2000 ANNUAL REPORT HOMESTAKE MINING COMPANY

HOMESTAKE MINING COMPANY

Contents

Corporate Profile

Homestake Mining Company is an international precious metals mining company with extensive mining operations and exploration projects in Australia, Canada, the United States, Chile and Argentina. In 2000, Homestake's attributable gold production was 2.2 million ounces, an all-time record. The cash cost was $174 per ounce, the lowest in 23 years.

Homestake has been a major participant in the gold mining industry for 124 years. Since inception, the Company has produced approximately 55 million ounces of gold. On December 31, 2000, Homestake had 20.8 million ounces of gold in its attributable proven and probable reserves.

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 environmental, health and safety performance.

Homestake's common shares are listed on the New York Stock Exchange, the Australian Stock Exchange and the SWX Swiss Exchange. Homestake Canada Inc. exchangeable shares, which are exchangeable into Homestake's common shares at any time, are listed on the Toronto Stock Exchange.

About the Cover

For centuries, gold coins have been the embodiment of economic power and financial independence. Shown on the cover are gold coins minted by the five countries in which Homestake conducts its operations. The coins are courtesy of Mish International Monetary Inc. of Menlo Park, California.

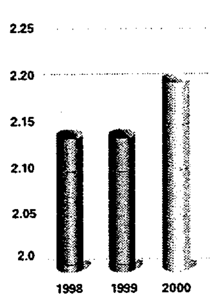
About this Report

Homestake's principal operations are located in Australia, Canada, the United States, Chile and Argentina. Last year, the Company commenced sequentially featuring one of these areas in its Annual Reports. The 1999 Annual Report focused on Canada. This 2000 Annual Report features Australia, which accounts for approximately 40% of Homestake's annual gold production.

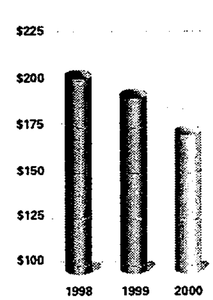
All financial figures are presented in United States dollars, unless stated otherwise.

Highlights

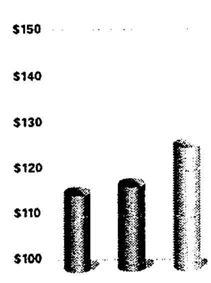
For the year ended December 31	2000	1999
Financial Results (millions)		
Revenues and other income	$ 666.8	$ 729.9
Net income (loss)	(104.4)	4.9
Cash flow from operations	126.5	117.3
Capital expenditures	82.9	104.9
Financial Position (millions)		
Cash and short-term investments	$ 199.7	$ 266.6
Total assets	1,419.4	1,634.5
Total debt	227.4	315.7
Shareholders' equity	608.8	765.4
Debt to equity ratio	37%	41%
Share Data		
Net income (loss) per share	$ (0.40)	$ 0.02
Dividends per share	0.025	0.075
Average number of common shares outstanding (millions)	262	260
Gold Operations		
Gold production (thousands of ounces)	2,206	2,141
Realized gold price per ounce	$ 288	$ 291
Cash cost per ounce	174	182
Noncash cost per ounce	65	60
Proven and Probable Reserves (millions of ounces)		
Gold	20.8	18.8
Silver	144	110



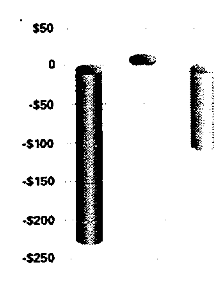
Total Gold Production
(millions of ounces)



Cash Cost
(per ounce)



Cash Flow from Operations
(millions)

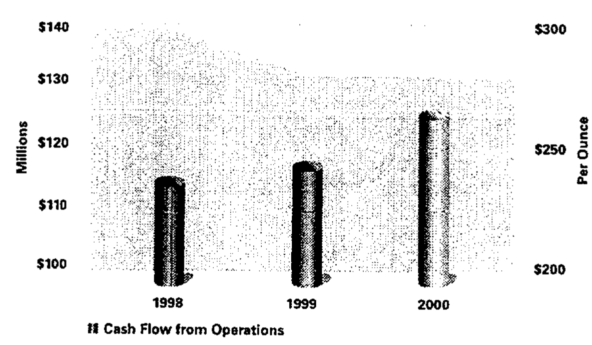


Net Income
(millions)

Letter to Shareholders

Homestake's mission is to become the most successful precious metals mining company in the world. In 2000, its 124th year of operation, the Company reached several milestones on the road towards achieving that goal. Homestake strengthened its existing operations, enhanced its developing project and commenced phasing out older, higher-cost operations. The Company achieved this superior performance while continuing to strengthen its balance sheet even in the face of weak gold and silver markets. The year 2000 can be summarized as follows:

- Attributable gold production reached an all-time record of 2.2 million ounces, approximately three percent more than in 1999.
- Average cash and total costs were reduced to $174 and $239 per ounce, respectively, the lowest levels in 23 years.
- Despite record gold production and reduced operating costs, Homestake recorded a loss of $0.40 per share, compared to income of $0.02 per share in 1999. The loss reflected largely noncash charges related to the pending closure of the Homestake mine in South Dakota and foreign exchange losses resulting from a protracted weakness of the Australian and Canadian dollars against the US dollar.
- Operations provided $127 million in cash flow. In 1999, operating cash flow was $117 million, including $35 million of gains realized on the timely closure of certain gold forward sales contracts.
- The total debt was reduced by nearly $88 million.
- Homestake delineated 5.5 million ounces of gold (100% basis) in proven and probable reserves at the 60%-owned Veladero deposit, acquired in 1999.
- The ownership interest in the Round Mountain mine in central Nevada was increased from 25% to 50%. This long-life mine is now Homestake's largest United States producer.
- Homestake announced a phased closure of its 16.7%-owned Main Pass 299 sulfur operation in the Gulf of Mexico.
- Several excellence-in-safety awards were received.
- Efforts in the areas of environmental management and community involvement were specially recognized around the world.
- The head office was relocated from San Francisco to the nearby city of Walnut Creek to further reduce overhead costs.



*Average London Metals Exchange PM Fix

PICTURED AT RIGHT
Jack E. Thompson

PICTURED AT LEFT
Walter T. Segsworth

In 2000, with gold prices remaining in a narrow range just above a 25-year low set in 1999, Homestake continued its cost-cutting efforts. Over the last 10 years, the Company has reduced its average cash and total costs by over $132 per ounce (or approximately 43%). This improvement was accomplished through significant increases in operating efficiencies, accretive acquisitions and successful exploration efforts. Most importantly, it was accomplished with concurrent improvements in safety and environmental management. We are proud of the fact that Homestake did not resort to highgrading any of its properties to deliver its superior operating performance. We remain focused on achieving the highest possible returns on total capital employed.

Regrettably, even our best efforts could not overcome the continuing weakness in the price of gold. On September 11, 2000, Homestake announced that in 2001 it would close its historic Homestake mine in South Dakota. Despite efforts to extend the mine's life by restructuring and scaling down operations, the Company was unable to achieve sufficient cost reductions to compensate for the significant drop in the price of gold. As a result, Homestake adopted an orderly mine closure strategy, which includes the gradual suspension of mining operations, a long-term community transition plan and a comprehensive reclamation program. We are confident that the Homestake mine will serve as a stellar example of the Company's role as a pacesetter for operating excellence, high ethical standards and proactive environmental protection practices.

As higher-cost older mines are being phased out, we continue to work on new projects aimed at making Homestake even more competitive in the future. In 2000, we identified 5.5 million ounces of proven and probable reserves and 106 million tons of mineralized material grading 0.041 ounces of gold per ton at our recently acquired Veladero property in northwestern Argentina. We are encouraged by the fact that this project is rapidly increasing in size and scope.

On behalf of the Board of Directors, we thank all employees of Homestake for their hard work and dedicated efforts in making 2000 such a special year. We would especially like to thank Stuart T. Peeler and E. Paul McClintock, who retired from the Board of Directors in 2000, for their valuable guidance. We welcome Thomas J. O'Neil to the Board and look forward to receiving his extensive insights into different facets of our business.

Jack E. Thompson, CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Walter T. Segsworth, PRESIDENT AND CHIEF OPERATING OFFICER

February 26, 2001

Operations Overview

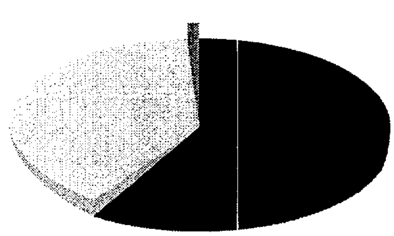
In the year 2000, Homestake's gold production reached an all-time high, while operating costs set a new 23-year low.

Homestake's Australian operations account for approximately 45% of the Company's total proven and probable reserves and 40% of its gold production. Homestake is the second largest gold producer in Australia through its 50% interest in the Kalgoorlie Super Pit/Golden Mile complex and 100% interest in the Yilgarn group of mines, all located in Western Australia.

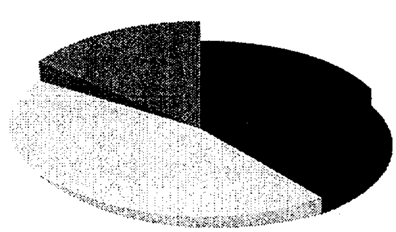
Kalgoorlie currently produces more gold for Homestake's account than any other operation. In 2000, compared to 1999, Homestake's share of Kalgoorlie gold production increased by 33,700 ounces to 393,800 ounces, while cash costs decreased by $46 per ounce to $189 per ounce. During the year, this large-scale open-pit operation successfully converted from contract to owner mining, expanded its flotation capacity and implemented a number of other initiatives designed to further improve operating and environmental performance.

Homestake's Yilgarn operations, consisting of the Plutonic, Darlot and Lawlers mines, together contribute approximately 55% of Homestake's gold production in Australia. Acquired by Homestake in 1998, these operations have expanded their gold reserves and achieved major improvements in operating efficiency, employee safety and environmental management. In 2000, the Yilgarn mines produced 28,000 more ounces of gold at an average cash cost which was nine dollars per ounce less than in 1999. At the same time, Yilgarn's total proven and probable reserves increased by 534,000 ounces after accounting for production in 2000.

Homestake's Canadian operations account for approximately 22% of the Company's total proven and probable reserves and 29% of its gold production. In Canada, Homestake is the second largest producer of gold, through its interests in two significant operations, wholly-owned Eskay Creek in northwestern British Columbia and 50%-owned Hemlo in northwestern Ontario. To conform to prevailing mining industry practice, the Eskay Creek mine, a major producer of both



Production



Reserves

2000 Production - Reserves (Dec. 31)

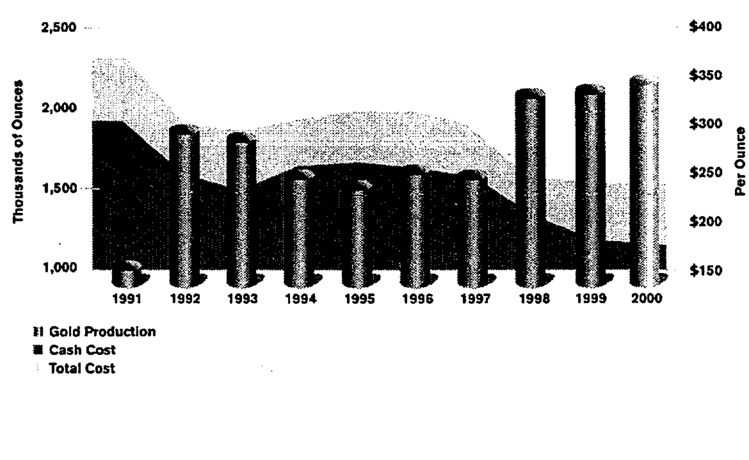
Australia ■ Canada ■ United States ■ South America

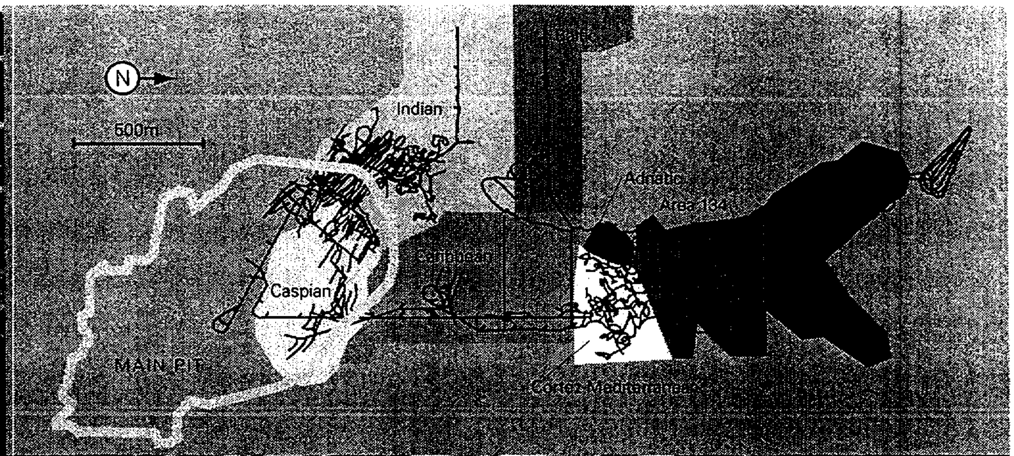
gold and silver, in 2000 changed its production and cost reporting system to gold only, whereby the proceeds from the sale of silver are credited against operating costs (by-product accounting). Prior to that change, the mine reported its output on the basis of gold equivalent ounces, which included silver expressed in terms of an equivalent amount of gold (co-product accounting). In addition to being a major producer of gold, Eskay Creek is one of the lowest cost operations in the world. In 2000, its gold production increased by 24,200 ounces to reach 333,200 ounces. Cash costs averaged $30 per ounce, $15 per ounce higher than in 1999, reflecting lower silver by-product credits associated with lower realized silver prices and higher fuel and third-party smelting costs.

Year 2000 was the first full year of single-mill operation for Hemlo, which in the past functioned with two separate underground mines and mills. As a result, in 2000, this gold mining operation, the largest in Canada, was able to reduce cash costs by four dollars per ounce without affecting its gold production. Homestake's share remained approximately 305,000 ounces.

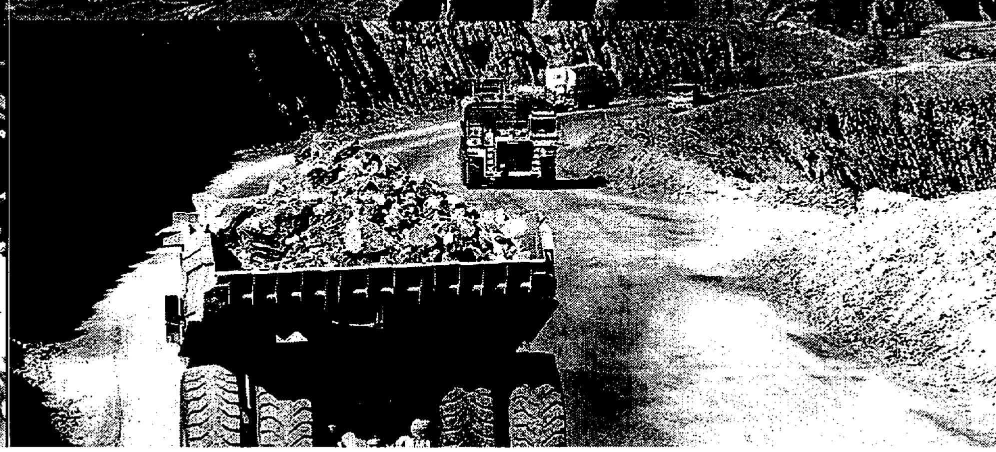
In 2000, Homestake made significant strategic changes in the United States. The Company purchased an additional 25% interest in the Round Mountain mine in central Nevada, to bring its total ownership interest in this large-scale heap-leach and milling operation to 50%. In addition, the Company announced a plan to close in 2001 its 124-year old Homestake operation in South Dakota. In 2000, Round Mountain contributed approximately 36% of Homestake's gold production in the United States, while its share of Homestake's gold reserves in the United States increased to 72%.

Homestake's 60%-owned Veladero project in northwestern Argentina contributed to the year-end increase in the Company's reserves and mineralized material. By the end of 2000, the joint venture had completed 315,000 feet of exploration drilling and identified, on a 100% basis, proven and probable reserves totaling 5.5 million ounces and mineralized material amounting to 106 million tons grading 0.041 ounces of gold per ton.



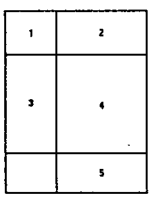


N
500m
Indian
Caspian
MAIN PIT



AUSTRALIAN NUGGET


Australia

1
Joe Skrypniuk (left), Kalgoorlie Mill Superintendent, discusses implementation of the flotation plant expansion project with John Shipp, Kalgoorlie General Manager.
2
During 2000, the Plutonic mine continued with its underground development programs. New reserves were added in the Baltic, Caribbean, Area 134 and Timor zones.
3
Robbie Rowe (left) and Damian Clements, exploration geologists at Plutonic, examine core samples from recent exploration drilling.
4
The Super Pit covers an area 1.9 miles long, 0.9 miles wide and 855 feet deep.
5
New 240-ton trucks transport material from the Super Pit. Twenty-one trucks were purchased when the operation converted from contract to owner mining.



BACKGROUND

Homestake is the second largest gold producer in Australia. The Company owns 50% of Kalgoorlie Consolidated Gold Mines (KCGM) and 100% of the Yilgarn operations, which consist of the Plutonic, Darlot and Lawlers mines, all of which are located in Western Australia. In 2000, Homestake's Australian gold production increased to 875,700 ounces, 40,200 ounces more than in 1999. Today, Homestake's Australian gold production represents approximately 10% of Australia's total.

Homestake's initial interest in Australia can be traced to 1934. At that time, a group of geologists, who became known as the Harvard School, led by Dr. Donald Hamilton McLaughlin, went to identify gold mining opportunities in Western Australia on behalf of Case, Pomeroy & Company, Inc., one of Homestake's significant shareholders. While that visit did not produce a gold project, it did produce a strong bond between Homestake and Western Mining Corporation, an emerging Australian mining house in which Case Pomeroy also had a significant share position. The seed for growth was planted.

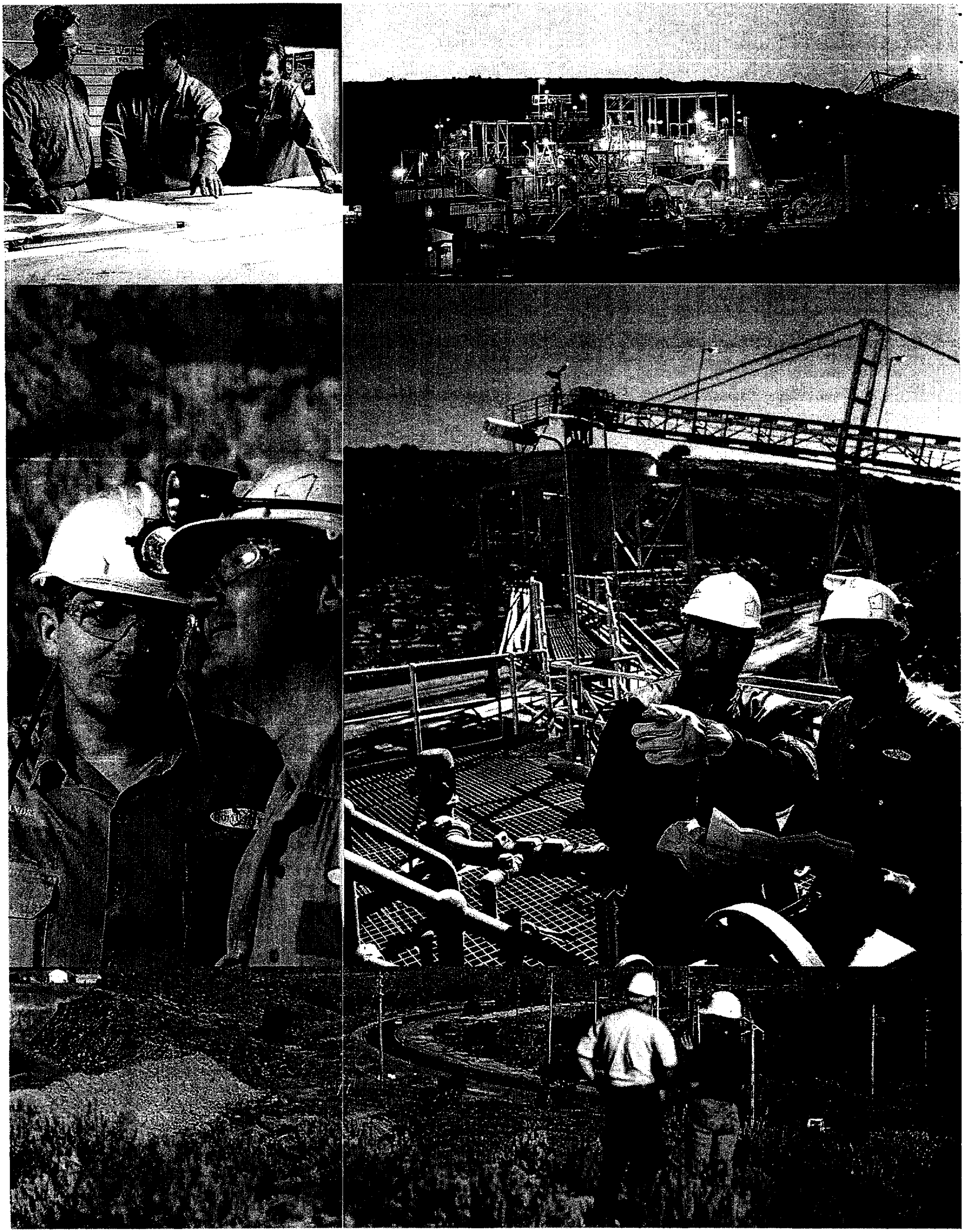
The relationship eventually produced the Geraldton Iron Ore joint venture, equally owned by Western Mining and Homestake. At that time, the Company was headed by McLaughlin and his fellow member of the original Harvard School, John F. Gustafson. Homestake's Australian operations by 1976 included a 48% venture interest with Western Mining in the "Golden Mile", a rich goldfield located in the outskirts of the city of Kalgoorlie. The joint venture with Western Mining also included the Mt Charlotte property at the north end of the goldfields. Homestake's total investment to acquire these properties was A$3 million in cash and a A$5 million standby commitment, which was later exercised. Homestake had now firmly staked its Australian claim.

