ covered	$105.4	$38.3	–	$143.7
Purchased puts, average exchange rate[3]	0.65	0.65	–	0.65
Australian $ / US $ option contracts:				
US$ covered	$129.5	$63.3	$26.0	$218.8
Written puts, average exchange rate[1]	0.66	0.65	0.69	0.66
US$ covered	$129.5	$63.3	$26.0	$218.8
Purchased calls, average exchange rate[2]	0.68	0.66	0.69	0.67
US$ covered	$118.6	$52.3	$26.0	$196.9
Purchased puts, average exchange rate[3]	0.63	0.64	0.66	0.64

(1) Assuming exercise by the counter-party at the expiration date, the Company would exchange US dollars for Canadian or Australian dollars at the put exchange rate. The counter-party would be expected to exercise the option if the spot exchange rate was below the put exchange rate.

(2) Assuming exercise by the Company at the expiration date, the Company would exchange US dollars for Canadian or Australian dollars at the call exchange rate. The Company would exercise the option if the spot exchange rate was above the call exchange rate.

(3) Assuming exercise by the Company at the expiration date, the Company would exchange Canadian or Australian dollars for US dollars at the put exchange rate. The Company would exercise the option if the spot exchange rate was below the put exchange rate.

In addition to amounts related to the foreign currency option contracts, the Company recorded foreign currency gains (losses) on intercompany debt and other of $10.9 million in 1999, $(4.4) million in 1998 and $(5.4) million in 1997 that also were included in other income. These foreign currency exchange gains and losses primarily are mark to market adjustments related to the Company's Canadian and Australian dollar denominated advances to its foreign subsidiaries.

Gold and silver contracts

Homestake's hedging policy provides for the use of forward sales contracts to hedge up to 30% of each of the following ten year's expected annual gold production, and up to 30% of each of the following five year's expected annual silver production, at prices in excess of certain targeted prices. The policy also provides for the use of combinations of put and call option contracts to establish minimum floor prices.

During 1999, 1998 and 1997, the Company delivered or financially settled gold and silver production under maturing forward sales and option contracts as follows:

	1999	**1998**	**1997**
Gold			
Forward sales contracts			
Ounces	109,900	358,000	656,000
Average price (US$ per oz.)	$415	$359	$421
Option contracts			
Ounces	340,000	900,000	–
Average price (US$ per oz.)	$298	$325	–
Silver			
Option contracts			
Ounces	3,095,000	–	–
Average price (US$ per oz.)	$6.35	–	–

In 1999, the Company closed out and financially settled US dollar denominated forward sales contracts covering 245,000 ounces of gold maturing in the years 2001, 2002 and 2003. The pretax gain of $35 million realized as a result of this transaction has been deferred and will be recorded in income as the originally designated production is sold.

At December 31, 1999, the Company had gold forward sales and option contracts outstanding as follows:

	Expected Maturity or Transaction Date						
	2000	2001	2002	2003	2004	Thereafter	Total or Average
Gold							
US $ denominated contracts:							
Forward sales contracts:							
Ounces	85,080	10,000	10,000	–	–	409,200	514,280
Average price ($ per oz.)	$ 430	$ 400	$ 403	–	–	$ 408	$ 411
Put options owned:							
Ounces	110,000	80,000	–	–	–	–	190,000
Average price ($ per oz.)	$ 279	$ 253	–	–	–	–	$ 268
Call options written:							
Ounces	95,000	80,000	–	–	–	–	175,000
Average price ($ per oz.)	$ 275	$ 253	–	–	–	–	$ 265
Call options purchased:							
Ounces	80,000	80,000	–	–	–	–	160,000
Average price ($ per oz.)	$ 268	$ 268	–	–	–	–	$ 268
Australian $ denominated contracts:(1)							
Forward sales contracts:							
Ounces	–	–	24,800	24,800	24,800	26,000	100,400
Average price (US$ per oz.)	–	–	$ 344	$ 344	$ 344	$ 344	$ 344
Put options owned:							
Ounces	120,000	120,000	–	–	–	–	240,000
Average price (US$ per oz.)	$ 340	$ 350	–	–	–	–	$ 345
Silver							
US $ denominated contracts:							
Forward sales contracts:							
Ounces	3,020,000	1,200,000	–	–	–	–	4,220,000
Average price ($ per oz.)	$6.33	$6.00	–	–	–	–	$6.24

(1) Expressed in US dollars at an exchange rate of A$ = US$ 0.6539.