The joint venture with Western Mining turned into a series of open-pit and underground operations with ore processed in several mills, scattered around the property. By 1989, all the Golden Mile operations had been consolidated into one Super Pit, with Mt Charlotte remaining as a stand-alone underground mine. Milling operations were later consolidated into one state-of-the-art mill, which would later undergo a six-fold expansion.

By 1998, Homestake had become well established in Australia. It had a 50% stake in the Kalgoorlie operations, which included the Super Pit and Mt Charlotte mines. It had also successfully completed a whole mining cycle in Western Australia by discovering, developing, operating and ultimately selling the small Fortnum mine, which produced 136,000 ounces of gold in the interim. Homestake was ready to build on its Australian base.

In 1998, the Company acquired Plutonic Resources Limited, a rapidly emerging Australian gold producer. That acquisition provided Homestake with the wholly-owned Plutonic, Darlot and Lawlers mines, now collectively known as the Yilgarn operations. By the end of 2000, Yilgarn was contributing approximately 55% of Homestake's total Australian gold output.

Today, with steadily increasing gold production and reserves in Australia, Homestake continues to expand its presence in this major gold producing region. The seeds planted back in 1934 have sprung into an enduring and thriving enterprise.



Australia

(continued)

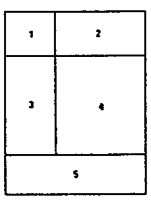
1
Michael Hulmes (center), Plutonic's Resident Manager, discusses the exploration program with Damian Clements, Database Administrator, (left) and Matt Fallon, Chief Geologist.

2
Darlot mill at night. In 2000, this modernized facility processed 770,000 tons of ore.

3
Andrew Stocks (left), Lawlers' Resident Manager, evaluates underground development with Wayne Emslie, Senior Mining Engineer. In 2000, Lawlers completed 26,000 feet of underground development.

4
Barry Mitchell (left), Darlot's Resident Manager, inspects the new backfill plant with Bryan Twine, Mill Foreman. In 2000, this plant provided 150,000 tons of backfill.

5
Kalgoorlie continues revegetating historic mine areas, covering 43.2 acres in 2000.



YEAR IN REVIEW

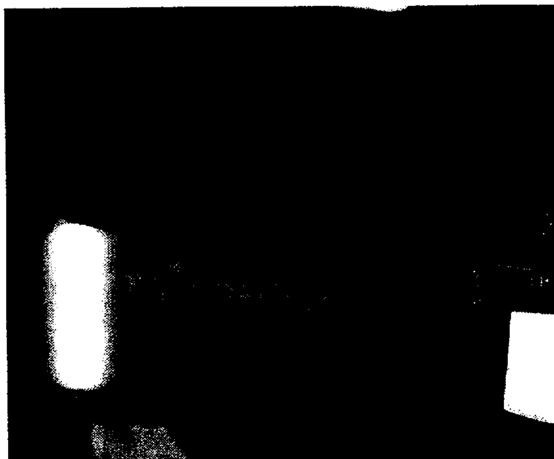
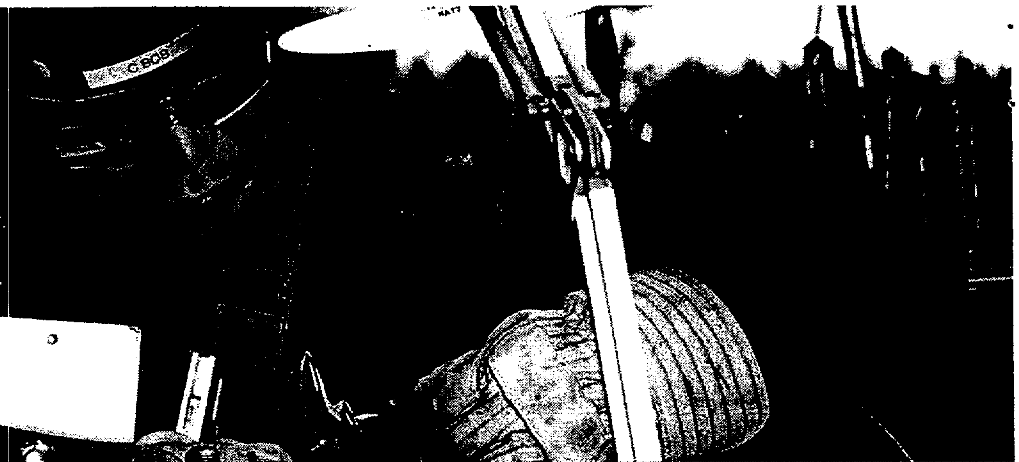
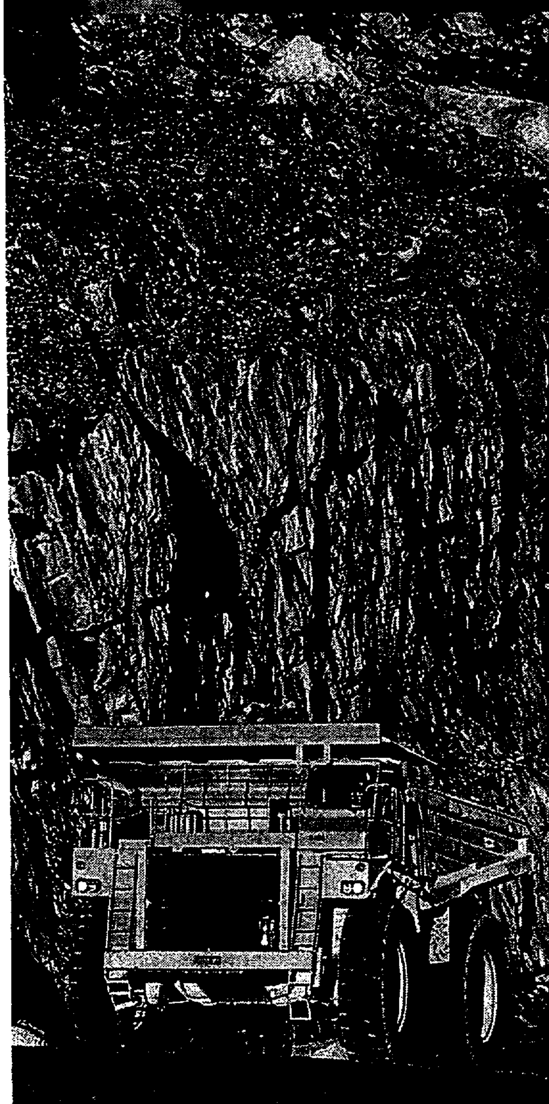
In 2000, Homestake's share of Kalgoorlie production amounted to 393,800 ounces of gold, 33,700 ounces more than in 1999. Cash costs in 2000 averaged $189 per ounce, $46 per ounce less than in the previous year. Most of the gold production came from the Super Pit, where the joint venture implemented a series of important capital projects, including completion of conversion from contract to owner mining and expansion of the flotation section of the mill. The change to owner mining has already produced a 20% reduction in mining costs and a 25% increase in the amount of material moved. The flotation plant expansion resulted in an approximately three percent increase in metallurgical recovery. In addition, the mill is now ready to process a greater proportion of refractory ore when the Mt Charlotte mine, which completes operations in 2001, no longer supplies its share of mill feed.

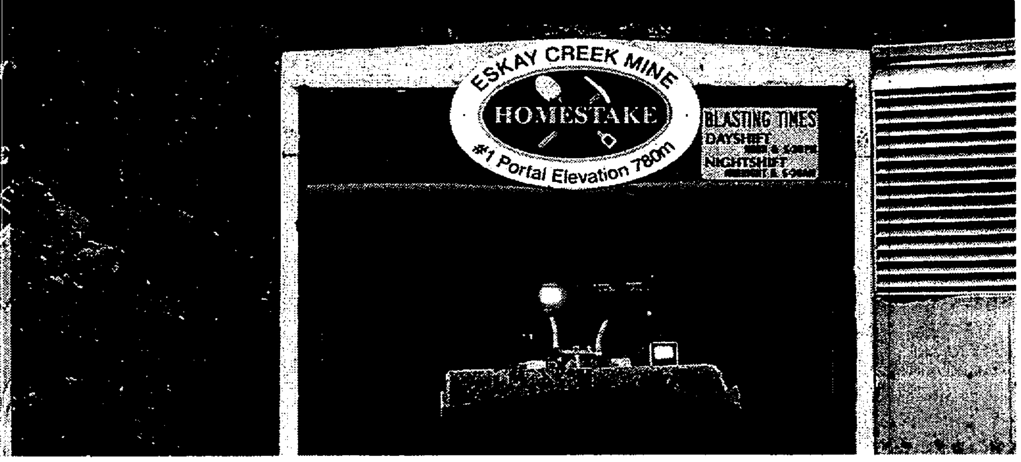
The year 2000 was also successful for Homestake's Yilgarn operations. Gold production reached 481,900 ounces, 28,000 ounces more than in 1999. Cash costs averaged $199 per ounce, nine dollars per ounce less than in 1999.

The Plutonic mine produced 60% of its gold from underground, where the mine completed a total of 48,000 feet of development. In 2000, Homestake's reserves at Plutonic increased by 45%, primarily as a result of conversion of mineralized material into reserves and discoveries in the Baltic, Caribbean, Area 134 and Timor zones (see diagram on page 6).

The Darlot mine completed the first full year of production from its newly developed Centenary deposit and late in the year converted from contract to owner crushing. In 2001, the mine will convert its underground operation from contract to owner mining.

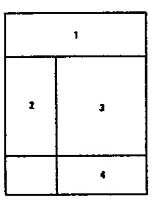
At Lawlers, Homestake completed 26,000 feet of underground development and converted the power supply system from high-cost diesel generation to offtake from a power grid. The project is expected to have a payback of less than a year.

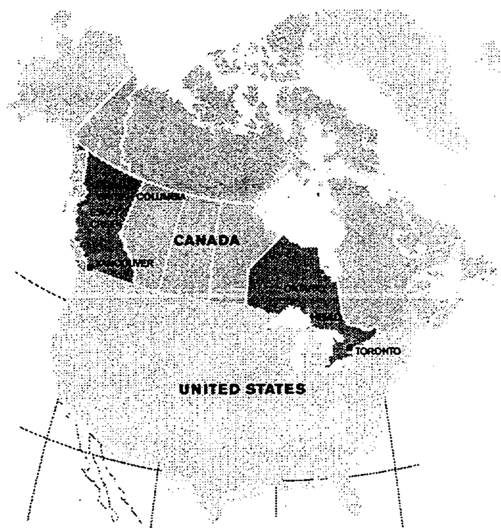





CANADA
9999
9999
FINE GOLD
OR PUR

ESKAY CREEK MINE
HOMESTAKE
#1 Portal Elevation 780m
BLASTING TIMES
DAYSHIFT
NIGHTSHIFT

Canada

1
Millwright Chico Bob was the first graduate of Eskay Creek's Tahltan Apprenticeship Program aimed at improving individual skills of the local First Nations community. By the end of 2000, six graduates had finished the program.
2
A haulage truck delivers ore from the open pit at Hemlo. In 2000, the open pit produced 36,600 ounces of gold, 82% more than in 1999.
3
The Williams complex at Hemlo. The Williams mill now processes 100% of the ore mined at the Williams and David Bell mines.
4
A load-haul-dump unit emerges from the Eskay Creek mine, which produced 333,200 ounces of gold in 2000.





Homestake is the second largest producer of gold in Canada. The Company's annual Canadian gold output currently amounts to approximately 13% of Canada's total. Homestake's operating interests consist of the wholly-owned Eskay Creek mine in northwestern British Columbia and the 50%-owned Hemlo mines in northwestern Ontario. At the Eskay Creek underground operation, the bulk of the mined ore is crushed, blended and sold directly to third-party smelters. A portion of the mined ore is processed in an on-site gravity and flotation mill to produce concentrates, which are also shipped for third-party processing. The Hemlo operation consists of the David Bell and Williams underground mines, an open-pit mine and a conventional mill.

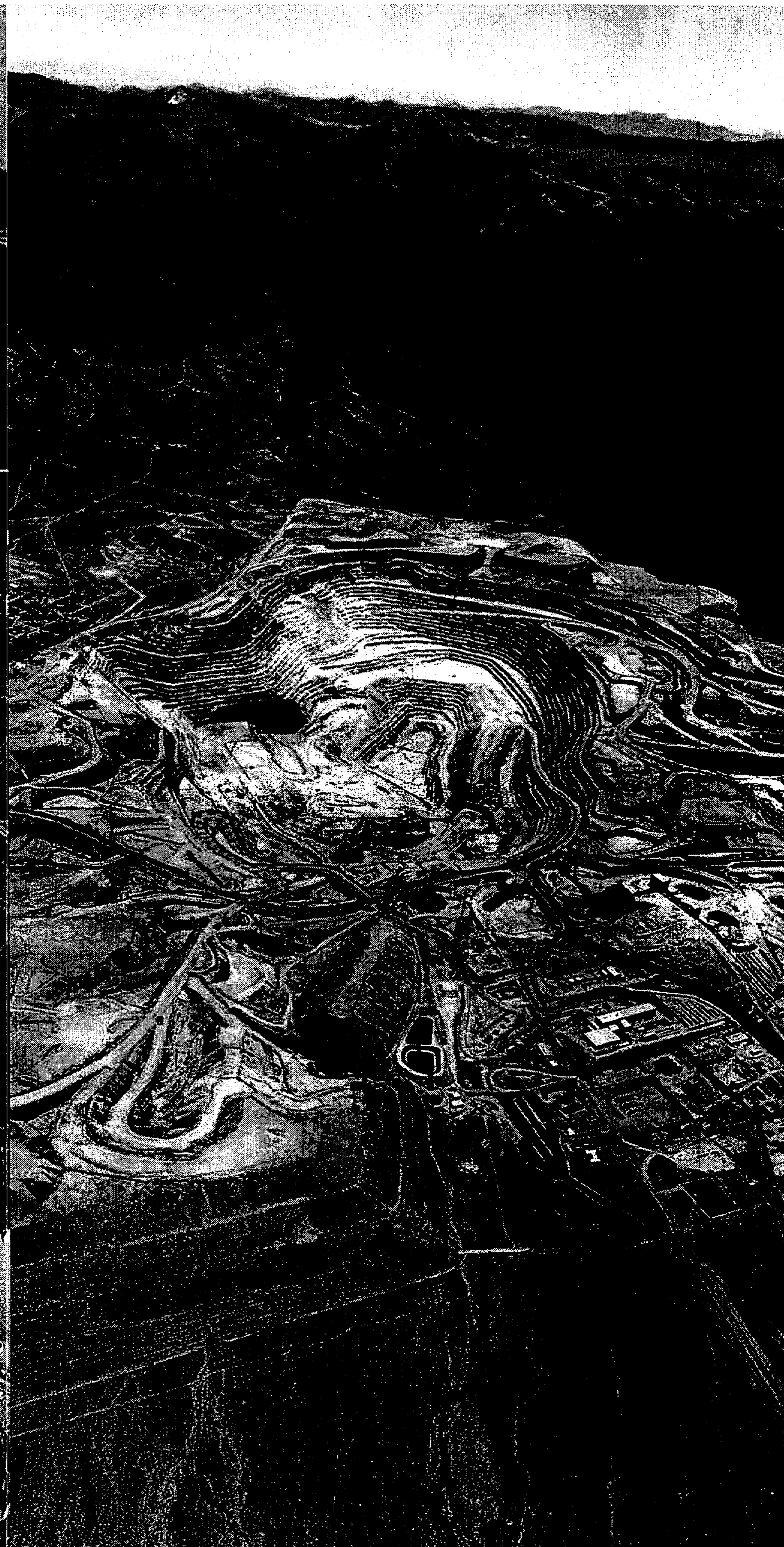
In 2000, Homestake's Canadian gold production was 638,100 ounces, which is 18,300 ounces less than in 1999. Cash costs in Canada averaged $108 per ounce in 2000, four dollars per ounce lower than in 1999. In 2000, total gold production from Eskay Creek and Hemlo was higher than in 1999, but lower than Homestake's total Canadian gold output in 1999 due to the closure of the wholly-owned Snip mine in the second quarter of 1999. Prior to its closure, Snip produced 42,300 ounces in 1999.

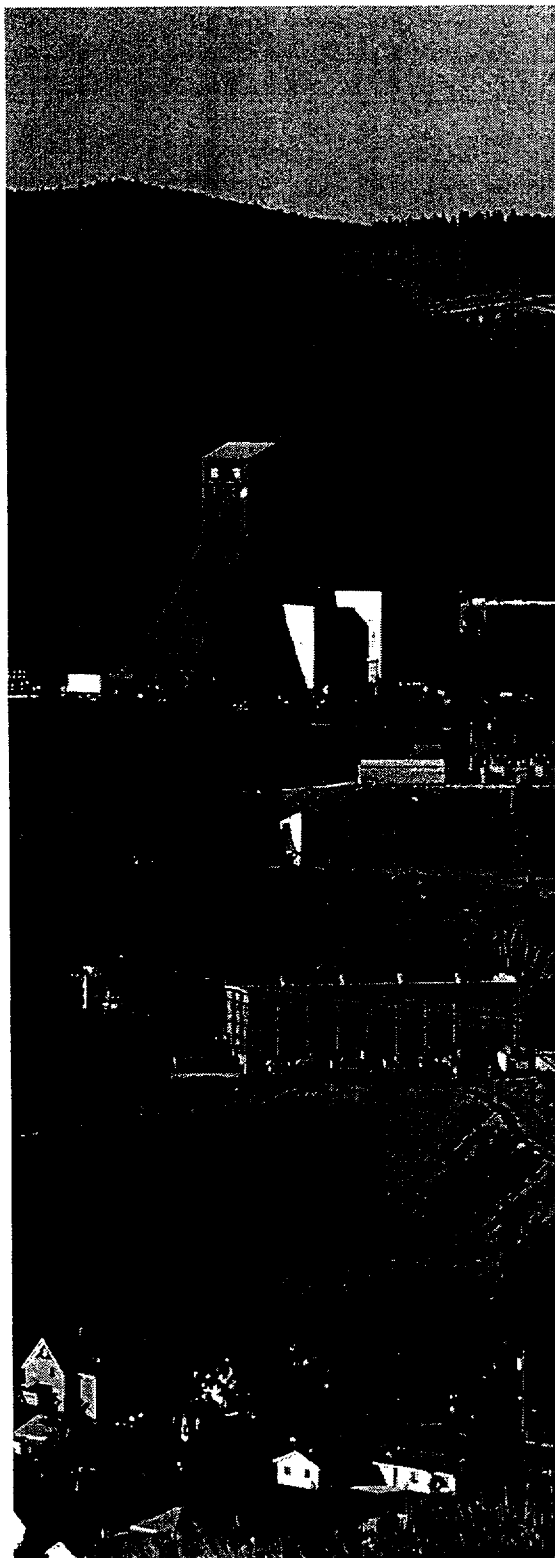
To conform to prevailing mining industry practice, the Eskay Creek mine, a major producer of both gold and silver, in 2000 changed its production and cost reporting system to gold only. The proceeds from the sale of silver are now credited against operating costs (by-product accounting). Previously, mine production had been reported on the basis of gold equivalent ounces, which included silver expressed in terms of an equivalent amount of gold (co-product accounting). Eskay Creek is a significant and, more importantly, one of the lowest cost producers of gold in the world. In 2000, its gold production increased by 24,200 ounces to reach 333,200 ounces, while cash costs averaged $30 per ounce, $15 per ounce higher than in 1999, primarily reflecting lower silver by-product credits resulting from lower realized silver prices and higher fuel and third-party processing costs.

During 2000, Eskay Creek successfully developed, permitted and partially completed construction of a new tailings disposal pipeline system that will facilitate increased mill throughput and provide for a safer, more efficient tailings disposal operation. The project should be fully functional in 2001.

In 2000, Homestake's share of gold production from the Hemlo mines amounted to 304,900 ounces, similar to the 1999 total of 305,100 ounces. Cash operating costs continued their sustained decline averaging $193 per ounce, compared to $197 per ounce in 1999. The open pit adjacent to the Williams mine is becoming a more important part of the Hemlo operations. In 2000, it produced 36,600 ounces, an 82% increase over 1999. Homestake also receives a 25% net profits interest royalty on all ore recovered from the Quarter Claim, a property covering approximately one-fourth of a mining claim, which was originally part of the David Bell mine.

Year 2000 was the first full year of single-mill operation for Hemlo. The original 5,500 ton-per-day Williams mill on average processed 8,900 tons of ore per day. During the year, the joint venture installed a gravity circuit and further debottlenecked several constraining sections of the plant.



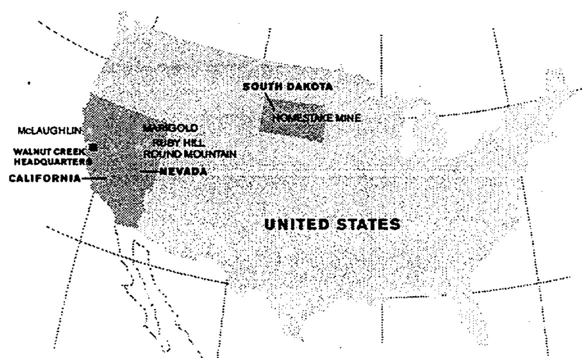


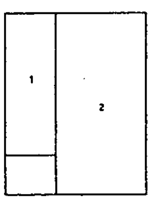

UNITED STATES OF AMERICA
2000

United States

1
Headframe of the Yates Shaft at the Homestake mine. The mine will close in 2001 after 125 years of operation.

2
An aerial view of the Round Mountain mine. In 2000, Homestake increased its interest in this large-scale heap-leach and milling operation to 50%.





Homestake is involved in five gold mines in the United States. Its largest operation is the 50%-owned Round Mountain mine in south-central Nevada. Other interests include the wholly-owned Ruby Hill mine in central Nevada, Homestake mine in western South Dakota and McLaughlin mine in northern California, as well as a 33.3% share in the Marigold mine in north-central Nevada.

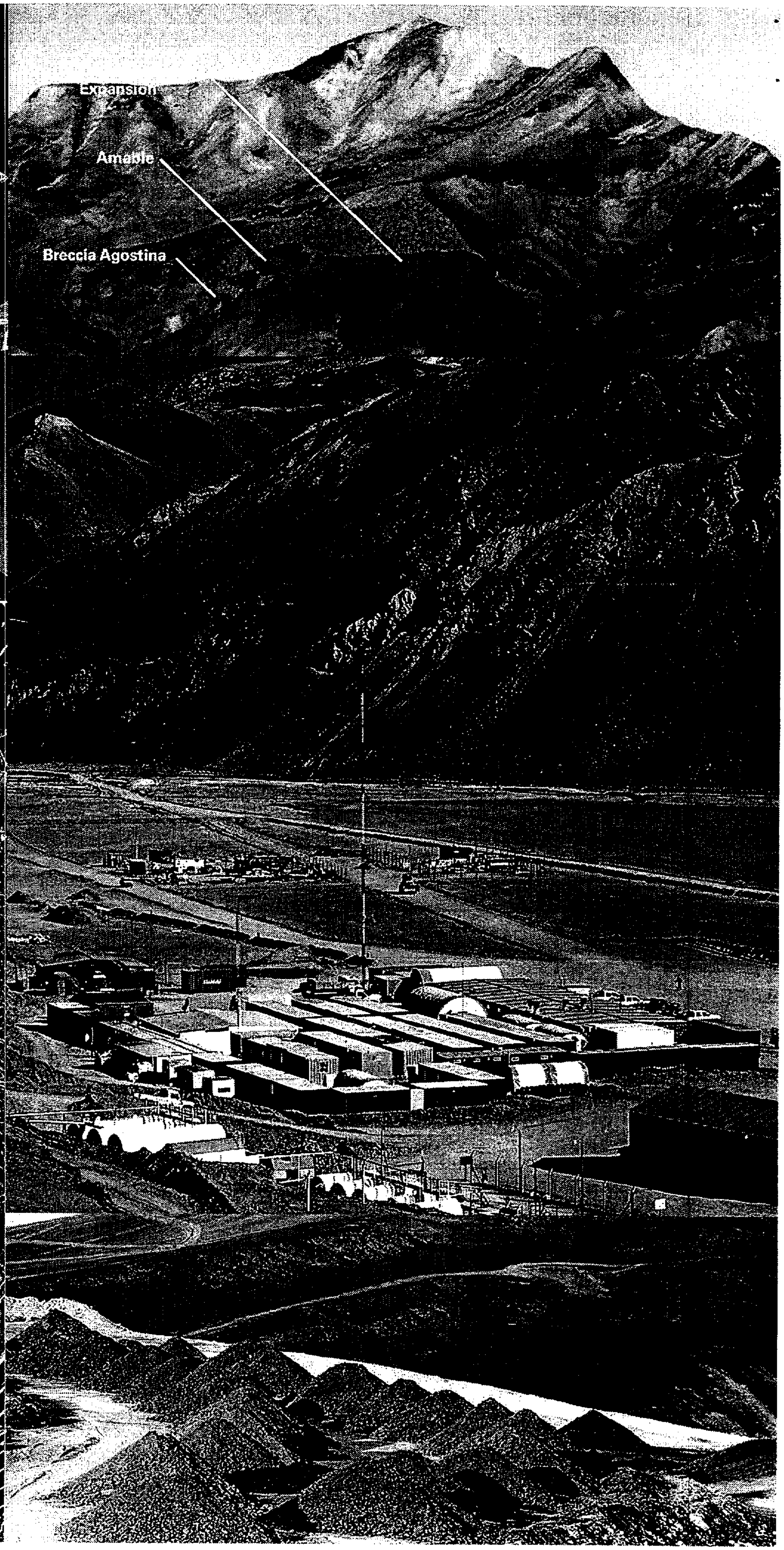
Homestake's US-based operations underwent major changes in 2000. On September 11, 2000, the Company announced that the Homestake mine would be closed in 2001 as a result of lower-than-planned ore grades and escalating development costs in the continued low gold price environment. This historic facility is expected to complete operations after having produced approximately 40 million ounces of gold over its 125 years of operation. In 2000, the Homestake mine produced approximately 170,900 ounces of gold, or less than 8% of the Company's total.

In mid-2000, Round Mountain became Homestake's largest US gold producer after the Company increased its ownership interest to 50%, as a result of the $43 million acquisition of Case Pomeroy's 25% share of this large-scale heap-leach and milling operation. In 2000, Round Mountain produced, on a 100% basis, 640,100 ounces of gold at an average cash cost of $206 per ounce, compared to 541,800 ounces and an average cash cost of $198 per ounce in 1999. The higher production was primarily due to the higher volume of treated ore, while the higher costs were primarily attributed to the processing of higher-cost gold inventory in early 2000.

The Ruby Hill open-pit mine had another excellent year. It set a new gold production record of 125,200 ounces, 1,400 ounces more than the previous record set in 1999. Cash costs averaged $106 per ounce, compared to $104 per ounce in 1999. As Ruby Hill processes its open-pit reserves, Homestake is considering the viability of an underground expansion. In 2001, a decline is being considered to be driven from a section of the open pit to provide access for the requisite exploration drilling and metallurgical testing.

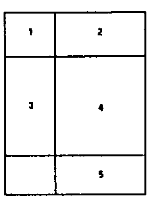
Homestake's McLaughlin mill continued processing low-grade stockpiles in 2000 and produced 107,800 ounces of gold, 13,700 ounces less than in 1999. The mill is winding down its operations and is expected to close in 2002.

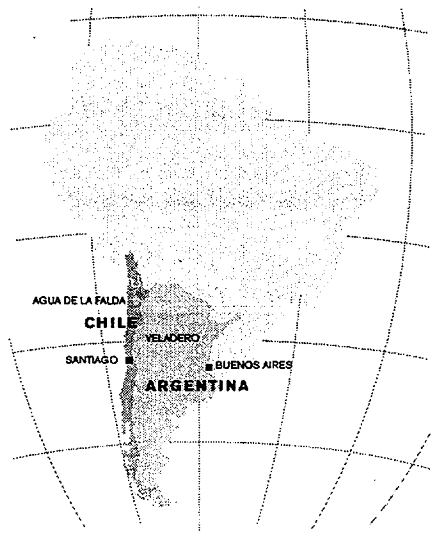
The Marigold joint venture ran as a heap-leach only operation throughout 2000. With less material placed on the pad, gold production in 2000 declined to 65,500 ounces (100% basis), 8,700 ounces less than in 1999. Production is expected to improve in 2001, as the operation starts sourcing ore from different pits. Furthermore, approximately 451,000 ounces were added to Marigold's reserves in 2000 after accounting for production. A follow-up exploration program is planned for 2001.


Expansion
Amable
Breccia Agostina

South America

1
Ricardo Martinez (center), Resident Manager of Homestake's Argentinian subsidiary, discusses exploration results with junior geologist Ana Graciela Defant and technician Santiago Campellone.
2
With the increased mineralized inventory at Veladero, the open pit, as modeled, is expected to be two miles long, 4,000 feet wide and 1,250 feet deep.
3
A reverse circulation (RC) drill rig operating at Veladero. At the end of 2000, there were 11 RC and four diamond drill rigs operating on the property.
4
The expanded Veladero camp can now accommodate approximately 350 people.
5
Material from the Jeronimo project in Chile awaits metallurgical testing.





In South America, Homestake owns 51% of Agua de la Falda S.A., which operates an underground mine and a heap-leach facility in northern Chile. Through an indirect wholly-owned subsidiary, the Company also has a 60% interest in the Veladero development project located in the northwestern part of Argentina.

In 2000, Agua de la Falda produced 44,900 ounces of gold (Homestake's share 22,900 ounces), 3,000 ounces less than a year earlier. This mine has sufficient oxide reserves to continue operations until 2002. Homestake and its partner, Corporacion Nacional del Cobre de Chile ("Codelco"), continue to search for an economically viable method to process the sulfides contained in the adjacent Jeronimo deposit, which has mineralized material totaling 6.9 million tons grading 0.162 ounces of gold per ton. Metallurgical samples were obtained through an extended decline to carry out a broad range of tests which will continue in 2001.

At the Veladero project in northwestern Argentina, between October 1999 and May 2000 Homestake carried out a 180-hole 200,000-foot drilling campaign which identified a total proven and probable reserve of 5.5 million ounces of gold and 81.2 million ounces of silver. While the reserves are currently limited to two zones called Amable and Filo Federico, the mineralized material extends through the in-between zone, called Cuatro Esquinas.

Since commencing a new field season in October 2000, Homestake has drilled 100 additional holes aggregating 115,000 feet at Veladero. As drilling continues, the results are being added to the existing database, which includes information from the on-going metallurgical, hydrological and geotechnical testing. Homestake has updated its earlier engineering studies on the basis of higher cut-off grades, taking into account the physical distribution of gold and silver and the metallurgical characteristics of the deposit. As a result, at December 31, 2000, Veladero's in-pit mineralized material, including reserves, on a 100% basis, totaled 224 million tons grading 0.044 ounces of gold per ton calculated at the cut-off grade of 0.015 ounces per ton, compared to 259 million tons grading 0.035 ounces per ton calculated at the cut-off grade of 0.010 ounces per ton, as reported on August 1, 2000.

With the increasing scale of the project, Homestake expects the modeled open pit, which includes the Amable, Filo Federico and Cuatro Esquinas zones, to be approximately two miles long, 4,000 feet wide and 1,250 feet deep. In its 2000-2001 budget year, the joint venture expects to spend approximately $30 million (100% basis) on delineation drilling, engineering field investigations, metallurgical test work and continuing technical studies to optimize the design parameters for Veladero. Homestake continues to explore various operating design and process options, such as pulp agglomeration, 100% heap leaching, and a combination of conventional milling and heap leaching, to maximize economic return from this rapidly expanding project.

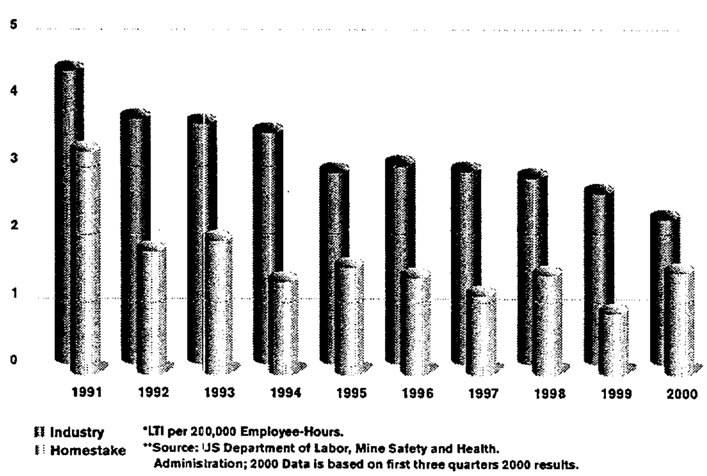
Homestake is committed to safety and environmental excellence in all its activities. To meet this commitment, the Company establishes the highest standards and continuously works to improve its performance. This focus upon continuous improvement has made Homestake a leader in the industry.

Several mines received safety awards in 2000. The Ruby Hill and Pinson mines each received the prestigious Small Surface Mine Award for Safety with no accidents reportable in 1999. Ruby Hill also received a Certificate of Achievement in Safety from the United States Department of Labor, Mine Safety and Health Administration, Sentinels of Safety, for its outstanding safety record in 1999.

Despite this special recognition, Homestake did not achieve its safety performance objectives in 2000. In January, an employee at Homestake's Eskay Creek mine drowned while operating equipment adjacent to Albino Lake. This was the first work-related fatality for a Homestake employee or contractor in five years. Homestake's lost-time injury frequency also increased relative to the previous year. This poor safety performance caused Homestake to re-examine and strengthen its efforts to improve safety at all its operations.

Year 2000 was completed with no chemical spills that escaped Homestake property. The most significant incident occurred at Homestake's Lawlers mine in Western Australia where a contractor spilled diesel at a fueling location. The spill was cleaned up and there will be no long-term environmental impact. As a result of this

Lost-Time Incidence (LTI) Rates* Homestake Mining vs US Metallic Mining Industry 1991-2000**



*LTI per 200,000 Employee-Hours.
**Source: US Department of Labor, Mine Safety and Health. Administration; 2000 Data is based on first three quarters 2000 results.

Health, Safety, Community and Environment

incident, the Company reviewed and improved fueling practices at all its operations.

Homestake is committed to reclaiming concurrently lands disturbed by mining and exploration operations. In 2000, over 2,500 acres were reclaimed, while only 300 new acres were disturbed and not reclaimed during the year.

Homestake regularly audits environmental operating performance as well as reclamation plans and cost estimates. These audits, which are performed by the corporate environmental department and routinely reviewed by external consultants, allow Homestake to monitor environmental performance and maintain consistent standards of excellence to ensure that reclamation plans are well developed in advance of mine closure and reclamation is adequately funded. During the past three years, reclamation audits have been performed at all active and inactive mining operations, including joint ventures.

Recognizing that the future operation of the Homestake mine in South Dakota was in doubt, the Company began to develop detailed final reclamation plans for the site well in advance. This preparation allowed Homestake to proceed immediately with a comprehensive reclamation, remediation and community transition program once the closure plans were announced on September 11, 2000.

1
A herd of guanacos visiting Veladero.

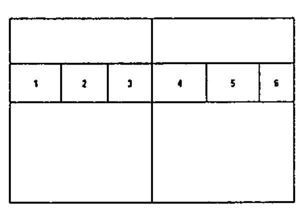
2
The Greening the Golden Mile project won several environmental awards in Western Australia.

3
Michelle Birch, Senior Environmental Officer of Kalgoorlie, and colleagues Adrian Nestoridis (left) and Leshe Johnstone at the tree nursery in Kalgoorlie.

4
Oscar Ceñe (center), a teacher of metallurgy at Liceo Manuel Magalhae in Diego de Almagro, Chile, discusses chemical principles with his students. Homestake's 51%-owned Agua de la Falda operation has been a strong supporter of the Liceo.

5
Visitor Center in Lead, South Dakota. In 2000, 16,300 visitors toured its facilities.

6
Fishing at Whitewood Creek, South Dakota. Homestake voluntarily restored the creek, which had been affected by historic mining.