The Company does not require or place collateral for its foreign currency and gold hedging derivatives. However, the Company minimizes its credit risk by dealing with only major international banks and financial institutions.

Lease commitments

During 1999 the Company entered into capital leases to finance its portion of the purchase of mining equipment at the Kalgoorlie operations. Leased assets of $23 million are included in property, plant and equipment at December 31, 1999. The Company also leases certain office facilities and equipment under various noncancellable operating leases. Rental expense for 1999, 1998 and 1997 relating to these operating leases was approximately $2.4 million, $2.6 million and $3.5 million, respectively.

Future minimum annual payments under noncancellable leases at December 31, 1999 are as follows:

	Operating Leases	Capital Leases
2000	$ 2,581	$ 3,700
2001	2,669	3,702
2002	2,503	3,715
2003	2,210	3,730
2004	834	3,746
Thereafter	1,742	10,750
Total minimum lease payment	$12,539	29,343
Less: estimated amount representing interest		(6,299)
Present value of net minimum capital lease payments		23,044
Less: current portion		(2,216)
Long-term capital lease obligation at December 31, 1999		$20,828

The Company has entered into various commitments during the ordinary course of business including commitments to perform assessment work and other obligations necessary to maintain or protect its interests in mining properties, financing and other obligations to joint ventures and partners under venture and partnership agreements, and commitments under federal and state environmental health and safety permits.

The Company is party to legal actions and administrative proceedings and is subject to claims arising in the ordinary course of business. The Company believes the disposition of these matters will not have a material adverse effect on its financial position or results of operations.

Note 19: Segment Information

The Company primarily is engaged in gold mining and related activities. Gold operations are managed and internally reported based on the following geographic areas: North America (United States and Canada), Australia and South America. The Company also has other foreign exploration activities and a sulfur and oil recovery operation in the Gulf of Mexico which are included in "Corporate and All Other." Within each geographic segment, operations are managed on a mine-by-mine basis. However, because each mine has similar characteristics, the Company has geographically aggregated its operations.