Statistical Summary

Mine		Homestake's Share	Production: 100% Basis: Tons Processed (000's)	Grade (ounces per ton)	Recovery	Production (ounces)	Homestake's Share Of Production (ounces)	Cash Cost Per Ton (dollars)	Total Cash Cost Per Ounce[2] (dollars)	Total Production Cost Per Ounce[2] (dollars)
Australia										
Kalgoorlie[3]	2000	50%	13.822	0.068	87%	787,600	393,800	12	189	236
	1999		11,670	0.070	88%	720,100	360,100	15	235	276
Yilgarn District										
Plutonic	2000	100%	3,347	0.085	89%	253,600	253,600	14	196	231
	1999		3,344	0.082	86%	236,500	236,500	14	221	262
Darlot	2000	100%	768	0.171	97%	127,100	127,100	32	192	236
	1999		760	0.156	96%	113,100	113,100	29	198	236
Lawlers	2000	100%	729	0.145	96%	101,200	101,200	27	213	265
	1999		669	0.166	95%	104,300	104,300	27	189	214
Yilgarn District Total	2000	100%				481,900	481,900		199	240
	1999					453,900	453,900		208	244
Total Australia[4]	2000						875,700		194	.238
	1999						835,500		219	257
Canada										
Eskay Creek[5]	2000	100%	212	1.703	95%	333,200	333,200	47	30	156
	1999		193	1.773	95%	309,000	309,000	28	15	143
Hemlo[6]	2000	50%	3.247	0.191	95%	632,500	304,900	35	193	227
	1999		3.170	0.194	95%	633,100	305,100	37	197	231
Total Canada[7]	2000						638,100		108	190
	1999						656,400		112	188
United States										
Round Mountain[8]	2000	50%	63.090	0.016		640,100	243,700	2	206	271
	1999		52.908	0.017		541,800	135,500	2	198	268
Ruby Hill	2000	100%	1.200	0.119	88%	125,200	125,200	11	106	245
	1999		1.222	0.115	88%	123,800	123,800	12	104	240
McLaughlin	2000	100%	2.842	0.063	61%	107,800	107,800	9	235	325
	1999		2.834	0.070	61%	121,500	121,500	10	223	337
Marigold	2000	33%	2.528	0.035		65,500	21,800	7	247	289
	1999		3.549	0.026		74,200	24,700	4	207	248
Homestake	2000	100%	838	0.204	94%	170,900	170,900	55	268	308
	1999		1.249	0.171	100%	212,700	212,700	44	261	278
Total United States[9]	2000						669,400		209	285
	1999						624,200		207	278
Chile										
Agua de la Falda	2000	51%	314	0.213	67%	44,900	22,900	30	207	282
	1999		318	0.239	63%	47,900	24,400	29	189	278
Jeronimo	2000	51%								
	1999									
Argentina										
Veladero	2000	60%								
	1999									
Totals	2000						2,206,100		174	239
	1999						2,140,500		182	242
Eskay Creek – Silver	2000	100%								
	1999									
Veladero – Silver	2000	60%								
	1999									

NOTES

1 Homestake's share of production is shown net of minority interests.
2 Homestake reports per ounce production costs in accordance with the "Gold Institute Production Cost Standard."
3 Includes the effect of insurance proceeds received and credited to processing costs of $1.1 million and $4.8 million in 2000 and 1999, respectively.
4 Includes 21,500 ounces of gold produced at the Peak Hill mine in Western Australia during 1999.
5 Eskay Creek's costs per ounce were calculated on a by-product basis. Included as a credit against costs in 2000 were revenues from the sale of 14.7 million (13.1 million in 1999) ounces of silver at an average price of $4.91 ($5.22 in 1999) per ounce. If Eskay Creek silver production had been accounted for as a co-product, whereby costs were allocated separately to gold and silver based on their proportion of revenues, total cash costs and total production costs would have been $168 and $237 per ounce, respectively, in 2000 and $131 and $201 per ounce, respectively, in 1999. For comparison purposes, costs per ounce include estimated third-party costs incurred by smelter owners and others to produce marketable gold and silver.
6 The 100% production includes 414,100, 172,900, and 45,500 ounces in 2000 and 423,700, 165,100 and 45,300 ounces in 1999 from the Williams mine, the David Bell mine and the Quarter Claim, respectively. Homestake's share of gold production includes 207,100, 86,500 and 11,300 ounces in 2000 and 211,800, 82,000 and 11,300 ounces in 1999 from the Williams mine, the David Bell mine and the Quarter Claim, respectively. The 100% contained ounces include 3,548,000 and 1,219,000 ounces in 2000 and 4,028,000 and 1,472,000 ounces in 1999 from the Williams and David Bell mines, respectively. Homestake's share of contained ounces includes 1,774,000 and 623,000 ounces in 2000 and 2,014,000 and 711,000 ounces in1999 from

Reserves[a] (December 31)				Mineralized Material[b] (December 31)				
100% Basis				100% Basis				
Tons (000's)	Grade (ounces per ton)	Contained Ounces (000's)	Homestake's Share Of Contained Ounces (000's)	Tons (000's)	Grade (ounces per ton)	Homestake's Share		Mine
								Australia
209,108	0.060	12,540	6,270	162,040	0.072	50%	2000	Kalgoorlie[3]
203,046	0.067	13,530	6,765	128,421	0.070		1999	
								Yilgarn District
9,501	0.131	1,240	1,240	9,272	0.163	100%	2000	Plutonic
7,985	0.107	854	854	11,877	0.130		1999	
8,921	0.157	1,405	1,405	3,904	0.111	100%	2000	Darlot
8,660	0.148	1,280	1,280	2,951	0.097		1999	
2,605	0.145	378	378	2,638	0.188	100%	2000	Lawlers
2,331	0.152	355	355	2,977	0.125		1999	
			3,023			100%	2000	Yilgarn District Total
			2,489				1999	
			9,293			100%	2000	Total Australia[4]
			9,254				1999	
								Canada
1,617	1.310	2,118	2,118	456	0.387	100%	2000	Eskay Creek[5]
1,610	1.496	2,409	2,409	499	0.435		1999	
29,368	0.164	4,819	2,396	884	0.141	50%	2000	Hemlo[6]
32,649	0.168	5,500	2,725	645	0.109		1999	
			4,514				2000	Total Canada[7]
			5,134				1999	
								United States
273,200	0.019	5,218	2,609	18,705	0.022	50%	2000	Round Mountain[8]
320,062	0.018	5,875	1,469	31,364	0.021		1999	
2,561	0.105	268	268	7,325	0.072	100%	2000	Ruby Hill
3,773	0.110	417	417	7,325	0.072		1999	
4,000	0.060	240	240			100%	2000	McLaughlin
7,825	0.056	438	438				1999	
30,259	0.035	1,064	355	20,641	0.029	33%	2000	Marigold
19,090	0.032	613	204				1999	
822	0.203	167	167			100%	2000	Homestake
7,911	0.228	1,802	1,802	5,982	0.223		1999	
			3,639				2000	Total United States[9]
			4,330				1999	
								Chile
405	0.210	85	43			51%	2000	Agua de la Falda
525	0.180	94	48	145	0.151		1999	
				6,903	0.162	51%	2000	Jeronimo
				6,903	0.162		1999	
								Argentina
118,300	0.046	5,500	3,300	106,100	0.041	60%	2000	Veladero
				86,530	0.047		1999	
			20,789				2000	Totals
			18,766				1999	
1,617	59.100	95,584	95,584	456	12.400	100%	2000	Eskay Creek - Silver
1,610	68.300	110,000	110,000	499	12.100		1999	
118,300	0.700	81,200	48,720	106,100	0.500	60%	2000	Veladero - Silver
				86,530	0.770		1999	

the Williams and David Bell mines, respectively. In addition, reserves for the David Bell mine include a 25% net profits interest in the Quarter Claim.

7 Includes 42,300 ounces of gold produced at the Snip mine in British Columbia, Canada during 1999.

8 Homestake acquired an additional 25% interest in the Round Mountain mine effective July 1, 2000.

9 Includes 6,000 ounces of gold produced at the Pinson mine in Nevada during 1999.

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 but it has not demonstrated economic viability. 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. The category of mineralized material includes measured and indicated material, but excludes material often referred to as inferred, or estimated on the basis of geologic inferences. Consistent with Homestake's normal procedures for estimating mineralized material, independent data verification has not been performed.

Statistical Summary (metric units)

Mine		Homestake's Share	Production: 100% Basis: Tonnes Processed (000's)	Grade (grams per tonnes)	Recovery	Production (ounces)	Homestake's Share Of Production (ounces)	Cash Cost Per Tonne (dollars)	Total Cash Cost Per Ounce[2] (dollars)	Total Production Cost Per Ounce[2] (dollars)
Australia										
Kalgoorlie[3]	2000	50%	12,539	2.34	87%	787,600	393,800	13	189	236
	1999		10,587	2.40	88%	720,100	360,100	17	235	276
Yilgarn District										
Plutonic	2000	100%	3,036	2.91	89%	253,600	253,600	16	196	231
	1999		3,034	2.82	86%	236,500	236,500	15	221	262
Darlot	2000	100%	697	5.87	97%	127,100	127,100	35	192	236
	1999		689	5.34	96%	113,100	113,100	32	198	236
Lawlers	2000	100%	662	4.96	96%	101,200	101,200	30	213	265
	1999		607	5.68	95%	104,300	104,300	30	189	214
Yilgarn District Total	2000	100%				481,900	481,900		199	240
	1999					453,900	453,900		208	244
Total Australia[4]	2000						875,700		194	238
	1999						835,500		219	257
Canada										
Eskay Creek[5]	2000	100%	193	58.31	95%	333,200	333,200	42	30	156
	1999		175	60.72	95%	309,000	309,000	31	15	143
Hemlo[6]	2000	50%	2,946	6.53	95%	632,500	304,900	39	193	227
	1999		2,876	6.63	95%	633,100	305,100	40	197	231
Total Canada[7]	2000						638,100		108	190
	1999						656,400		112	188
United States										
Round Mountain[8]	2000	50%	57,234	0.53		640,100	243,700	2	206	271
	1999		47,997	0.57		541,800	135,500	3	198	268
Ruby Hill	2000	100%	1,039	4.08	88%	125,200	125,200	12	106	245
	1999		1,109	3.95	88%	123,800	123,800	14	104	240
McLaughlin	2000	100%	2,578	2.14	61%	107,800	107,800	10	235	325
	1999		2,571	2.39	61%	121,500	121,500	11	223	337
Marigold	2000	33%	2,293	1.18		65,500	21,800	7	247	289
	1999		3,220	0.89		74,200	24,700	5	207	248
Homestake	2000	100%	760	6.98	94%	170,900	170,900	60	268	308
	1999		1.133	5.85	100%	212,700	212,700	49	261	278
Total United States[9]	2000						669,400		209	285
	1999						624,200		207	278
Chile										
Agua de la Falda	2000	51%	284	7.31	67%	44,900	22,900	33	207	282
	1999		289	8.20	63%	47,400	24,400	32	189	278
Jeronimo	2000	51%								
	1999									
Argentina										
Veladero	2000	60%								
	1999									
Totals	2000						2,206,100		174	239
	1999						2,140,500		182	242
Eskay Creek - Silver	2000	100%								
	1999									
Veladero - Silver	2000	60%								
	1999									

NOTES

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Reserves[a] (December 31)				Mineralized Material[b] (December 31)				
100% Basis				100% Basis				
Tonnes (000's)	Grade (grams per tonne)	Contained Ounces (000's)	Homestake's Share Of Contained Ounces (000's)	Tonnes (000's)	Grade (grams per tonne)	Homestake's Share		Mine
								Australia
189,700	2.05	12,540	6,270	147,000	2.46	50%	2000	Kalgoorlie[3]
184,200	2.29	13,530	6,765	116,502	2.41		1999	
								Yilgarn District
8,619	4.49	1,240	1,240	8,411	5.58	100%	2000	Plutonic
7,244	3.66	854	854	10,775	4.45		1999	
8,093	5.38	1,405	1,405	3,542	3.80	100%	2000	Darlot
7,856	5.07	1,280	1,280	2,677	3.32		1999	
2,363	4.97	378	378	2,393	6.44	100%	2000	Lawlers
2,115	5.21	355	355	2,701	4.28		1999	
			3,023			100%	2000	Yilgarn District Total
			2,489				1999	
			9,293			100%	2000	Total Australia[4]
			9,254				1999	
								Canada
1,467	44.86	2,118	2,118	414	13.25	100%	2000	Eskay Creek[5]
1,461	51.23	2,409	2,409	453	14.90		1999	
26,642	5.62	4,819	2,396	802	4.83	50%	2000	Hemlo[6]
29,619	5.75	5,500	2,725	585	3.73		1999	
			4,514				2000	Total Canada[7]
			5,134				1999	
								United States
247,843	0.65	5,218	2,609	16.969	0.75	50%	2000	Round Mountain[8]
290,356	0.62	5,875	1,469	28,453	0.72		1999	
2,323	3.60	268	268	6,645	2.47	100%	2000	Ruby Hill
3,423	3.77	417	417	6,645	2.47		1999	
3,629	2.05	240	240			100%	2000	McLaughlin
7,099	1.92	438	438				1999	
27,451	1.20	1,064	355	18,725	0.99	33%	2000	Marigold
17,318	1.10	613	204				1999	
746	6.95	167	167			100%	2000	Homestake
7,177	7.81	1,802	1,802	5,427	7.64		1999	
			3,639				2000	Total United States[9]
			4,330				1999	
								Chile
367	7.19	85	43			51%	2000	Agua de la Falda
476	6.16	94	48	132	5.17		1999	
				6,262	5.55	51%	2000	Jeronimo
				6,262	5.55		1999	
								Argentina
107,320	1.58	5,500	3,300	96,252	1.40	60%	2000	Veladero
				78,499	1.61		1999	
			20,789				2000	Totals
			18,766				1999	
1,467	2,023.97	95,584	95,584	414	424.66	100%	2000	Eskay Creek - Silver
1,461	2,339.04	110,000	110,000	453	414.38		1999	
107,320	23.97	81,200	48,720	96,252	17.12	60%	2000	Veladero - Silver
				78,499	26.37		1999	

the Williams and David Bell mines, respectively. In addition, reserves for the David Bell mine include a 25% net profits interest in the Quarter Claim.

7 Includes 42,300 ounces of gold produced at the Snip mine in British Columbia, Canada during 1999.

8 Homestake acquired an additional 25% interest in the Round Mountain mine effective July 1, 2000.

9 Includes 6,000 ounces of gold produced at the Pinson mine in Nevada during 1999.

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 but it has not demonstrated economic viability. 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. The category of mineralized material includes measured and indicated material, but excludes material often referred to as inferred, or estimated on the basis of geologic inferences. Consistent with Homestake's normal procedures for estimating mineralized material, independent data verification has not been performed.

A Weaker US Dollar Should Support the Gold Price

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

A generation after the breaking of the official link, the relationship between gold and the dollar continues to fascinate. The strength of the US dollar last year was a dominant theme in both the foreign exchange and gold markets. In the former, this was especially clear from the battering taken by the fledgling euro, which fell by 11% against the "greenback" (measured from its level at the beginning of January through December 31, 2000). But, the dollar has also been strong against most other currencies. For example, on a more representative trade-weighted basis, the American currency rose by 9% during 2000. This puts into perspective the intra-year decline in the gold price, a rather modest 2.5% by comparison. In euro terms, however, gold did rather well in 2000, rising by 8.5%. (The graph shows how prices in both currencies have diverged since the euro's introduction in January 1999.)

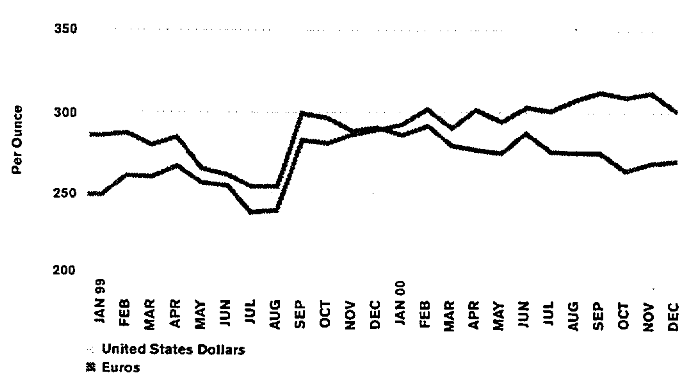
In light of the above, it is worth asking whether a reversal in the dollar's fortunes would lead to higher dollar gold prices? During 2000 there appeared to be a fairly strong negative correlation; the rising dollar putting downward pressure on the gold price and vice versa. But how does the anecdotal evidence of this relationship measure up to the facts? To test this, Gold Fields Mineral Services Ltd. ("GFMS") compared daily movements in the dollar exchange rate and the gold price from 1989-2000. The results indicated that there was indeed statistical evidence of a modest relationship over this period; marginally more so for the trade-weighted dollar than the dollar/deutschemark (dollar/euro) exchange rate and gold. (For the technically minded, the R-squared came to 0.69 and 0.64, respectively.) The analysis also showed tremendous variability over the period: at certain times there was a strong negative correlation, whereas at others this went into reverse, with gold moving in sympathy with the dollar. Notably, in 1998-99, the relationship between gold and the dollar weakened considerably. This probably owed a great deal to the dominant effect of factors specific to the gold market during these years, such as the temporary collapse of Asian demand, higher central bank sales and producer hedging. These developments would have swamped any impact from changes in the value of the dollar.

By contrast, in 2000, the relationship between the dollar and the gold price was generally stronger (a correlation coefficient of minus 0.8). In particular, during September and December it sprang back into life. The data support the observation that during this time there was a strong correlation between dollar strength (and euro weakness) and the decline in the gold price down into the $260's, followed later by a recovery in both the euro and gold.

Thus it would seem that, although the long run statistical relationship between gold and the dollar is fairly modest, during specific periods the foreign exchange value of the dollar has strongly influenced gold prices. And, not surprisingly, this has happened when there was a distinct trend in the dollar and an absence of powerful gold-market-specific factors (which was arguably the situation for much of 2000). In a sense, gold's "on-off" relationship with the dollar reflects its special nature: a commodity that can still, sometimes, behave like money. Therefore, to the extent that gold's monetary characteristics are to the fore, and in the absence of countervailing supply/demand developments, the price would tend to benefit from a weaker dollar.

What then is the probability that we are on the threshold of a significant weakening of the dollar? For much of last year the currency confounded its skeptics. However, by the end of 2000 there were indications that the market had turned. This was not surprising given the dollar's sickly fundamentals and expected movements in American and European interest rates. Slowing US economic growth, coupled with stock market weakness, looked set to prolong and extend the recent recovery in the euro, with the potential for this to support the dollar gold price in 2001.

Gold Prices, 1999-2000



Financial Section

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

For the Years Ended December 31, 2000, 1999 and 1998
(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.")

RESULTS OF OPERATIONS

Summary

Homestake recorded a loss from continuing operations of $89.1 million or $0.34 per share in 2000 compared to income of $9.2 million or $0.04 per share and a loss of $229.9 million or $0.99 per share from continuing operations in 1999 and 1998, respectively. The 2000 loss from continuing operations includes after-tax non-recurring items amounting to $68.6 million or $0.26 per share compared to $20.5 million or $0.08 per share in 1999 and $205.5 million or $0.89 per share in 1998. The losses in 1999 and 1998 include after-tax business combination and integration costs of $4.8 million and $17 million, respectively. The loss from continuing operations in 2000 also includes after-tax foreign currency exchange losses of $28.6 million compared to gains of $20.6 million in 1999 and losses of $23.5 million in 1998.

On July 20, 2000, Freeport-McMoRan Sulphur LLC, the operator and 83.3% owner of the Main Pass 299 joint venture, located in the Gulf of Mexico, announced a phased closure of sulfur operations. Homestake's 16.7% interest in the sulfur joint venture was reflected as a discontinued operation effective June 30, 2000. Losses from discontinued operations in 2000 amounted to $15.3 million or $0.06 per share, compared to $4.4 million or $0.02 per share and $3.9 million or $0.02 per share in 1999 and 1998, respectively. The 2000 loss from discontinued operations included a non-recurring charge of $12 million, reflecting Homestake's $8.5 million share of unaccrued reclamation and closure costs and a $3.5 million allowance for projected operating losses during the closure period. Homestake wrote-off the carrying value of its interest in Main Pass in 1997.

Including losses from discontinued operations, Homestake recorded a net loss of $104.4 million or $0.40 per share in 2000 compared to net income of $4.9 million or $0.02 per share in 1999 and a net loss of $233.8 million or $1.01 per share in 1998, respectively.

Excluding the effect of the write-downs and unusual charges, business combination costs, and foreign currency exchange gains and losses, Homestake recorded income from continuing operations of $8.1 million or $0.03 per share in 2000 compared to income from continuing operations of $9.1 million or $0.03 per share in 1999 and a loss from continuing operations of $1.4 million or $0.01 per share in 1998. The 2000 results reflect higher gold production, lower per ounce operating costs and lower administrative and general, exploration and tax expenses, offset by lower gold prices and higher depreciation charges. The improvement in 1999 results compared to 1998 primarily was due to lower operating costs, lower exploration expenses and lower minority interest charges, partially offset by lower gold prices.

A summary of significant non-recurring items in 2000, 1999 and 1998 follows:

Significant Non-recurring Items

(after-tax, in millions of dollars)	2000	1999	1998
Resource asset write-downs	**$(28.1)**	$ (8.9)	$(130.8)
Increase in the estimated accrual for remediation and reclamation expenditures	**(15.0)**	(3.3)	(36.0)
Write-downs of noncurrent investments		(3.5)	(7.6)
Business combination and integration costs		(4.8)	(17.0)
Homestake mine restructuring charges	**(23.0)**		(5.9)
Other	**(2.5)**		(8.2)
	$(68.6)	$ (20.5)	$(205.5)

Gold Operations — Summary

	2000	1999	1998
Revenues (millions of dollars)	**$665.7**	$671.6	$ 782.2
Gold sales (thousands of ounces)	**2,181**	2,168	2,379
Gold production (thousands of ounces)			
Consolidated	**2,228**	2,164	2,332
Attributable	**2,206**	2,141	2,137
Average gold price ($ per ounce)			
Realized	**$ 288**	$ 291	$ 312
Spot	**279**	279	294
Consolidated production costs ($ per ounce)			
Total cash cost	**$ 174**	$ 182	$ 205
Total production cost	**239**	242	264

Revenues from gold, ore and concentrate sales during 2000 are consistent with revenues in 1999. The average realized gold price decline of 1% was offset by a 1% increase in sales volumes. The higher sales volumes in 2000 were attributable to a 3% increase in

consolidated gold production partially offset by an increase in finished bullion inventories. The 14% decrease in consolidated revenues in 1999 from 1998 reflects a 7% decline in the average realized gold price and a 9% reduction in sales volumes. Lower realized prices in 1999 compared to 1998 primarily were due to lower average spot gold prices, which declined by 5%. The Company's hedging activities increased revenues by approximately $21 million, $28 million and $47 million in 2000, 1999 and 1998, respectively.

The 3% increase in consolidated gold production in 2000 reflects 7% higher production in the United States and 5% higher production in Australia, partially offset by a 3% decrease in production in Canada. Higher production from United States operations primarily reflects Homestake's additional 25% ownership interest in the Round Mountain mine in Nevada effective July 1, 2000, partially offset by lower production from the Homestake mine. Higher production in Australia reflects higher production from the Kalgoorlie operations due to the resolution of the mill gear problems that hampered production in the first half of 1999 and higher production from the Yilgarn operations, partially offset by the absence of production from the Peak Hill mine, which ceased operations in November 1999. Lower consolidated production from the Canadian operations reflects the absence of production from the Snip mine, which ceased operations in June 1999. Attributable production from the Canadian operations increased by 6% in 1999 compared to 1998 reflecting Homestake's December 1998 acquisition of the minority interests of Prime Resources Group Inc. ("Prime"), the owner of the Eskay Creek mine.

Consolidated Production Costs per Ounce

(per ounce of gold)	2000	1999	1998
Direct mining costs	**$184**	$198	$210
Deferred stripping adjustments	**—**	(4)	1
Costs of third-party smelters	**18**	16	8
By-product credits	**(34)**	(33)	(18)
Cash Operating Costs	**168**	177	201
Royalties	**5**	4	3
Production taxes	**1**	1	1
Total Cash Costs	**174**	182	205
Depreciation and amortization	**55**	53	53
Reclamation	**10**	7	6
Total Production Costs	**$239**	$242	$264

The 4% reduction in total cash costs per ounce in 2000 compared to 1999 reflects the Company's continuing cost reduction efforts, higher production at the low-cost Eskay Creek mine, a decrease in production at the higher-cost Homestake mine and the benefit of the weaker Australian dollar in relation to the US dollar.

The Company's total noncash cost per ounce was $65 during 2000 compared to $60 and $59 per ounce during 1999 and 1998, respectively. Total noncash costs per ounce increased slightly in 2000 primarily due to increased production at the Eskay Creek mine, which has a higher noncash cost component, depreciation of the owner-mining equipment at the Kalgoorlie operations and increases in reclamation accruals.

Consolidated total cash costs per 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)	2000	1999	1998
Production Costs per Financial Statements	**$438.2**	$450.7	$513.1
Adjustments to production costs:			
Costs of third-party smelters (a)	**38.9**	35.0	18.1
Production costs of consolidated joint ventures	**(4.6)**	(4.5)	(29.4)
Production costs of equity-accounted investments	**2.0**	1.9	1.9
By-product adjustments	**(74.6)**	(71.3)	(38.4)
Reclamation accruals	**(22.5)**	(14.7)	(12.8)
Inventory movements and other	**6.1**	(7.7)	(14.5)
Production Costs for Per Ounce Calculations	**$383.5**	$389.4	$438.0
Gold Production During the Year (in thousands)	**2,206**	2,141	2,137
Total Cash Costs Per Ounce	**$ 174**	$ 182	$ 205

(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.

Management's Discussion and Analysis

Prior to 2000, Homestake reported its gold production and costs per ounce using equivalent ounces (co-product reporting) at the Eskay Creek mine. Under the co-product reporting method, silver production from the Eskay Creek mine was expressed in terms of an equivalent amount of gold. This method was originally selected in 1995, when the mine commenced production, due to the mine's significant silver production (approximately 40%-45% of revenue depending on the relative market prices of gold and silver). It is now a more common practice in the industry to report gold production using by-product reporting, where silver revenue is credited against operating costs in cost per ounce calculations. Either method is acceptable under the Gold Institute Production Cost Standard. Effective July 1, 2000, Homestake adopted the by-product reporting basis for reporting its gold production and production costs per ounce. All periods presented have been restated to conform to by-product reporting.

Australia

Western Australia operations produced 875,700 ounces of gold (Homestake's share) at a total cash cost of $194 per ounce compared to 835,500 ounces at a total cash cost of $219 per ounce during 1999 and 925,700 ounces at a total cash cost of $224 per ounce during 1998.

Homestake's 50% share of production from the Kalgoorlie operations totaled 393,800 ounces at a total cash cost of $189 per ounce during 2000 compared to 360,100 ounces at a total cash cost of $235 per ounce during 1999 and 390,200 ounces at a total cash cost of $229 per ounce during 1998. The increase in production in 2000 reflects higher mill throughput reflecting the resolution of the Fimiston SAG mill gear issues in 1999, partially offset by the build up of in-process concentrate inventories at the Gidji roaster in 2000. 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. The Company received insurance proceeds of $1.1 million and $4.8 million related to the ring gear failure during 2000 and 1999, respectively. The increase in in-process inventories at the Gidji roaster reflects increasingly stringent sulfur dioxide emission constraints coupled with higher sulfur levels in the ore and unfavorable weather conditions during the year which limited operation of the roaster. Lower total cash costs per ounce in 2000 reflect the weaker Australian dollar and the benefit of lower owner mining costs. The Super Pit operations completed the transition from contract to owner mining in the first quarter of 2000. During 1999, total cash costs per ounce increased in comparison to 1998 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 mill gear insurance proceeds.

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 March 2001, but performance of the mine will be monitored to determine whether the operation will continue beyond that date.

Gold production at the Yilgarn operations, which consist of the Plutonic, Lawlers and Darlot mines, was 481,900 ounces at a total cash cost of $199 per ounce in 2000 compared to 453,900 ounces at a total cash cost of $208 per ounce in 1999 and 459,400 ounces at a total cash cost of $218 per ounce in 1998. Production at the Plutonic mine totaled 253,600 ounces at a total cash cost of $196 per ounce in 2000 compared to 236,500 ounces at a total cash cost of $221 per ounce in 1999 and 255,500 ounces at a total cash cost of $226 per ounce in 1998. Higher production in 2000 reflects a higher average grade of ore milled and higher recoveries. Production decreased in 1999 compared to 1998 primarily due to a lower average grade of ore milled. During 2000, 1999 and 1998, the processing of underground ore was supplemented with ore from lower grade open-pit stockpiles and from mining small satellite open-pit deposits near the processing facilities, which enabled the mill to operate at full capacity. During 2000, ore sourced from the underground operations comprised 60% of total production compared to 65% and 41% in 1999 and 1998, respectively. Lower total cash costs in 2000 primarily reflect the weaker Australian dollar.

Production at the Darlot mine continued to increase and total cash costs per ounce continued to decrease in 2000. Darlot mine production in 2000 amounted to 127,100 ounces at a total cash cost of $192 per ounce compared to 113,100 ounces at a total cash cost of $198 per ounce in 1999 and 77,500 ounces at a total cash cost of $250 per ounce in 1998. The increased production in 2000 is due to a higher average grade of ore milled. Increased production in 1999 reflects the commencement of mining in the higher-grade Centenary underground deposit in late 1998 and higher mill recovery rates. Reduced total cash costs in 2000 reflect the weaker Australian dollar partially offset by higher diesel fuel prices and additional backfill costs. Lower total cash costs per ounce in 1999 compared to 1998 reflect the increased production. The Company plans to invest $7.5 million in a new fleet of haul trucks, loaders

and other ancillary underground equipment to convert the Darlot mine to owner mining in the first half of 2001.

Production at the Lawlers mine totaled 101,200 ounces in 2000 compared to 104,300 ounces in 1999 and 126,400 ounces in 1998. The Lawlers mine has been exclusively an underground operation since 1998. Production in 2000 decreased due to lower average grade of ore milled, partially offset by higher mill throughput. Production in 1999 decreased 17% as a result of the completion of open-pit mining in October 1998 and lower average grade of ore milled resulting from difficulties associated with developing high-grade ore sources in the second half of the year. Total cash costs per ounce increased 13% to $213 per ounce in 2000 as the effect of the lower production was only partially offset by the weaker Australian dollar. Total cash costs per ounce increased to $189 per ounce in 1999 compared to $181 per ounce in 1998 as a result of lower production and higher exchange rates.

Canada

Canadian operations produced 638,100 ounces of gold (Homestake's share) at a total cash cost of $108 per ounce during 2000 compared to 656,400 ounces at a total cash cost of $112 per ounce during 1999 and 495,700 ounces at a total cash cost of $147 per ounce during 1998.

Attributable production at the Eskay Creek mine, in British Columbia, consisting of payable gold contained in ore and concentrates sold, increased to 333,200 ounces in 2000 compared to 309,000 ounces and 156,500 ounces in 1999 and 1998, respectively. Total cash costs per ounce, including third-party smelter costs, increased to $30 per ounce in 2000 compared to $15 per ounce in 1999 and $9 per ounce in 1998. The increase in production in 2000 is primarily due to an increase in concentrate shipments, partially offset by a lower average grade of ore mined. The increase in production in 1999 from 1998 primarily is due to Homestake's acquisition of the Prime minority interests. In addition, the higher 1999 production also reflects an increase in ore and concentrate shipment volumes partially offset by a lower average grade of ore mined. Total cash costs per ounce increased in 2000 due to lower silver by-product credits and higher fuel and third-party smelter costs. Lower total cash costs in 1999 compared to 1998 reflect higher by-product credits due to an increase in silver production.

Homestake's share of production in 2000 from the Hemlo mining camp in Ontario, which includes the Williams and David Bell mines and the Quarter Claim royalty interest, amounted to 304,900 ounces at a total cash cost of $193 per ounce compared to 305,100 ounces at a total cash cost of $197 per ounce in 1999 and 286,300 ounces at a total cash cost of $210 per ounce in 1998. David Bell and Williams ore have both been processed through the Williams mill since mid-1999. Lower cash costs in 2000 compared to 1999 were primarily due to lower mining costs reflecting the consolidation of milling facilities. Higher production and lower cash costs from the Hemlo mines in 1999 compared to 1998 were primarily due to higher ore grades and increased mill throughput.

United States

United States operations produced 669,400 ounces of gold (Homestake's share) at a total cash cost of $209 per ounce during 2000 compared to 624,200 ounces at a total cash cost of $207 per ounce during 1999 and 691,500 ounces at a total cash cost of $221 per ounce during 1998.

Effective July 1, 2000, Homestake increased its ownership interest in the Round Mountain mine in Nevada from 25% to 50%. Homestake's share of 2000 gold production from the Round Mountain mine was 243,700 ounces at a total cash cost of $206 per ounce, compared to 135,500 ounces at a total cash cost of $198 per ounce in 1999 and 127,600 ounces at a total cash cost of $220 per ounce in 1998. The increased production in 2000 primarily is due to the increase in Homestake's ownership interest and higher dedicated leach pad production. Higher total cash costs in 2000 reflect the processing of higher cost mill inventory, which had accumulated in the prior year. The increased 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.

At the Ruby Hill mine in Nevada, gold production increased to 125,200 ounces at a total cash cost of $106 per ounce in 2000 compared to 123,800 ounces at a total cash cost of $104 per ounce in 1999 and 116,500 ounces at a total cash cost of $122 per ounce in 1998. Higher production in 2000 primarily reflects higher tons processed.

At the McLaughlin mine in northern California, production decreased to 107,800 ounces at a total cash cost of $235 per ounce in 2000 compared to 121,500 ounces at a total cash cost of $223 per ounce in 1999 and 128,700 ounces at a total cash cost of $219 per ounce during 1998. 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 2000 compared to 1999, and in 1999 compared to 1998 is due to the

Management's Discussion and Analysis

processing of lower grade ore as the higher-grade stockpiles were depleted in the third quarter of 1999. Production and total cash costs in 2001 are expected to be similar to 2000. At currently anticipated production rates, the stockpiles are expected to be depleted in 2002.

At the Homestake mine in South Dakota, production in 2000 decreased to 170,900 ounces at a total cash cost of $268 per ounce from 212,700 ounces at a total cash cost of $261 per ounce in 1999 and 277,400 ounces at a total cash cost of $249 per ounce in 1998. The lower production and higher total cash costs during 2000 reflect the completion of the processing of the lower-cost Open Cut ore stockpile 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 higher total cash costs during 1999 compared to 1998 reflect lower Open Cut ore production. In the first eight months of 2000, underground ore grades were lower and development costs were higher than planned due to the discontinuous nature of the remaining ore lodes. As a result of these conditions and the continued weakness in the price of gold, a decision was made to implement a phased closure at the Homestake mine. The new "mine-out" plan contemplates extraction of remaining developed ore through December 2001. The Homestake mine is expected to produce approximately 172,000 ounces in 2001 from the underground operations.

At the Marigold mine, the Company's 33% share of production in 2000 decreased to 21,800 ounces at a total cash cost of $247 per ounce compared to 24,700 ounces at a total cash cost of $207 per ounce in 1999 and 24,000 ounces at a total cash cost of $235 per ounce in 1998. Lower production and higher costs in 2000 compared to 1999 reflect additional waste stripping. In 2001, production is expected to increase slightly and cash costs to decline significantly compared to 2000.

South America

Homestake's share of production at its 51%-owned Agua de la Falda mine amounted to 22,900 ounces of gold at an average total cash cost of $207 per ounce in 2000 compared to 24,400 ounces at a total cash cost of $189 per ounce in 1999 and 24,100 ounces at a total cash cost of $198 per ounce in 1998. Production decreased in 2000 primarily due to lower grade ore, and cash cost per ounce increased primarily due to lower production and higher processing costs.

Other income (loss) of $(19) million in 2000 compares to $42 million in 1999 and $(23.6) million in 1998. Other income (loss) for the years ended December 31, 2000, 1999, and 1998 includes income (losses) of $(16.6) million, $15.8 million, and $(34.3) million, respectively, related to the Company's Foreign Currency Protection Program (see "Foreign Currency, Gold and Other Commitments"). Other income for the years ended December 31, 2000, 1999, and 1998 also includes foreign currency exchange gains (losses) of $(18.2) million, $10.9 million, and $(4.4) million, respectively, related to intercompany advances. The intercompany advances were established between the US parent company and its Australian and Canadian subsidiaries to finance corporate acquisitions and capital development projects.

Foreign currency gains and losses recorded under the Foreign Currency Protection Program and with respect to the intercompany advances are due to movements in the Australian and Canadian currencies in relation to the United States dollar. Generally, a strengthening of either of the Australian and Canadian currencies results in foreign currency exchange gains, whereas a weakening of either of these currencies results in foreign exchange losses. The average annual Australian/United States exchange rate during 2000, 1999 and 1998 was 0.582, 0.640 and 0.630, and the December 31, 2000, 1999 and 1998 closing rate was 0.559, 0.654 and 0.611, respectively. The average annual Canadian/United States exchange rate during 2000, 1999 and 1998 was 0.673, 0.679 and 0.675, and the December 31, 2000, 1999 and 1998 closing rate was 0.667, 0.693 and 0.653, respectively.

Other income in 2000, 1999 and 1998 also includes gains on investments and asset disposals of $8.3 million, $4.2 million and $8.9 million, respectively. Gains on investments and asset disposals primarily relate to the purchase and sale of securities in the Grantor Trust established to fund nonqualified retirement benefits and deferred compensation plans, and the disposal of redundant equipment and mining properties.

Depreciation, depletion and amortization increased to $144.5 million during 2000 from $134.5 million during 1999 and $139.4 million during 1998. The higher depreciation expense in 2000 primarily is due to increased production at the Eskay Creek mine, which has a relatively high noncash charge per ounce, additional depreciation of $3.3 million associated with the new owner-mining fleet at the Kalgoorlie operations and the impact of the 3% increase in gold production. Depreciation expense decreased in 1999 primarily as a result of the asset write-downs in 1999 and 1998.

Administrative and general expense declined to $37.9 million during 2000 from $42 million during 1999 and $46.8 million during 1998. Reduced administrative and general expenses in 2000 are the result of continuing cost reduction efforts and benefits from the Company's over-funded pension plans.

Exploration expense decreased to $37.5 million in 2000 compared to $39.5 million in 1999 and $59.9 million in 1998. 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 a refocus of exploration efforts following the acquisitions of Plutonic in 1998 and Argentina Gold in 1999. Homestake is concentrating exploration activities on existing major projects and on the extensive land packages in prime gold belts associated with its recent acquisitions. The Company currently plans to spend approximately $22 million on exploration activities during 2001, primarily around existing operations and on advanced exploration projects that have the greatest prospect of creating commercially viable mines.

Write-downs and other unusual charges during 2000, 1999 and 1998 were $74.5 million, $20.4 million and $213.8 million, respectively.

On September 11, 2000, the Company announced a phased closure of the Homestake mine in South Dakota that contemplates completion of operations by December 2001. In connection with the planned closure, the Company recorded a $23 million provision for employee termination benefits and other exit costs. Reclamation and remediation activities will continue for a number of years. The Company expects to spend approximately $65.1 million on final reclamation and remediation of the Homestake mine, of which $50.2 million had been accrued at December 31, 2000.

In January 1998, the Company commenced a restructuring of underground operations at the Homestake mine and recorded severance and other costs of $8.9 million.

During 2000, the Company recorded an $18.2 million write-down of property, plant and equipment at the Homestake mine, in connection with the closure discussed above, a $6.4 million write-down of certain redundant equipment and a $7.4 million write-off of certain properties acquired as part of the 1998 Plutonic acquisition. The $6.4 million charge relating to redundant assets includes $1.3 million at Eskay Creek mine related to modifications to the mill and backfill processes, $4.6 million at the Plutonic mine to write-off the remaining carrying value of the now redundant diesel power station, and other asset write-downs of $521,000. Since 1997, the Plutonic mine has generated 70-80% of its power requirements from an on-site gas-fired power plant and 20-30% from the operation's original diesel power station. As a result of increasing diesel fuel prices, power generated by the diesel station costs approximately three times that of power generated by the gas plant. Recent focus on improving gas plant performance resulted in an increase in utilization of the gas plant to 100%, rendering the diesel plant redundant.

In 1999, the Company recorded charges of $10 million to write-off a property acquired as part of the Plutonic acquisition and $1.7 million to write-down certain redundant equipment at the Kalgoorlie operations. In 1998, the Company recorded a $76.1 million write-down of property, plant and equipment at the Homestake mine, $34.5 million write-down of property and $3.9 million of severance and other charges at the Mt Charlotte mine. Also in 1998, the Company wrote down $37.1 million related to mineral properties acquired as part of the Plutonic and Argentina Gold acquisitions.

During 2000, following a review of its reclamation liabilities, the Company recorded a charge of $16.2 million to increase reclamation accruals for certain non-operating properties. These charges include $10 million for the former uranium mill site near Grants, New Mexico, $2.4 million related to Whitewood Creek in South Dakota, $2.0 million for the Cullaton Lake mine in Nunavut, Canada, $1.5 million for the Bulldog mine in Colorado, and $270,000 for other non-operating properties. Increased cost estimates for future reclamation reflect changes in the scope and expected cost of the required reclamation and closure activities identified during 2000.

During 1999, the Company recorded unusual charges of $5.2 million to increase the estimated reclamation liability for certain non-operating properties in Australia following an environmental audit of those properties. In 1998, following an environmental audit at the Homestake mine and a change in that operation's mining plan, the Company recorded a provision for estimated additional remediation and related reclamation of $35 million.

Write-downs and unusual charges for 1999 include a $3.5 million write-down to the carrying value of the Company's investment in an exploration joint venture in Eastern Europe following a decision to exit the venture.

During 1998, the Company recorded write-downs and unusual charges of $8.2 million to decrease the carrying values of certain marketable securities and other investments that it deemed to be other than temporary.

Management's Discussion and Analysis

Income taxes: During 2000, Homestake recorded tax expense of $4.4 million, compared to tax expense of $8.0 million in 1999 and a tax benefit of $11.8 million in 1998. Homestake's effective income tax rate was negative 5.0% during 2000 compared to 50.5% and 4.9% in 1999 and 1998, respectively. The geographic mix of pretax income and losses dramatically impacts the Company's overall effective tax rate. During 2000, the Company had pretax losses of $21.4 million in the United States, $22.2 million in Canada, $28.9 million in Australia and $15.2 million in South America. Homestake recorded tax expense of $9.4 million in the United States and $524,000 in Canada and a tax benefit of $5.5 million in Australia. In 2000, no tax benefit was recognized on losses incurred in South American jurisdictions due to the uncertainty of their realization.

The losses from discontinued sulfur operations in 2000, 1999 and 1998 of $15.3 million, $4.4 million and $3.9 million, respectively, are net of the related tax benefits of $141,000, $597,000 and $1.3 million.