Reportable Segments

	North America	Australia	South America	Corporate and All Other	Reconciling Items	Total
1999						
Product sales	**$ 413,887**	**$ 244,223**	**$13,462**	**$ 19,376**	**$ –**	**$ 690,948**
Other revenues	**16,896**	**13,614**	**276**	**33,596**	**(7,205)[a]**	**57,177**
Total revenues	**430,783**	**257,837**	**13,738**	**52,972**	**(7,205)**	**748,125**
Depreciation expense	**96,446**	**33,240**	**4,227**	**565**	**–**	**134,478**
Operating earnings	**81,856**	**35,515**	**438**	**29,268**	**(7,205)[a]**	**139,872**
Exploration expense	**10,305**	**15,169**	**13,471**	**566**	**–**	**39,511**
Write-downs and unusual items	**–**	**16,915**	**–**	**3,500**	**–**	**20,415**
Capital expenditures	**24,801**	**78,939**	**745**	**442**	**–**	**104,927**
Property, plant and equipment	**625,596**	**492,912**	**11,945**	**2,393**	**–**	**1,132,846**
Total assets	**706,461**	**632,893**	**28,076**	**267,039**	**–**	**1,634,469**
Production (equivalent oz. of gold)	**1,530,057**	**835,494**	**24,409**	**–**	**–**	**2,389,960**
1998						
Product sales	$ 468,396	$299,909	$13,854	$ 20,975	$ –	$ 803,134
Other revenues	(10,345)	(7,100)	1,345	13,065	(2,209)[a]	(5,244)
Total revenues	458,051	292,809	15,199	34,040	(2,209)	797,890
Depreciation expense	88,132	44,069	4,199	2,971	–	139,371
Operating earnings	60,828	26,678	1,590	34,341	(2,209)[a]	121,228
Exploration expense	16,495	23,316	15,579	4,475	–	59,865
Write-downs and unusual items	127,476	65,736	10,156	10,445	–	213,813
Capital expenditures	32,337	40,095	141	750	–	73,323
Property, plant and equipment	662,475	426,919	8,776	4,569	–	1,102,739
Total assets	853,906	530,463	22,204	254,033	–	1,660,606
Production (equivalent oz. of gold)	1,581,922	925,700	24,119	–	–	2,531,741
1997						
Product sales	$ 481,541	$371,810	$10,277	$ 26,821	$ –	$ 890,449
Other revenues	12,218	(2,190)	927	75,068[b]	(4,906)[a]	81,117
Total revenues	493,759	369,620	11,204	101,889	(4,906)	971,566
Depreciation expense	78,180	76,107	2,570	5,924	–	162,781
Operating earnings	85,615	28,313	1,701	70,423	(4,906)[a]	181,146
Exploration expense	22,308	25,623	18,396	1,260	–	67,587
Write-downs and unusual items	58,408	92,603	–	134,304[c]	–	285,315
Capital expenditures	109,647	88,878	4,460	1,644	–	204,629
Property, plant and equipment	480,218	523,029	22,995	7,532	–	1,033,774
Total assets	670,975	658,900	33,221	264,048	–	1,627,144
Production (equivalent oz. of gold)	1,538,112	974,289	16,530	–	–	2,528,931

a) Primarily intercompany financing.
b) Includes Santa Fe merger termination fee of $62.9 million.
c) Includes write-down of Homestake's investment in the Main Pass 299 sulfur mine of $107.8 million.

Amounts related to United States operations were as follows:

	1999	1998	1997
Product sales	**$ 211,814**	$259,044	$260,102
Property, plant and equipment	**117,690**	131,121	228,616

Sales to individual customers exceeding 10% of the Company's consolidated revenues were as follows:

		1999	1998	1997
Customer	A	**$ 142,000**	$ –	$ –
	B	**99,000**	75,600	–
	C	**96,000**	–	–
	D	**77,800**	–	–
	E	**76,700**	108,000	100,000
	F	**–**	120,100	–
	G	**–**	99,200	143,000

Because of the active worldwide market for gold, Homestake believes that the loss of any of these customers would not have a material adverse impact on the Company.

Note 20: Homestake Canada Inc.

Homestake, through a wholly-owned subsidiary, owns all of HCI's common shares outstanding. At December 31, 1999, HCI had 6.7 million HCI exchangeable shares outstanding, which were held by the public (see notes 3 and 16).

Following the 1999 business combination with Argentina Gold, Homestake's investment in Argentina Gold was transferred to HCI in exchange for a Canadian dollar-denominated intercompany note payable by HCI to its parent company of approximately C$282 million (US$191 million). In accordance with United States generally accepted accounting principles, the assets, liabilities and shareholders' equity of Argentina Gold have been recorded in HCI's financial statements at the historical cost basis to the parent company.

The difference between the historical cost basis of Argentina Gold shareholders' equity and its fair value at the date of transfer has been recorded as a reduction to HCI's shareholders' equity. Summarized financial information for HCI is as follows:

	December 31,	
	1999	1998
Current assets	**$ 43,666**	$151,593
Noncurrent assets	**498,567**	526,463
Total assets	**$ 542,233**	$678,056
Notes payable to the Company	**$ 329,105**	$144,002
Other current liabilities	**19,521**	41,839
Long-term debt	**102,666**	–
Other long-term liabilities	**10,843**	15,882
Deferred income and mining taxes	**199,979**	193,074
Redeemable preferred stock held by the Company	**–**	36,167
Shareholders' equity:		
HCI's shareholders' equity	**70,991**	247,092
Adjustment to conform to the Company's accounting basis	**(190,872)**	–
Total liabilities and shareholders' equity	**$ 542,233**	$678,056

	Year ended December 31,		
	1999	1998	1997
Total revenues	**$ 234,708**	$219,091	$261,318
Costs and expenses	**229,084**	196,488	213,474
Income before taxes and minority interests	**$ 5,624**	$ 22,603	$ 47,844
Net income (loss)	**$ (4,875)**	$ (2,242)	$ 7,205

Report of Independent Accountants

The Shareholders and Board of Directors of Homestake Mining Company:

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated operations, shareholders' equity, comprehensive income (loss) and of cash flows present fairly, in all material respects, the financial position of Homestake Mining Company and its subsidiaries at December 31, 1999, and 1998, and the results of their operations and their cash flows for each of the three years ended December 31, 1999, in conformity with accounting principles generally accepted in the United States. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Francisco, California
February 3, 2000

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Homestake Mining Company and Subsidiaries are prepared by the Company's management in conformity with generally accepted accounting principles. Management is responsible for the fairness of the financial statements, which include estimates based on judgments.

The Company maintains accounting and other control systems that management believes provide reasonable assurance that financial records are reliable for the purpose of preparing financial statements and that assets are properly safeguarded and accounted for. Underlying the concept of reasonable assurance is the premise that the cost of controls should not be disproportionate to the benefits expected to be derived from such controls. The Company's internal control structure is reviewed by its internal auditors and to the extent necessary by the external auditors in connection with their independent audit of the Company's consolidated financial statements.

The external auditors conduct an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards in order to express their opinion on these financial statements. These standards require that the external auditors plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

The Audit Committee of the Board of Directors, composed entirely of outside directors, meets periodically with management, internal auditors and the external auditors to discuss the annual audit, internal control, internal auditing and financial reporting matters. The external auditors and the internal auditors have direct access to the Audit Committee.

Jack E. Thompson

Jack E. Thompson
Chairman and Chief Executive Officer

David W. Peat
Vice President, Finance and
Chief Financial Officer
February 3, 2000

Quarterly Selected Data

(In thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1999					
Revenues	**$178,614**	**$199,340**	**$175,968**	**$194,203**	**$748,125**
Net income (loss)	**(949)[1]**	**116[2]**	**1,747[3]**	**3,950[4]**	**4,864[1-4]**
Per common share:					
Net income (loss)[9]	**$ –[1]**	**$ –[2]**	**$ 0.01[3]**	**$ 0.02[4]**	**$ 0.02[1-4]**
Dividends paid[10]	**–**	**0.05**	**–**	**0.025**	**0.075**
1998					
Revenues	$216,242	$195,350	$183,418	$202,880	$797,890
Net loss	(7,602)[5]	(43,149)[6]	(182,833)[7]	(196)[8]	(233,780)[5-8]
Per common share:					
Net loss[9]	$ (0.03)[5]	$ (0.19)[6]	$ (0.80)[7]	$ –[8]	$ (1.01)[5-8]
Dividends paid[10]	–	0.05	–	0.05	0.10