The statutory tax rate in the United States is 35%. However, the Company expects to be subject to the 20% Alternative Minimum Tax, which can be reduced by 90% through the use of foreign tax credits. The Company's effective United States tax rate was negative 43.7% in 2000 reflecting foreign withholding taxes on intercompany interest income and changes in prior year accruals. The Canadian statutory tax rate, including federal and provincial income taxes, is approximately 48.3%. The Company's effective Canadian tax rate in 2000 was negative 2.4%, primarily due to depreciation expense recorded in the financial statements that is not deductible for tax purposes, partially offset by the deferred tax benefit from reduced Ontario income tax rates which were enacted during the year. In December 1999, the Australian government reduced corporate tax rates to 34% for the fiscal year beginning July 1, 2000 (calendar year 2000 for Homestake) and to 30% thereafter. The Company's effective Australian tax rate was 18.9%, reflecting expenses recorded in the financial statements that are not deductible for tax purposes.

At December 31, 2000, 1999 and 1998 the Company had valuation allowances related to its deferred tax assets of $256.7 million, $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 $3.1 million in 2000 compared to $1.4 million in 1999 and income allocable to minority interests of $3.2 million in 1998. The increases in losses allocable to minority interests in 2000 compared to 1999 primarily reflects the minority interest's share of write-downs to certain assets of Lachlan Resources NL, an 81.2% owned subsidiary of Homestake. The reduction in income allocable to minority interests in 1999 from 1998 is due to the December 1998 acquisition of the Prime minority interests. Minority interests' share of net assets increased during 1999 as a result of additional assets contributed to the Agua de la Falda joint venture ("Agua") by Agua's 49% shareholder, Codelco, partially offset by the allocation of losses to minority interests, resulting primarily from exploration and prefeasibility expenditures in excess of the joint venture operating earnings.

LIQUIDITY AND CAPITAL RESOURCES

Cash and short-term investments totaled $199.7 million at the end of 2000 compared with $266.6 million at the end of 1999, a decrease of $66.9 million. Net cash provided by continuing operations in 2000 amounted to $132.2 million compared to $122.1 million and $114 million in 1999 and 1998, respectively. The increase in cash provided by continuing operations in 2000 reflects improved operating performance and changes in working capital, partially offset by lower gold prices. The increase in cash provided by continuing 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.

Net cash used by discontinued operations amounted to $5.7 million in 2000 compared to net cash used by discontinued operations of $4.7 million in 1999 and net cash provided by discontinued operations of $1.0 million in 1998.

Total debt outstanding, including capital lease obligations, was $227.4 million at December 31, 2000 compared to $315.7 million at December 31, 1999.

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, gold, or a combination of these. At December 31, 2000, borrowings outstanding under the Credit Facility consisted of Canadian dollar-denominated borrowings of $148.9 million (C$223.4 million). The Company

pays a commitment fee on the unused portion of the Credit Facility ranging from 0.15% to 0.35% per annum, depending upon rating agencies' ranking 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, 2000 and 1999, this rate was 6.95% and 6.17%, respectively.

The Company has entered into capital leases to finance its portion of mining equipment purchases at the Kalgoorlie operations. Leased assets of $21.5 million are included in property, plant and equipment at December 31, 2000.

Long-term debt repayments, net of borrowings, amounted to $87.9 million in 2000, compared to $74.5 million in 1999 and $8.1 million in 1998. Net debt repayments in 2000 include the redemption of the remaining outstanding $135 million of the 5.5% convertible subordinated notes ("Convertible Notes") which matured on June 23, 2000. The repayment of the Convertible Notes was financed from existing cash balances and Canadian dollar-denominated borrowings of $99.2 million (C$149.5 million) drawn under the Credit Facility. In addition, during November 2000, the Company repaid $50 million of Canadian denominated borrowings under the credit facility from existing cash balances. During 2000 and 1999, the Company also received $6.7 million and $23 million, respectively, of capital lease proceeds related to additional owner-mining equipment at Kalgoorlie. In 1999, the Company repaid $149.6 million of Australian dollar-denominated borrowings under the Credit Facility and $10 million of South Dakota pollution control bonds and repurchased $15 million of Convertible Notes. The 1999 debt repayments were made from existing cash and short-term investment balances and by Canadian dollar-denominated borrowings of $99.8 million ($150 million) under the Credit Facility.

Effective July 1, 2000, Homestake acquired Case Pomeroy & Company, Inc's ("Case") 25% interest in the Round Mountain mine for $42.6 million. The transaction was effected by Homestake purchasing 100% of the shares of Bargold Corporation, a wholly-owned subsidiary of Case. Purchase consideration consisted of 2.6 million newly issued Homestake common shares and $25.9 million in cash. The transaction was accounted for as a purchase with the purchase price allocated $3.4 million for net working capital and $44.7 million for property, plant and equipment, less $5.5 million for reclamation obligations assumed.

In December 1998, Homestake purchased, for common stock, the 49.4% interest in Prime it did not already own. The total acquisition cost was $321.8 million (including $4 million of capitalized direct acquisition costs). The excess of the purchase price paid over the 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 Eskay Creek exploration properties.

Capital expenditures of $82.9 million in 2000 include $33.9 million at the Yilgarn operations primarily for underground development work, development drilling and camp upgrades, $14.8 million at the Kalgoorlie operations primarily for a flotation circuit upgrade and to acquire additional equipment for owner mining, $13.4 million for Veladero project development costs and $5.6 million at the Eskay Creek mine for a new tailings pipeline and other capital improvements. The remaining expenditures primarily were for sustaining capital to maintain existing production capacity.

In addition to sustaining capital, planned capital expenditures of approximately $100 million during 2001 include approximately $20 million for Veladero project development, $26.2 million at the Yilgarn operations to convert the Darlot mine to owner-mining and for underground development, $17.5 million at the Round Mountain mine primarily to replace the mining equipment fleet, $11.3 million at the Kalgoorlie operations primarily for mining equipment, Gidji roaster upgrades and infrastructure relocation, $9.9 million at the Eskay Creek mine for ramp development and facilities upgrades, and $8.5 million at the Hemlo operations primarily for mobile mining equipment and construction of a paste-fill plant.

During the fourth quarter 2000, Homestake paid a dividend of $0.025 per share.

The Company paid cash income taxes, net of refunds, of $18.3 million in 2000, 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.

Management's Discussion and Analysis

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 2000, 1999 and 1998 the Company delivered or financially settled 315,100, 449,980 and 1,258,000 ounces of gold at average prices of $328, $327 and $335 per ounce, respectively, under maturing forward sales and option contracts. During 2000, the Company closed out and financially settled its remaining US dollar denominated silver forward sales contracts covering 3.6 million ounces maturing in 2000 and 2001 and Australian dollar denominated option contracts covering 884,000 ounces of gold expiring in years 2001 through 2004. The pretax gains of $4.2 million resulting from these transactions have been deferred and are being recorded in income as the originally designated production is sold. In 1999, the Company also delivered or financially settled option contracts for 3.1 million 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, 2000 was approximately $43.3 million. At December 31, 2000, Homestake's gold hedging program covered approximately 8% 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. In July 2000, the Company discontinued its foreign currency protection program. At December 31, 2000 the Company had recorded net unrealized losses of $4.3 million on the remaining open contracts under this program. Option contracts outstanding at December 31, 2000 are expected to remain in place until maturity.

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 was amended in June 2000 with the issuance of SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133, which the company adopted effective January 1, 2001, requires that derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the fair value of derivatives in each period are to be accounted for either in current earnings or other comprehensive income depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in the fair value or cash flows of the hedging instruments and the hedged items.

Foreign currency derivatives are currently marked-to-market with the change in fair value included in earnings. In July 2000, the Company discontinued its foreign currency protection program. Contracts outstanding at December 31, 2000 are expected to remain in place until maturity. Gains and losses resulting from changes in the fair value of these contracts will continue to be recorded in earnings each period after adoption of SFAS 133. At December 31, 2000, the Company's gold hedging contracts, used to reduce exposure to precious metal prices, consisted entirely of forward sales contracts. The Company intends to physically deliver metals in accordance with the terms of these forward sales contracts. Under SFAS 133, as amended by SFAS 138, the Company expects these forward sales contracts will qualify for the normal purchases and sales exemption. Accordingly, adoption of SFAS 133 at December 31, 2000 would have had no impact to the financial statements.

See notes 2 and 19 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 affected by 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

Cautionary Statement

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 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 are continually changing in all regions in which Homestake operates. It is not possible to determine the impact of future changes in environmental laws and regulations on Homestake's 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 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, variations in ore mined from estimated grade and metallurgical characteristics, unexpected ground conditions, mining dilution, labor actions, government restrictions, and general economic conditions. Total 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 cost 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 re-evaluation. 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, 2000	1999	1998
Revenues and Other Income			
Gold and ore sales	**$ 665,668**	$ 671,572	$ 782,159
Interest income	**20,106**	16,344	19,426
Other income (loss) (note 4)	**(18,985)**	41,956	(23,647)
	666,789	729,872	777,938
Costs and Expenses			
Production costs	**438,241**	450,660	513,094
Depreciation, depletion and amortization	**144,459**	134,478	139,371
Administrative and general expense	**37,922**	42,011	46,800
Exploration expense	**37,495**	39,511	59,865
Interest expense	**19,511**	17,827	20,884
Business combination and integration costs (note 3)	**—**	4,764	19,351
Write-downs and other unusual charges (note 5)	**74,563**	20,415	213,813
Other expense	**2,396**	4,396	3,231
	754,587	714,062	1,016,409
Income (Loss) Before Taxes and Minority Interests	**(87,798)**	15,810	(238,471)
Income Taxes (note 7)	**(4,418)**	(7,985)	11,785
Minority Interests	**3,125**	1,395	(3,185)
Income (Loss) from Continuing Operations	**(89,091)**	9,220	(229,871)
Loss from Discontinued Operations	**(15,346)**	(4,356)	(3,909)
Net Income (Loss)	**$ (104,437)**	$ 4,864	$ (233,780)
Per Share Amounts - Basic and Diluted:			
Income (loss) from continuing operations	**$ (0.34)**	$ 0.04	$ (0.99)
Loss from discontinued operations	**(0.06)**	(0.02)	(0.02)
Net Income (Loss) Per Share	**$ (0.40)**	$ 0.02	$ (1.01)
Average Shares Used in the Computation	**261,692**	259,964	231,747

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

Consolidated Balance Sheets

(In thousands, except per share amount)	December 31, 2000	1999
ASSETS		
Current Assets		
Cash and equivalents	$ 193,422	$ 130,273
Short-term investments	6,237	136,362
Receivables (note 8)	38,848	44,988
Inventories (note 9)	87,762	63,337
Deferred income taxes (note 7)	4,021	14,663
Other	1,915	7,479
Total current assets	332,205	397,102
Property, Plant and Equipment - net (note 10)	987,812	1,132,846
Investments and Other Assets (note 11)	99,358	104,521
Total Assets	$1,419,375	$1,634,469
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 37,779	$ 34,873
Accrued liabilities (note 12)	91,080	64,460
Current portion of deferred gain on close-out of forward sales contracts (note 19)	12,869	—
Income and other taxes payable	9,050	3,469
Current portion of long-term debt (note 13)	2,822	37,206
Total current liabilities	153,600	140,008
Long-term Liabilities		
Long-term debt (note 13)	224,616	278,494
Other long-term obligations (note 14)	217,786	184,893
Total long-term liabilities	442,402	463,387
Deferred Gain on Close-out of Forward Sales Contracts (note 19)	22,223	34,956
Deferred Income Taxes (note 7)	181,961	216,958
Minority Interests in Consolidated Subsidiaries	10,375	13,800
Shareholders' Equity (note 17)		
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: 2000 - 3,375; 1999 - 6,657		
— Common: 2000 - 259,846; 1999 - 253,808	259,846	253,808
Additional paid-in capital	937,463	923,091
Deficit	(493,286)	(382,271)
Accumulated other comprehensive loss	(95,209)	(29,268)
Total shareholders' equity	608,814	765,360
Total Liabilities and Shareholders' Equity	$1,419,375	$1,634,469

Commitments and Contingencies - see note 19
The accompanying notes are an integral part of these financial statements.

Statements of Consolidated Shareholders' Equity

	For the Years Ended December 31, 2000, 1999 and 1998,					
				Accumulated Other Comprehensive Income (Loss)		
(In thousands)	Common Stock	Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Translation Adjustments	Unrealized Securities Gains (losses)	Total
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
Comprehensive income:						
Net loss			(104,437)			(104,437)
Other comprehensive loss				(58,963)	(6,978)	(65,941)
Dividends paid			(6,578)			(6,578)
Stock issued to employees and directors	265	2,272				2,537
Stock issued in exchange for HCI exchangeable shares	3,282	(3,282)				—
Shares issued on purchase of 25% interest in Round Mountain (note 3)	2,600	14,137				16,737
Other	(109)	1,245				1,136
Balances, December 31, 2000	**$259,846**	**$937,463**	**$(493,286)**	**$(96,587)**	**$ 1,378**	**$ 608,814**

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

Statements of Consolidated Cash Flows

(In thousands)	For the Year Ended December 31, 2000	1999	1998
Operating Activities			
Income (loss) from continuing operations	$ (89,091)	$ 9,220	$ (229,871)
Reconciliation to net cash provided by operations:			
Depreciation, depletion and amortization	144,459	134,478	139,371
Deferred gains on close-out of forward sales contracts	4,184	34,956	—
Write-downs and other unusual charges (note 5)	74,563	20,415	204,934
Unrealized foreign currency exchange (gains) losses on intercompany debt (note 4)	16,236	(9,975)	5,671
Gains on investment sales and asset disposals	(8,275)	(4,155)	(8,910)
Deferred income taxes (note 7)	(15,881)	(17,227)	(38,134)
Minority interests	(3,125)	(1,395)	3,185
Reclamation - net	9,254	(2,755)	1,404
Other items - net	(6,910)	94	(8,475)
Effect of changes in operating working capital items:			
Receivables	627	2,987	(8,566)
Inventories	(31,684)	13,909	40,596
Accounts payable	5,058	(9,285)	(15,081)
Accrued liabilities and taxes payable	27,113	(34,806)	26,417
Other	5,692	(14,395)	1,467
Net cash provided by continuing operations	132,220	122,066	114,008
Net cash provided by (used in) discontinued operations	(5,693)	(4,727)	1,046
Net cash provided by operating activities	126,527	117,339	115,054
Investment Activities			
Decrease (increase) in short-term investments	130,125	19,069	(19,307)
Additions to property, plant and equipment	(82,891)	(104,927)	(73,323)
Proceeds from sale-leaseback of equipment (note 19)	6,713	23,044	—
Acquisition of 25% interest in the Round Mountain mine	(25,930)	—	—
Proceeds from asset sales	7,783	6,309	15,606
Decrease in restricted cash	1,789	11,772	2,429
Investments in mining companies	(873)	—	11,088
Other	—	—	(135)
Net cash provided by (used in) investment activities	36,716	(44,733)	(63,642)
Financing Activities			
Borrowings	99,172	99,791	97,697
Debt repayments	(187,096)	(174,287)	(105,747)
Dividends paid	(6,578)	(18,487)	(22,494)
Common shares issued	—	6,707	3,399
Other	—	—	1,795
Net cash used in financing activities	(94,502)	(86,276)	(25,350)
Effect of Exchange Rate Changes on Cash and Equivalents	(5,592)	(3,576)	(7,433)
Net Increase (Decrease) in Cash and Equivalents	63,149	(17,246)	18,629
Cash and Equivalents, January 1	130,273	147,519	128,890
Cash and Equivalents, December 31	$ 193,422	$ 130,273	$ 147,519

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, 2000	1999	1998
Net Income (Loss)	**$ (104,437)**	$ 4,864	$ (233,780)
Other Comprehensive Income (Loss)			
Changes in unrealized gains (losses) on securities:			
Unrealized holding losses arising during period	**299**	4,012	1,213
Less: Reclassification adjustments for gains (losses) included in net income (loss)	**7,029**	1,033	(1,620)
	(6,730)	2,979	2,833
Income taxes	**(248)**	(387)	1,104
	(6,978)	2,592	3,937
Foreign currency translation adjustments (before and after tax)	**(58,963)**	28,595	(32,524)
Other Comprehensive Income (Loss)	**(65,941)**	31,187	(28,587)
Comprehensive Income (Loss)	**$ (170,378)**	$ 36,051	$ (262,367)

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 mining properties (the Round Mountain and Marigold mines in Nevada; the Kalgoorlie operations in Western Australia; the Hemlo operations in Canada; and the Veladero project in Argentina) 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 principals 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 are stated at cost and consist of highly-liquid United States and foreign government and corporate 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 investments with original maturities in excess of three months and current maturities of less than twelve months from the balance sheet date. 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 identification of proven and probable reserves, development costs incurred to place new mines into production and to complete major development projects at operating mines are capitalized. Costs of start-up activities and 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 expected future 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 2000, 1999 and 1998, the Company estimated future net cash flows from its gold operations using long-term gold prices of $300, $325 and $325 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 which may affect the recoverability of the Company's investments in mineral properties and other assets.

Notes to Consolidated Financial Statements

Undeveloped properties upon which the Company has not performed sufficient exploration work to determine whether significant mineralization exists are carried at original acquisition cost. If it is determined that significant mineralization does not exist, an impairment loss is measured and recorded based on the fair value of the property 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 in production costs 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. 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. Remediation liabilities, including estimated governmental oversight costs, are expensed upon determination that a liability has been incurred and where reasonable estimate of the cost (undiscounted) can be determined.

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 recognized in determining net income.

Gold and ore sales are recognized when delivery has occurred, title passes and pricing is either fixed or determinable. All gold and ore sales are made in accordance with standard sales contracts that the Company enters into with smelters and major financial institutions.

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 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. These options do not qualify for deferral accounting and 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 No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities." SFAS 133 was amended in June 2000 with the issuance of SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities." SFAS 133, which the company will adopt effective January 1, 2001, requires that derivatives be recognized as assets or liabilities and be measured at fair value. Gains or losses resulting from changes in the fair value of derivatives in each period are to be accounted for either in current earnings or other comprehensive income depending on the use of the derivatives and whether they qualify for hedge accounting. The key criterion for hedge accounting is that the hedging relationship must be highly effective in achieving offsetting changes in the fair value or cash flows of the hedging instruments and the hedged items.

Foreign currency derivatives are currently marked-to-market with the change in fair value included in earnings. In July 2000, the Company discontinued its foreign currency protection program. Contracts outstanding at December 31, 2000 are expected to remain in place until maturity. Gains and losses resulting from changes in the fair value of these contracts will continue to be recorded in earnings each period after adoption of SFAS 133. At December 31, 2000, the Company's hedging contracts, used to reduce exposure to precious metal prices, consisted entirely of forward sales contracts. The Company intends to physically deliver metals in accordance with the terms of these forward sales contracts. Under SFAS 133, as amended by SFAS 138, the Company expects

these forward sales contracts will qualify for the normal purchases and sales exemption. Accordingly, adoption of SFAS 133 at December 31, 2000 would have had no impact to the financial statements.

SFAS 133 requires that gains or losses resulting from the close out of a derivative contract designated as a cash flow hedge before its maturity date be deferred in other comprehensive income, until the sale of the originally hedged production. At December 31, 2000, the Company had deferred gains of $35.1 million and $35 million related to the close out of gold forward sales contracts during 2000 and 1999, respectively, in the Consolidated Balance Sheets. Had the Company adopted SFAS 133 at December 31, 2000, these amounts would have been included in accumulated other comprehensive income.

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 income taxes represent Canadian provincial taxes levied on defined profits from mining operations. Foreign withholding taxes represent Canadian and Australian withholding taxes on intercompany interest.

Foreign currency: Assets and liabilities of foreign subsidiaries are translated at exchange rates in effect at the end of each period. Revenues and expenses of foreign subsidiaries 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. The cost of such benefits are accrued and expensed over the period in which active employees become eligible for the benefits. 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 (see note 17). Options to purchase common shares are not included in the diluted loss per share calculations as their effect is anti-dilutive, therefore the Company's basic and diluted net income or loss per share are the same. Options to purchase common shares in 2000, 1999 and 1998 were 7.2 million, 5.7 million and 4.9 million, respectively (see note 15).

Preparation of financial statements: Certain 1999 and 1998 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

Round Mountain Mine: Effective July 1, 2000, Homestake acquired Case Pomeroy & Company Inc.'s ("Case") 25% interest in the Round Mountain mine for $42.6 million, increasing Homestake's ownership in the mine from 25% to 50%. The transaction was effected by Homestake purchasing 100% of the shares of Bargold Corporation, a wholly-owned subsidiary of Case. Purchase consideration consisted of 2.6 million newly issued Homestake common shares and $25.9 million in cash. The transaction was accounted for as a purchase with the purchase price allocated $3.4 million for net working capital and $44.7 million for property, plant and equipment, less $5.5 million for reclamation obligations.