1. Includes business combination and integration costs of $1.3 million ($1.3 million pretax) or $0.01 per share.
2. Includes business combination and integration costs of $3.5 million ($3.5 million pretax) or $0.01 per share and write-down of investment of $3.5 million ($3.5 million pretax) or $0.01 per share.
3. Includes write-downs and unusual charges of $4.4 million ($6.9 million pretax) or $0.02 per share including (i) reductions of $1.1 million ($1.7 million pretax) in the carrying values of resource assets and (ii) an increase of $3.3 million ($5.2 million pretax) in the estimated accrual for remediation and reclamation.
4. Includes write-downs and unusual charges of $7.8 million ($10 million pretax) or $0.03 per share to reduce the carrying values of certain resource assets.
5. Includes business combination and integration costs of $2.7 million ($2.8 million pretax) or $0.01 per share and charges of $5.9 million ($8.9 million pretax) or $0.03 per share related to the restructuring of the Homestake mine.
6. Includes business combination and integration costs of $15 million ($17.9 million pretax) or $0.06 per share and reductions in the carrying values of resource assets of $12.8 million ($13.1 million pretax) or $0.06 per share.
7. Includes write-downs and unusual charges of $165.9 million ($187.9 million pretax) or $0.72 per share including (i) reductions of $115.4 million ($135.9 million pretax) in the carrying values of resource assets, (ii) an increase of $35 million ($35 million pretax) in estimated accruals for remediation and reclamation expenditures, (iii) write-downs of $7.3 million ($7.9 million pretax) of noncurrent investments, and (iv) other charges of $8.2 million ($9.1 million pretax).
8. Includes a reduction in business combination and integration costs of $0.7 million ($1.3 million pretax) and write-downs and unusual charges of $3.9 million ($3.9 million pretax) or $0.01 per share including (i) reductions of $2.6 million ($2.6 million pretax) in the carrying values of resource assets, (ii) an increase of $1 million ($1 million pretax) in estimated accruals for reclamation expenditures, and (iii) write-downs of $0.3 million ($0.3 million pretax) in noncurrent investments.
9. Basic and diluted earnings per share.
10. Homestake only.

Common Stock Price Range

(Prices as quoted on the New York Stock Exchange)

		First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
1999:	High	**$11.44**	**$10.75**	**$10.88**	**$10.13**	**$11.44**
	Low	**8.13**	**7.50**	**7.19**	**7.50**	**7.19**
1998:	High	$11.19	$13.13	$12.69	$15.00	$15.00
	Low	7.69	9.31	8.69	8.38	7.69

Five Year Selected Financial Data[1]

(In thousands, except per share amounts)	1999	1998	1997	1996	1995
Revenues	**$ 748,125**	$ 797,890	$ 971,566	$ 998,793	$ 949,143
Net income (loss)	**4,864[2]**	(233,780)[3]	(233,354)[4]	42,361[5]	44,722
Net income (loss) per share[6]	**0.02[2]**	(1.01)[3]	(1.02)[4]	0.19[5]	0.21
Total assets	**1,634,469**	1,660,606	1,627,144	1,959,778	1,688,368
Long-term debt	**278,494**	357,410	374,593	255,170	274,942
Other long-term obligations	**219,849[7]**	176,887	152,610	123,475	127,558
Deferred income and mining taxes	**216,958**	230,567	161,862	218,379	202,607
Minority interests	**13,800**	7,825	108,116	103,960	100,380
Shareholders' equity	**765,360**	739,196	699,791	1,043,377	862,078
Dividends per share[8]	**0.075**	0.10	0.15	0.20	0.20

1. Five-year selected financial data reflect the 1999 combination of Homestake and Argentina Gold and the 1998 combination of Homestake and Plutonic, both on a pooling-of-interests basis. Accordingly, all periods presented include the results and financial position of Argentina Gold and Plutonic.
2. Includes business combination and integration costs of $4.8 million ($4.8 million pretax) or $0.02 per share and write-downs and other unusual charges of $15.7 million ($20.4 million pretax) or $0.06 per share including (i) reductions in the carrying values of resource assets of $8.9 million ($11.7 million pretax), (ii) an increase in the estimated accrual for remediation and reclamation expenditures of $3.3 million ($5.2 million pretax) and (iii) a write-down of $3.5 million ($3.5 million pretax) for an exploration joint venture.
3. Includes business combination and integration costs of $17 million ($19.4 million pretax) or $0.07 per share and write-downs and other unusual charges of $188.5 million ($213.8 million pretax) or $0.82 per share including (i) a reduction in the carrying values of resource assets of $130.8 million ($151.6 million pretax), (ii) an increase in the estimated accrual for remediation and reclamation expenditures of $36 million ($36 million pretax), (iii) Homestake mine restructuring charges of $5.9 million ($8.9 million pretax), (iv) write-downs of investments of $7.6 million ($8.2 million pretax), and (v) other charges of $8.2 million ($9.1 million pretax).
4. Includes a gain of $47.2 million ($62.9 million pretax) or $0.21 per share on the fee received upon termination of Homestake's merger agreement with Santa Fe Pacific Gold Corporation, a gain of $10.4 million ($10.4 million pretax) or $0.04 per share with respect to the cancellation of an option to acquire Great Central Mines Limited, and a gain of $8.1 million ($13.5 million pretax) or $0.03 per share on the sale of the George Lake and Back River joint venture interests in the Northwest Territories of Canada, and write-downs and unusual charges of $224.9 million ($285.3 million pretax) or $0.98 per share including (i) a write-down of $84.9 million ($107.8 million pretax) in Homestake's investment in the Main Pass 299 sulfur mine, (ii) a reduction of $60.1 million ($84.7 million pretax) in the carrying values of resource assets, (iii) write-downs of $45.7 million ($47.9 million pretax) of certain investments, (iv) an increase of $21.5 million ($29.1 million pretax) in the accrual for estimated future reclamation expenditures, and (v) other charges of $12.7 million ($15.8 million pretax) consisting primarily of foreign exchange losses on intercompany redeemable preferred stock and losses on an intercompany gold loan.
5. Includes income of $24 million or $0.10 per share from a reduction in the Company's accrual for prior year income taxes, a gain of $7.9 million ($7.9 million pretax) or $0.03 per share from the sale of the investment in Eagle Mining Corporation NL, write-downs of $8.3 million ($9 million pretax) or $0.03 per share in the carrying values of investments in mining company securities, and proceeds of $4.9 million ($5.5 million pretax) or $0.02 per share from a litigation recovery.
6. Basic and diluted earnings per share.
7. Includes a deferred gain of $35 million on the early close-out of forward sales contracts.
8. Homestake only.

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Assistant Treasurer and
Assistant Secretary

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Assistant Treasurer and
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C MEMBER OF COMPENSATION COMMITTEE
D MEMBER OF DIRECTOR AFFAIRS COMMITTEE
E MEMBER OF EXECUTIVE COMMITTEE
F MEMBER OF FINANCE COMMITTEE
H MEMBER OF ENVIRONMENT, HEALTH AND SAFETY COMMITTEE
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RONALD L. PARRATT
Exploration Manager,
North America

INVESTOR INFORMATION

ANNUAL MEETING OF STOCKHOLDERS
April 28, 2000, 11:00 a.m.
Westin St. Francis Hotel,
Colonial Room
335 Powell St.
San Francisco, CA

A proxy statement and Annual Report will be mailed to each stockholder in March.

FORM 10-K AND OTHER FINANCIAL PUBLICATIONS

A copy of the Form 10-K Report filed with the Securities and Exchange Commission, and other corporation publications may be obtained from corporate headquarters, attention: Vice President, Investor Relations.

DIVIDEND REINVESTMENT PLAN

Shareholders interested in Homestake's Dividend Reinvestment Plan should contact EquiServe at (800) 730-4001.

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http://www.equiserve.com

STOCK EXCHANGE

LISTINGS AND SYMBOLS
New York Stock Exchange (HM)
Swiss Stock Exchanges
Geneva, Zürich, Basel (HM)
Australian Stock Exchange (HSM)
Homestake Canada Inc. Exchangeable Shares:
Toronto Stock Exchange (HCX)
Options Traded: NYSE and CBOE

ENVIRONMENT, HEALTH AND SAFETY REPORT

Homestake is committed to responsible environmental, health and safety excellence and has fully integrated this commitment as a primary function of management in all business activities and decisions. An Annual Environment, Health and Safety Report that describes the company's activities, successes and challenges in these areas is prepared and distributed upon request.