Agua de la Falda: In October 1999, the Company and Corporacion Nacional del Cobre Chile ("Codelco") contributed additional capital of $14.9 million in 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.: In April 1999, Homestake issued 20.9 million common shares to acquire Argentina Gold Corp. ("Argentina Gold"), a publicly-traded Canadian gold exploration company whose principal asset is its 60% interest in the Veladero property in

Notes to Consolidated Financial Statements

northern Argentina. The business combination was accounted for as a pooling of interests and accordingly, Homestake's consolidated financial statements include Argentina Gold for all periods presented. In 1999, the Company recorded business combination expenses of $4.8 million related to this transaction.

Prime Resource Group Inc.: In December 1998, Homestake acquired the 49.4% of Prime Resources Group Inc. ("Prime") it did not already own for $317.8 million. Purchase consideration consisted of 16.7 million newly issued Homestake common shares and 11.1 million HCI exchangeable shares (see note 17). The acquisition of the Prime minority interests was accounted for as a purchase.

Plutonic Resources Limited: In April 1998, Homestake issued 64.4 million common shares to acquire Plutonic Resources Limited ("Plutonic"), a publicly-traded Australian gold producer. 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 transaction.

NOTE 4: OTHER INCOME (LOSS)

	2000	1999	1998
Foreign currency contract gains (losses) (note 19)	**$(16,621)**	$15,814	$(34,332)
Foreign currency exchange gains (losses) on intercompany advances and other	**(18,181)**	10,913	(4,400)
Oil sales	**2,831**	1,145	1,098
Gains on investments and asset disposals	**8,275**	4,155	8,910
Royalty income	**2,753**	2,213	2,398
Other	**1,958**	7,716	2,679
	$(18,985)	$41,956	$(23,647)

NOTE 5: WRITE-DOWNS AND OTHER UNUSUAL CHARGES

	2000	1999	1998
Homestake mine restructuring charges[a]	**$22,987**	$ —	$ 8,879
Reduction in the carrying values of resource assets[b]	**32,027**	11,730	151,581
Increase in the estimated accrual for remediation and reclamation expenditures[c]	**16,166**	5,185	36,000
Write-downs of noncurrent investments[d]	**—**	3,500	8,213
Other	**3,383**	—	9,140
	$74,563	$20,415	$213,813

(a) On September 11, 2000, the Company announced a restructuring of the operations at the Homestake mine in South Dakota. The mine is expected to complete operations by December 2001. In connection with the restructuring, the Company recorded a $23 million provision for employee termination benefits and other exit costs. The workforce will be reduced, from the then current level of 366 employees, to approximately 40 by no later than December 2001. The classifications of the employees at the Homestake mine being terminated include mining engineers, geologists, administrative employees and mine workers. Pension and other postretirement curtailment and settlement gains will be recognized as employees are terminated and the obligations settled. The key elements of the mine-out plan consist of abandonment of efforts to redevelop the mine above the 4850 level and completion of all production activities. Homestake mine reclamation activities will continue for a number of years. The Company expects to spend approximately $65.1 million for reclamation, of which $50.2 million was accrued at December 31, 2000. The remaining $14.9 million will be accrued and expensed on a units of production basis over the remaining life of the operations.

In January 1998, the Company commenced a restructuring of underground operations at the Homestake mine including a significant workforce reduction. 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.

(b) During 2000, the Company recorded an $18.2 million write-down of property, plant and equipment at the Homestake mine in connection with the restructuring discussed above, a $6.4 million

write-down of certain redundant equipment primarily at the Plutonic mine in Western Australia, and a $7.4 million write-off of certain properties acquired as part of the 1998 Plutonic acquisition.

In 1999, the Company recorded charges of $10 million to write-off a property acquired as part of the Plutonic acquisition and $1.7 million to write-down certain redundant equipment at the Kalgoorlie operations.

In 1998, the Company recorded a $76.1 million write-down of property, plant and equipment at the Homestake mine 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 acquired as part of the Plutonic and Argentina Gold acquisitions, respectively.

(c) During 2000, following a review of its reclamation liabilities, the Company recorded a charge of $16.2 million to increase reclamation accruals for certain non-operating properties. These charges include $10 million for the former uranium millsite near Grants, New Mexico, $2.4 million related to Whitewood Creek in South Dakota, $2 million for the Cullaton Lake mine in Nunavut, Canada, $1.5 million for the Bulldog mine in Colorado, and $270,000 for other non-operating properties. These increased cost estimates reflect changes in the scope of the required reclamation and closure activities identified in 2000.

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

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.

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

NOTE 6: DISCONTINUED OPERATIONS

The Company has a 16.7% undivided joint-venture interest in the Main Pass 299 sulfur mine in the Gulf of Mexico. In July 2000, in response to continued low sulfur prices and increased operating costs, Freeport-McMoRan Sulphur LLC, the operator and 83.3% owner of the Main Pass sulfur mine, announced a phased closure of sulfur operations. Sulfur production ceased in August 2000. The Company's joint venture interest was reflected as a discontinued operation effective June 30, 2000. The Company wrote-off the carrying value of sulfur property, plant and equipment in 1997. Results for the year ended December 31, 2000 include provisions of $3.5 million for estimated operating losses during the closure period and an additional $8.5 million for estimated remaining reclamation and remediation costs.

Summarized results of the discontinued sulfur operations are as follows:

	2000	1999	1998
Revenues	**$ 5,367**	$14,797	$16,974
Loss before income taxes	**$ (3,487)**	$ (4,953)	$ (5,211)
Income tax benefit	**141**	597	1,302
Loss from operations	**(3,346)**	(4,356)	(3,909)
Loss on shutdown (no tax effect)	**(12,000)**	—	—
Loss from discontinued operations	**$(15,346)**	$ (4,356)	$ (3,909)

Notes to Consolidated Financial Statements

NOTE 7: INCOME TAXES

The provision for income taxes from continuing operations consists of the following:

	2000	1999	1998
Current			
Income taxes			
United States	**$ (3,320)**	$ 3,400	$(11,332)
Canada	**5,864**	6,275	22,576
Foreign withholding taxes	**4,117**	2,848	421
Mining income taxes - Canada	**13,638**	12,689	14,684
Total current taxes	**20,299**	25,212	26,349
Deferred			
Income taxes			
United States	**8,663**	(982)	12,213
Canada	**(11,770)**	(3,453)	(19,286)
Australia	**(5,503)**	(7,297)	(28,947)
Mining income taxes - Canada	**(7,271)**	(5,495)	(2,114)
Total deferred taxes	**(15,881)**	(17,227)	(38,134)
Total income taxes	**$ 4,418**	$ 7,985	$(11,785)

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

	2000	1999	1998
United States	**$(21,433)**	$ 39,620	$(158,163)
Canada	**(22,231)**	12,298	38,058
Australia	**(28,940)**	(22,115)	(94,903)
South America and other foreign	**(15,194)**	(13,993)	(23,463)
	$(87,798)	$ 15,810	$(238,471)

In 2000, the Canadian province of Ontario enacted legislation which resulted in significant provincial corporate tax rate changes. Effective May 2, 2000, the provincial income tax rate decreased from 13.5% to 12.5%, with a further reduction to 12% effective January 1, 2001. In addition, the Ontario mining tax rate will be reduced to 10% (from the current 20%) over 5 years. Effective May 2, 2000 the rate dropped to 18%, with further 2% reductions that will occur each January 1, until January 1, 2004. A deferred tax benefit of $2 million was booked in 2000 with respect to these Ontario rate changes.

In December 1999, the Australian government reduced corporate tax rates to 34% for the fiscal year beginning July 1, 2000 (calendar year 2000 for Homestake) and to 30% thereafter. Australia has proposed further changes to the structure of taxation, the impact of which currently cannot be estimated.

Deferred tax liabilities and assets as of December 31, 2000 and 1999 relate to the following:

	December 31, 2000	1999
Deferred Tax Liabilities		
Depreciation and other resource property differences	**$196,142**	$ 238,000
Other	**55,446**	60,952
Gross deferred tax liabilities	**251,588**	298,952
Deferred Tax Assets		
Tax loss carry-forwards	**113,690**	107,415
Reclamation costs	**55,098**	45,141
Depreciation, land and other resource property	**39,233**	35,039
Employee benefit costs	**30,025**	23,244
Alternative minimum tax credit carry-forwards	**32,283**	35,955
Foreign tax credit carry-forwards	**6,152**	111,469
Unrealized foreign exchange losses	**21,413**	—
Deferred gain on close-out of forward sales contracts	**12,724**	12,724
Write-downs of noncurrent investments	**1,706**	3,046
Inventory	**6,262**	9,306
Other	**11,764**	22,457
Gross deferred tax assets	**330,350**	405,796
Valuation allowance	**(256,702)**	(309,139)
Net deferred tax assets	**73,648**	96,657
Net deferred tax liability	**$177,940**	$ 202,295
Net deferred tax liability consists of:		
Current deferred tax assets	**$ (4,021)**	$ (14,663)
Long-term deferred tax liability	**181,961**	216,958
Net deferred tax liability	**$177,940**	$ 202,295

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 Company has established a valuation allowance for certain

deferred tax assets which management believes will not be realized based on projections at December 31, 2000. The valuation allowance primarily relates to a full valuation allowance against United States and South American net deferred tax assets of $172.6 million and $53.1 million, respectively. The remaining valuation allowance primarily relates to certain restricted Australian tax loss carry-forwards and Canadian loss carry-forwards of Argentina Gold with a tax effect of $21.5 million and $3.3 million, respectively.

At December 31, 1999 the Company had expected a significant increase in United States foreign tax credit carry-forwards as a result of Canadian dividends to the United States parent following the acquisition of Prime. A full valuation allowance was placed against foreign tax credits. Based on additional information, which became available in 2000, the recognition of these foreign tax credits has been deferred. Accordingly, deferred tax assets and related valuation allowances have been adjusted to reflect the decrease in realized foreign tax credits. The remaining foreign tax credit carry-forwards are due to expire at various times through the year 2005. Alternative minimum tax credits can be carried forward indefinitely. United States tax losses can be carried back two years and forward twenty years. Argentina tax loss carry-forwards expire if not utilized within five taxable years following the loss year. Australian and Chilean loss carry-forwards currently 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:

	2000	1999	1998
Income tax expense (benefit) based on statutory rate	**$(30,730)**	$ 5,534	$ (83,465)
Percentage depletion	**(1,068)**	(1,835)	(1,806)
Earnings in foreign jurisdictions at different rates	**(7,244)**	(3,912)	(2,143)
Canadian mining income taxes	**6,344**	7,217	12,570
Change in prior year accruals	**5,047**	(5,050)	(15,953)
Nondeductible expenses	**9,044**	5,537	7,934
Foreign income less tax credits utilized	**1,014**	4,462	—
Other changes to deferred tax assets and liabilities	**71,089**	(99,462)	—
Change in valuation allowance	**(52,437)**	91,636	61,700
Other - net	**3,359**	3,858	9,378
	$ 4,418	$ 7,985	$ (11,785)

NOTE 8: RECEIVABLES

	December 31, 2000	1999
Trade accounts	**$19,776**	$ 28,096
US Government receivable (note 14)	**2,000**	2,000
Interest and other	**17,072**	14,892
	$38,848	$ 44,988

NOTE 9: INVENTORIES

	December 31, 2000	1999
Finished products	**$28,327**	$ 7,452
Ore and in-process	**37,955**	30,591
Supplies	**21,480**	25,294
	$87,762	$ 63,337

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	December 31, 2000	1999
Mining properties	**$ 1,477,939**	$ 1,562,040
Plant and equipment	**1,038,089**	1,141,650
Construction in progress	**10,540**	16,224
	2,526,568	2,719,914
Accumulated depreciation, depletion and amortization	**(1,538,756)**	(1,587,068)
	$ 987,812	$ 1,132,846

NOTE 11: INVESTMENTS AND OTHER ASSETS

	December 31, 2000	1999
Assets held in trust (note 15)	**$55,687**	$ 47,918
Ore stockpiles	**16,049**	15,971
Prepaid pension assets (note 15)	**7,144**	12,747
US Government receivable (note 14)	**2,218**	6,063
Restricted cash (note 13)	**—**	1,789
Noncurrent investments	**8,664**	10,473
Other	**9,596**	9,560
	$99,358	$104,521

Notes to Consolidated Financial Statements

NOTE 12: ACCRUED LIABILITIES

	December 31, 2000	1999
Accrued payroll and other compensation	**$22,162**	$ 21,730
Current portion of accrued reclamation and remediation costs	**31,500**	20,092
Unrealized loss on foreign exchange contracts	**4,180**	—
Deferred gold sales proceeds	**9,951**	—
Other	**23,287**	22,638
	$91,080	$ 64,460

NOTE 13: LONG-TERM DEBT

	December 31, 2000	1999
Cross-border credit facility (due 2003)	**$148,941**	$102,666
Pollution control bonds		
Lawrence County, South Dakota (due 2032)	**38,000**	38,000
State of California (due 2004)	**17,000**	17,000
Capital leases (note 19)	**23,497**	23,044
Convertible subordinated notes	**—**	134,990
	227,438	315,700
Less current portion	**2,822**	37,206
	$224,616	$278,494

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 borrowing in United States, Canadian or Australian dollars, gold, or a combination of these. At December 31, 2000, Canadian dollar-denominated borrowings under the Credit Facility of $148.9 million (C$223.4 million) were outstanding. The Company pays a commitment fee on the unused portion of the Credit 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, 2000 and 1999, this rate was 6.95% and 6.17%, respectively.

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 trust account and 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 trust account.

The Company pays interest monthly on the pollution control bonds based on variable short-term, tax-exempt obligations rates. Interest rates at December 31, 2000 and 1999 were 4.7% and 5.1%, respectively. No principal payments are required until cancellation, redemption or maturity.

Convertible subordinated notes: During the first six months of 2000, the Company repurchased, prior to maturity, the 5.5% convertible subordinated notes ("Convertible Notes") having a principal amount of $1 million. The remaining $135 million principal amount of Convertible Notes were repaid upon maturity on June 23, 2000. The repayment was financed by the Credit Facility borrowings, discussed above, and from existing cash balances.

NOTE 14: OTHER LONG-TERM OBLIGATIONS

	December 31, 2000	1999
Accrued reclamation and remediation costs	**$137,613**	$116,580
Accrued pension and other postretirement benefit obligations (note 15)	**62,618**	58,299
Other	**17,555**	10,014
	$217,786	$184,893

While the ultimate amount of reclamation and remediation 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 $262

million. At December 31, 2000 the Company had accrued $169.1 million for estimated reclamation and remediation costs (see note 12).

Grants: The Comprehensive Environmental Response, Compensation and Liability Act imposes heavy liabilities on persons who discharge hazardous substances. The Environmental Protection Agency 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. At December 31, 2000 Homestake had received $33 million from the DOE and had a receivable of $4.2 million (see notes 8 and 11) for the DOE's share of reclamation expenditures made by Homestake through 2000.

NOTE 15: 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 the employee's years of service and highest compensation for a period prior to retirement. Pension plans covering union employees provide defined benefits based on each year of service. The Company also has other postretirement plans which 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	
	2000	1999	2000	1999
Change in benefit obligations				
Benefit obligation, January 1	**$225,880**	$256,674	**$ 27,807**	$34,750
Service cost	**3,498**	4,752	**17**	19
Interest cost	**16,477**	16,784	**1,874**	1,931
Participants contributions	**—**	—	**217**	—
Plan amendments and special terminations	**10,700**	3,222	**1,000**	—
Actuarial losses (gains)	**3,967**	(23,672)	**(1,966)**	(7,132)
Benefits paid	**(19,463)**	(31,880)	**(2,149)**	(1,761)
Curtailments	**(3,439)**	—	**200**	—
Benefit obligation, December 31	**$237,620**	$225,880	**$ 27,000**	$27,807
Change in plan assets				
Fair value of plan assets, January 1	**$248,908**	$259,371		
Actual return on plan assets	**24,490**	16,834		
Company contributions	**1,450**	4,583	**$ 2,149**	$ 1,761
Benefits paid	**(19,463)**	(31,880)	**(2,149)**	(1,761)
Fair value of plan assets, December 31	**$255,385**	$248,908	**$ —**	$ —
Plan assets in excess of (less than) projected benefit obligations	**$ 17,765**	$ 23,028	**$(27,000)**	$(27,807)
Unrecognized net actuarial gains	**(47,178)**	(43,741)	**(4,688)**	(4,353)
Unrecognized prior service cost	**9,413**	10,309	**(4,214)**	(5,064)
Unrecognized net transition asset	**(882)**	(1,324)	**—**	—
Accrued pension and postretirement benefit obligations	**$ (20,882)**	$ (11,728)	**$(35,902)**	$(37,224)

Notes to Consolidated Financial Statements

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

	Pension Benefits		Other Postretirement Benefits	
	2000	**1999**	**2000**	**1999**
Prepaid pension asset	**$ 7,144**	$ 12,747	**$ —**	$ —
Accrued benefit liability - current	**(1,200)**	(1,200)	**(110)**	(2,200)
Accrued benefit liability - long-term	**(26,826)**	(23,275)	**(35,792)**	(35,024)
	$(20,882)	$(11,728)	**$(35,902)**	$(37,224)

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

	Pension Benefits			Other Postretirement Benefits		
	2000	**1999**	**1998**	**2000**	**1999**	**1998**
Discount rate	**7.25%**	7.75%	6.50%	**7.25%**	7.75%	6.50%
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 8.0% for 2000, decreasing ratability to 5.0% in 2006 and thereafter.

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

	Pension Benefits		
	2000	**1999**	**1998**
Service cost	**$ 3,498**	$ 4,752	$ 4,215
Interest cost	**16,477**	16,784	16,969
Expected return on assets	**(20,623)**	(21,496)	(21,346)
Amortization of:			
Transition asset	**(440)**	(242)	(370)
Prior service costs	**1,471**	1,440	1,005
Actuarial gains	**(1,874)**	(196)	(898)
Net periodic benefit cost	**(1,491)**	1,042	(425)
Additional charges (credits):			
Special termination charges	**10,498**	—	3,922
Curtailments	**1,600**	—	(7,246)
Settlement credits	**—**	—	(2,531)
Total net benefit cost (credit)	**$ 10,607**	$ 1,042	$ (6,280)

	Other Postretirement Benefits		
	2000	**1999**	**1998**
Service cost	**$ 17**	$ 19	$ 188
Interest cost	**1,874**	1,931	2,406
Amortization of:			
Prior service costs	**(850)**	(850)	(850)
Actuarial (gains) losses	**(1,431)**	(291)	60
Net periodic benefit cost	**(390)**	809	1,804
Additional charges (credits):			
Special termination charges	**1,000**	—	600
Curtailments	**—**	—	(3,293)
Total net benefit cost (credit)	**$ 610**	$ 809	$ (889)

The projected benefit obligation and accumulated benefit obligation for pension plans with accumulated benefit obligations in excess of plan assets were $38.5 million and $31.5 million, respectively, at December 31, 2000, and $30.9 million and $22.9 million, respectively, at December 31, 1999. 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 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 $55.7 million and $47.9 million at December 31, 2000 and 1999, 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, 2000. Termination benefits and certain curtailment costs were recognized during 2000 to reflect the planned closure of the mine (see note 5).

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 2000 service and interest costs and the accumulated postretirement benefit obligation at December 31, 2000:

One percentage point change	Increase	Decrease
Effect on service and interest components of net periodic cost	$ 216	$ (194)
Effect on accumulated postretirement benefit obligation	$2,438	$(2,236)

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 $1.5 million in 2000, $2.2 million in 1999 and $2.5 million in 1998.

Stock option and share rights plan: The Company's 1996 Stock Option and Share Rights Plan, as amended ("1996 Plan") provided for stock option and share rights grants of up to 18 million common shares. At December 31, 2000 and 1999, 11.6 million and 1.6 million shares, respectively, were available for future grants. At December 31, 2000 stock options and share rights for 6.1 million shares were outstanding under the 1996 Plan and stock options for 1.7 million shares were outstanding under prior plans.