The Goldmark was launched in 1991 to serve as an identification mark for gold jewelry.

Homestake Mining Company is a founding member of the World Gold Council, a non-profit association of gold producing companies from 14 countries. The Council's primary objective is to stimulate the demand for gold by promoting its consumption in jewelry and for investment and industrial uses.

Printed in Canada • Recycled paper, other than Financial Section • Designed and produced by Perceive LLC, Long Beach, California

Selected Glossary

Attributable gold production (reserve) Gold production (reserve) attributed to Homestake.

Backfill Waste rock from mining operations or tailings from milling operations used to fill underground mined-out areas.

Cash cost Cost directly and indirectly related to the physical activities of producing gold, including mining, milling, administration expenses at the operating level, transportation, royalties and production taxes.

Decline An inclined tunnel which provides access to and movement between levels in an underground mine.

Gold equivalent Silver expressed in equivalent ounces of gold using a conversion ratio dependent on prevailing gold and silver prices.

Grade The metal content of ore; for gold and silver, usually expressed in troy ounces per ton of ore.

Gravity and flotation mill A mill which employs a two-stage process whereby gold is first recovered from crushed rock using gold's high specific gravity to separate it from lighter material; and then mineral particles remaining in the lighter material are induced to float to form a mineral-rich concentrate separated from worthless waste.

Heap leaching A method of recovering gold from a heap of ore placed on an impervious pad, whereby a leaching solution is allowed to percolate through the heap to dissolve the gold, which is subsequently extracted.

Hedging A financial mechanism designed to guarantee, improve and/or protect the price to be received or paid on certain commodities such as gold, silver or currencies.

Leaching The process of extracting from ore a soluble metallic compound by means of dissolving it in a solvent.

Mill A facility where ore is ground into fine particles from which metals are extracted by physical and/or chemical processes.

Mineralized material (inventory) See definition on page 21.

Noncash cost Cost related to unit amortization of expenditures over the life of an operation, including depreciation, depletion and final reclamation.

Open stope mining method A mining method used to extract ore by means of underground excavations called stopes.

Ore Mineralized material from which a mineral or metal (such as gold) can be mined and extracted at a profit.

Ounce A measure of weight used in the context of precious metals.

Oxide A mineral compound in which useful minerals have been partially or fully oxidized by weathering processes.

Proven and probable reserve See definition on page 21.

Reclamation A process of restoring lands affected by mining activity for cultivation or other beneficial use.

Recovery The amount of metal recovered from the ore, generally expressed as a percentage.

Selected Glossary (cont'd)

Roasting An oxidization process in which high temperatures are applied to convert low recovery sulfide material into oxide amenable to leaching.

Step-out drilling Drilling at widely spaced intervals (typically over 300 feet) outward from a known deposit to test for extension of the mineralization.

Sulfide A mineral compound characterized by sulfur linked with a metal and/or other elements.

Swaps Transactions that involve the contractual exchange of interest payment obligation, currency positions or commodities on a specified amount of notional principal for a specified period of time.

Tailings The neutralized material discarded after the economically recoverable metals have been extracted from the ore.

Tenement A land holding.

Ton A measure of weight, equal to 2,000 pounds, used throughout this report.

Total cost Cash cost plus noncash cost.

Waste rock Mineralized or unmineralized rock that is not ore.

Unit Conversion Table

Imperial measures are used in this report. To convert to the metric system, the following factors apply:

1 troy ounce = 31.103 grams

1 (short) ton = 0.907 (metric) tonnes

1 troy ounce per (short) ton = 34.286 grams per tonne

1 foot = 0.305 meters

1 mile = 1.609 kilometers

1 acre = 0.405 hectares

1 yard = 0.9144 meters

Homestake Mining Company

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