The exercise price of each stock option granted under these plans is equal to the market price of the Company's stock at the time of grant. Stock options generally vest over a four-year period and have a maximum term of ten years. A summary of the Company's stock option activities during the periods indicated is as follows (in thousands except share amounts):

	2000		1999		1998	
	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	**5,653**		4,947		4,873	
Granted	**2,049**	**$ 7.27**	1,600	$ 9.40	2,129	$ 7.28
Exercised	—		(500)	0.74	(35)	0.74
Plutonic options retired	—		—		(1,033)	15.52
Expired	**(487)**	**15.61**	(394)	16.27	(987)	11.86
Balance at December 31	**7,215**		5,653		4,947	
Options exercisable at December 31	**3,481**		2,916		2,136	

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 average fair value of options granted during 2000, 1999 and 1998 was $3.19, $2.69 and $3.03 per share, 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 at December 31:

	2000	1999	1998
Expected volatility	**39%**	35%	31%
Risk-free interest rate	**6.7%**	5.0%	5.7%
Expected lives (years)	**6.6**	4.8	5.2
Expected dividend yield	**1%**	1%	1%

Notes to Consolidated Financial Statements

The following table summarizes information about stock options outstanding at December 31, 2000:

	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
$ 6.49 to $ 9.37	3,331	8.4 years	$ 8.11	769	$ 9.36
9.41 to 15.23	2,547	6.7 years	11.46	1,406	12.55
15.38 to 20.63	1,337	3.3 years	17.60	1,306	17.61
	7,215			3,481	

At December 31, 2000 and 1999, there were 586,000 and 381,000 share rights outstanding under the 1996 plan. Share rights are converted into common stock when certain performance measurement or vesting criteria are met. During 2000, 29,000 share rights valued at $151,000 were converted into common stock under the 1996 plan.

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 No. 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 (loss) and net income (loss) per share for the years ended December 31, 2000, 1999 and 1998 would have been as follows:

	2000		1999		1998	
	Net Loss	Per Share	Net Income	Per Share	Net Loss	Per Share
As reported	**$(104,437)**	**$(0.40)**	$4,864	$0.02	$(233,780)	$(1.01)
Pro forma	**(108,759)**	**(0.42)**	1,526	0.01	(237,092)	(1.02)

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 contributions of approximately $1.6 million, $1.8 million and $1.9 million in 2000, 1999 and 1998, respectively, were in the form of Homestake stock.

NOTE 16: FAIR VALUE OF FINANCIAL INSTRUMENTS

At December 31, 2000 and 1999 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 17: 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 2000 and 1999, 3.3 million and 4.5 million HCI exchangeable shares were exchanged for an equivalent number of Homestake common shares. At December 31, 2000 the Company had reserved 3.4 million shares of common shares for issuance on exchange of the HCI exchangeable shares outstanding. At any time on or after December 31, 2008, or such time that there are fewer than 1.39 million HCI exchangeable shares outstanding, the Company will have the right, but not the obligation, to require the exchange of all HCI exchangeable shares then outstanding for an equivalent number of Homestake common shares.

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 shares 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 of 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 number 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 18: ADDITIONAL CASH FLOW INFORMATION

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

	2000	1999	1998
Interest	**$17,750**	$18,377	$20,236
Income taxes, net of refunds	**18,274**	33,292	22,620

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

NOTE 19: 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, 2000 net unrealized losses of $4.2 million were outstanding on these contracts compared to net unrealized gains of $3.4 million at December 31, 1999. Other income for the years ended December 31, 2000, 1999 and 1998 includes income (losses) of $(16.6) million, $15.8 million, and $(34.3) million, respectively, related to this program. In July 2000, the Company discontinued its foreign currency protection program. Option contracts outstanding at December 31, 2000 are expected to remain in place until maturity.

At December 31, 2000 the Company had foreign currency contracts outstanding as follows:

(US$ in millions, except exchange rate amounts)	Expected Maturity or Transaction Date 2001	2002	Total or Average
Canadian $/US $ option contracts:			
US $ covered	$ 62.1	—	$ 62.1
Written puts, average exchange rate(1)	0.66	—	0.66
US $ covered	$ 66.1	—	$ 66.1
Purchased calls, average exchange rate(2)	0.69	—	0.69
US $ covered	$ 38.3	—	$ 38.3
Purchased puts, average exchange rate(3)	0.65	—	0.65
Australian $/US $ option contracts:			
US $ covered	$ 96.8	$33.0	$129.8
Written puts, average exchange rate(1)	0.65	0.68	0.66
US $ covered	$ 96.8	$33.0	$129.8
Purchased calls, average exchange rate(2)	0.66	0.68	0.67
US $ covered	$ 85.8	$33.0	$118.8
Purchased puts, average exchange rate(3)	0.64	0.65	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.

Notes to Consolidated Financial Statements

(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 exchange gains (losses) on intercompany debt and other of $(18.2) million, $10.9 million and $(4.4) million in 2000, 1999 and 1998, respectively, which 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 2000, 1999 and 1998, the Company delivered or financially settled gold and silver production under maturing forward sales and option contracts as follows:

	2000	1999	1998
Gold			
Forward sales contracts			
Ounces	**85,080**	109,900	358,000
Average price (US$ per oz.)	**$ 430**	$ 415	$ 359
Option contracts			
Ounces	**230,000**	340,000	900,000
Average price (US$ per oz.)	**$ 290**	$ 298	$ 325
Silver			
Option contracts			
Ounces	**655,000**	3,095,000	—
Average price (US$ per oz.)	**$ 6.30**	$ 6.35	—

During 2000, the Company closed out and financially settled US dollar denominated forward sales contracts covering 3.6 million ounces of silver maturing in years 2001 and 2002 and US and Australian dollar denominated option contracts covering 884,000 ounces of gold expiring in years 2001 through 2004. The pretax gains of $4.2 million resulting from these transactions have been deferred and are being recorded in income as the originally designated production is sold.

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.

The Company does not require or place collateral for its foreign currency and gold hedging derivatives. Credit risk is minimized by dealing only with major international banks and financial institutions.

At December 31, 2000 the Company had gold forward sales contracts outstanding as follows:

	Expected Maturity or Transaction Date						
	2001	2002	2003	2004	2005	Thereafter	Total or Average
US $ denominated contracts:							
Ounces	10,000	10,000	—	—	90,000	559,200	669,200
Average price ($ per oz.)	$ 400	$ 403	—	—	$ 400	$ 418	$ 415
Australian $ denominated contracts:[1]							
Ounces	300,000	264,800	144,800	228,800	26,000	—	964,400
Average price (US$ per oz.)	$ 290	$ 306	$ 317	$ 331	$ 294	—	$ 308

(1) Expressed in US dollars at an exchange rate of A$ = US$0.5588

Lease commitments

The Company entered into capital leases to finance the purchase of its 50% share of certain mobile mining equipment at the Kalgoorlie operations. Leased assets of $21.5 million are included in property, plant and equipment at December 31, 2000. Accumulated depreciation on the leased equipment was $3.9 million. The Company also leases certain office facilities and equipment under various noncancellable operating leases. Rental expense for 2000, 1999, and 1998 relating to these operating leases was approximately $2.4 million, $2.4 million and $2.6 million, respectively.

Future minimum annual payments under noncancellable leases at December 31, 2000 are as follows:

	Operating Leases	Capital Leases
2001	$ 1,686	$ 4,252
2002	1,596	4,252
2003	1,381	4,252
2004	1,096	4,252
2005	1,005	4,252
Thereafter	3,260	7,881
Total minimum lease payment	$ 10,024	29,141
Less: estimated amount representing interest		(5,644)
Present value of net minimum capital lease payments		23,497
Less: current portion		(2,822)
Long-term capital lease obligation at December 31, 2000		$20,675

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.

Notes to Consolidated Financial Statements

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 result of operations.

NOTE 20: 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 an oil recovery operation in the Gulf of Mexico which are included in the "Corporate and All Other" segment. Within each geographic segment, operations are managed on a mine-by-mine basis. However, because each mine has similar economic characteristics, the Company has geographically aggregated its operations.

Reportable Segments	North America	Australia	South America	Corporate and All Other	Reconciling Items	Total
2000						
Gold and ore sales	**$405,265**	**$247,894**	**$ 12,509**	**$ —**	**—**	**$ 665,668**
Other revenues	**(336)**	**(8,120)**	**344**	**19,964**	**(10,731)[a]**	**1,121**
Total revenues and other income	**404,929**	**239,774**	**12,853**	**19,964**	**(10,731)**	**666,789**
Depreciation, depletion and amortization	**101,568**	**38,719**	**3,370**	**802**	**—**	**144,459**
Operating earnings[b]	**50,132**	**25,375**	**158**	**19,155**	**(10,731)[a]**	**84,089**
Exploration expense	**10,636**	**13,815**	**13,269**	**(225)**	**—**	**37,495**
Write-downs and unusual items	**58,630**	**13,433**	**—**	**2,500**	**—**	**74,563**
Capital expenditures	**19,122**	**48,769**	**13,716**	**1,284**	**—**	**82,891**
Property, plant and equipment	**547,773**	**414,001**	**24,406**	**1,632**	**—**	**987,812**
Total assets	**617,628**	**536,394**	**48,199**	**217,154**	**—**	**1,419,375**
1999						
Gold and ore sales	$413,887	$244,223	$ 13,462	$ —	$ —	$ 671,572
Other revenues	16,896	13,614	276	34,719	(7,205)[a]	58,300
Total revenues and other income	430,783	257,837	13,738	34,719	(7,205)	729,872
Depreciation, depletion and amortization	96,446	33,240	4,227	565	—	134,478
Operating earnings[b]	81,856	35,515	438	34,130	(7,205)[a]	144,734
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
1998						
Gold and ore sales	$468,396	$299,909	$ 13,854	$ —	$ —	$ 782,159
Other revenues	(10,345)	(7,100)	1,345	14,088	(2,209)[a]	(4,221)
Total revenues and other income	458,051	292,809	15,199	14,088	(2,209)	777,938
Depreciation, depletion and amortization	88,132	44,069	4,199	2,971	—	139,371
Operating earnings[b]	60,828	26,678	1,590	38,586	(2,209)[a]	125,473
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

a) Primarily intercompany financing.
b)Operating earnings represent revenues and other income less production costs and depreciation, depletion and amortization.

Amounts related to United States operations were as follows:

	2000	1999	1998
Gold and ore sales	**$186,411**	$211,814	$259,044
Property, plant and equipment	**140,495**	117,690	131,121

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

	2000	1999	1998
Customer A	**$159,574**	$142,000	$ —
B	**115,683**	—	120,100
C	**113,939**	99,000	75,600
D	**58,228**	96,000	—
E	—	77,800	—
F	—	76,700	108,000
G	—	—	99,200

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 21: HOMESTAKE CANADA INC. ("HCI")

Homestake, through a wholly-owned subsidiary, owns all of the common shares outstanding of HCI. At December 31, 2000, HCI had 3.4 million HCI exchangeable shares outstanding, which were held by the public (see notes 3 and 17).

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, 2000	1999
Current assets	**$ 41,837**	$ 43,666
Noncurrent assets	**449,228**	498,567
Total assets	**$491,065**	$ 542,233
Current portion of notes payable to the Company	**$122,992**	$ 138,233
Other current liabilities	**28,044**	19,521
Long-term debt	**148,936**	102,666
Notes payable to the Company	**190,872**	190,872
Other long-term liabilities	**15,479**	10,843
Deferred income and mining taxes	**161,976**	199,979
Shareholders' equity	**(177,234)**	(119,881)
Total liabilities and shareholders' equity	**$491,065**	$ 542,233

	2000	1999	1998
Revenues and other income	**$ 202,811**	$234,708	$219,091
Costs and expenses	**233,213**	229,084	196,488
Income (loss) before taxes and minority interests	**$ (30,402)**	$ 5,624	$ 22,603
Net loss	**$ (30,237)**	$ (4,875)	$ (2,242)

Report of Independent Accountants

TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF HOMESTAKE MINING COMPANY:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, shareholders' equity, comprehensive income (loss) and cash flows present fairly, in all material respects, the financial position of Homestake Mining Company and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. 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 of America, 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 our opinion.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
San Francisco, California
January 31, 2001

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 judgements.

The Company maintains accounting and other control systems which 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 it is reviewed by the external accountants in connection with their independent audit of the Company's consolidated financial statements.

The external accountants 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 accountants 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 accountants to discuss the annual audit, internal control, internal auditing and financial reporting matters. The external accountants and the internal auditors have direct access to the Audit Committee.

Jack E. Thompson
Chairman and Chief Executive Officer

David W. Peat
Vice President, Finance and Chief Financial Officer
January 31, 2001

Quarterly Selected Data

(in thousands except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2000:					
Revenues and other income, as previously reported	$152,397[1]	$171,333[2]	$161,128[2]	$179,219	$ 664,077
Adjustment for adoption of SAB 101	5,796	(294)	(2,790)	—	2,712
Revenues and other income	$158,193	$171,039	$158,338	$179,219	$ 666,789
Net income (loss) from:					
Continuing operations, as previously reported	$ (14,684)	$ (2,652)[3]	$(75,743)[4]	$ 5,186[5]	$ (87,893)[3-5]
Adjustment for adoption of SAB 101	(179)	(686)	(333)	—	(1,198)
Continuing operations	(14,863)	(3,338)[3]	(76,076)[4]	5,186[5]	(89,091)[3-5]
Discontinued operations	(1,459)	(13,887)	—	—	(15,346)
Net income (loss)	$ (16,322)	$ (17,225)	$(76,076)	$ 5,186	$(104,437)
Per common share:					
Net income (loss) from:[10]					
Continuing operations	$ (0.06)	$ (0.01)[3]	$ (0.29)[4]	$ 0.02[5]	$ (0.34)[3-5]
Discontinued operations	—	(0.06)	—	—	(0.06)
Net income (loss)	$ (0.06)	$ (0.07)	$ (0.29)	$ 0.02	$ (0.40)
Dividends paid[11]	$ —	$ —	$ —	$ 0.025	$ 0.025
1999:					
Revenues and other income	$ 174,669[1]	$ 194,165[2]	$ 171,668[2]	$189,370[2]	$ 729,872[1]
Income (loss) from:					
Continuing operations	315[6]	774[7]	2,209[8]	5,922[9]	9,220[6-9]
Discontinued operations	(1,264)	(658)	(462)	(1,972)	(4,356)
Net income (loss)	$ (949)	$ 116	$ 1,747	$ 3,950	$ 4,864
Per common share:					
Net income (loss) from:[10]					
Continuing operations	$ —[6]	$ —[7]	$ 0.01[8]	$ 0.02[9]	$ 0.04[6-9]
Discontinued operations	—	—	—	(0.01)	(0.02)
Net income (loss)	$ —	$ —	$ 0.01	$ 0.01	$ 0.02
Dividends paid[11]	$ —	$ 0.050	$ —	$ 0.025	$ 0.075
Pro forma:[12]					
Net income from continuing operations				$ 5,491	
Per common share - basic and diluted				$ 0.02	
Net income				$ 3,519	
Per common share - basic and diluted				$ 0.01	

1. Adjusted for discontinued operations of Main Pass 299 and reclassification of oil and gas revenues, net.
2. Adjusted for the reclassification of oil and gas revenues, net.
3. Includes write-downs of $0.5 million ($0.5 million pretax) or $nil per share to reduce the carrying values of certain assets.
4. Includes write-downs of $63.5 million ($67.8 million pretax) or $0.24 per share including (i) Homestake mine restructuring charges of $22 million ($22 million pretax), (ii) reductions in the carrying values of certain resource assets of $23.9 million ($26.2 million pretax), (iii) an increase of $15 million ($16.2 million pretax) in the accrual for future estimated reclamation expenditures and (iv) and other charges of $2.6 million ($3.4 million pretax).
5. Includes write-downs of $4.6 million ($6.2 million pretax) or $0.02 per share including (i) Homestake mine restructuring charges of $1 million ($1 million pretax), (ii) reductions in the carrying value of certain assets of $3.6 million ($5.2 million pretax).
6. Includes business combination and integration costs of $1.3 million ($1.3 million pretax) or $0.01 per share.
7. Includes business combination and integration costs of $3.5 million ($3.5 million pretax) or $0.01 per share and the write-down of an investment of $3.5 million ($3.5 million pretax) or $0.01 per share.
8. Includes write-downs and non-recurring 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 accrual for estimated future remediation and reclamation.
9. Includes write-downs and non-recurring charges of $7.8 million ($10 million pretax) or $0.03 per share to reduce the carrying values of certain resource assets.
10. Basic and diluted net income or loss per share. The application of SAB 101 does not have an impact on the net income or loss per share, as previously reported.
11. Homestake only.
12. Reflects the pro forma effect of the application of SAB 101 for the three month period ended December 31, 1999. The application of SAB 101 does not have a material effect on the pro forma net income (loss) and per share amounts for the years ended December 31, 1999 and 1998. Additionally, the cumulative effect of adoption of SAB 101, effective January 1, 2000, was not material to the net loss and net loss per share for the year ended December 31, 2000.

Common Stock Price Range

(Prices as quoted on the New York Stock Exchange)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year
2000: High	**$ 8.00**	**$ 7.63**	**$ 6.94**	**$ 5.25**	**$ 8.00**
Low	**5.88**	**5.63**	**5.00**	**3.50**	**3.50**
1999: High	$11.44	$ 10.75	$ 10.88	$ 10.13	$11.44
Low	8.13	7.50	7.19	7.50	7.19

Five-Year Selected Financial Data[1]

(in thousands except per share amounts)	2000	1999	1998	1997	1996
Revenues and other income	**$ 666,789**	$ 729,872	$ 777,938	$ 948,167	$ 975,399
Net income (loss) from continuing operations	**(89,091)[2]**	9,220[3]	(229,871)[4]	(121,898)[5]	44,754[7]
Loss from discontinued operations	**(15,346)**	(4,356)	(3,909)	(111,456)[6]	(2,393)
Net income (loss)	**(104,437)**	4,864	(233,780)	(233,354)	42,361
Per common share:[8]					
Net income (loss) from continuing operations	**(0.34)[2]**	0.04[3]	(0.99)[4]	(0.53)[5]	0.20[7]
Loss from discontinued operations	**(0.06)**	(0.02)	(0.02)	(0.49)[6]	(0.01)
Net income (loss)	**(0.40)**	0.02	(1.01)	(1.02)	0.19
Total assets	**1,419,375**	1,634,469	1,660,606	1,627,144	1,959,778
Long-term debt	**224,616**	278,494	357,410	374,593	255,170
Other long-term obligations	**240,009[9]**	219,849[9]	176,887	152,610	123,475
Deferred income and mining taxes	**181,961**	216,958	230,567	161,862	218,379
Minority interests	**10,375**	13,800	7,825	108,116	103,960
Shareholders' equity	**608,814**	765,360	739,196	699,791	1,043,377
Dividends per share[10]	**0.025**	0.075	0.10	0.15	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 write-downs and non-recurring charges of $68.6 million ($74.6 million pretax) or $0.26 per share including (i) Homestake mine restructuring charges of $23 million ($23 million pretax), (ii) reductions in the carrying values of redundant assets of $28.1 million ($32 million pretax), (iii) an increase in the accrual for estimated future reclamation expenditures of $16.2 million ($15 million pretax), and (iv) other charges of $3.4 million ($2.6 million pretax).

3. Includes business combination and integration costs of $4.8 million ($4 8 million pretax) or $0.02 per share and write-downs and other non-recurring 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 future 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.

4. Includes business combination and integration costs of $17 million ($19.4 million pretax) or $0.07 per share and write-downs and other non-recurring charges of $188.5 million ($213.8 million pretax) or $0.81 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).

5. 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 $0.05 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 $0.04 per share on the sale of the George Lake and Back River joint venture interests in Nunavut, Canada, and write-downs and non-recurring charges of $140 million ($177.5 million pretax) or $0.61 per share including (i) a reduction of $60.1 million ($84.7 million pretax) in the carrying values of resource assets, (ii) write-downs of $45.7 million ($47.9 million pretax) of certain investments, (iii) an increase of $21.5 million ($29.1 million pretax) in the accrual for estimated future reclamation expenditures, and (iv) 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.

6. Includes a write-down of $84.9 million ($107.8 million pretax) or $0.37 per share in Homestake's investment in the Main Pass 299 sulfur mine.

7. 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.

8. Basic and diluted earnings per share.

9. Includes a deferred gain of $22.2 million and $35 million at December 31, 2000 and 1999, respectively, on the early close-out of forward sales contracts.

10. Homestake only.

Directors and Officers

BOARD OF DIRECTORS

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Mining Industry Consultant

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Homestake Mining Company

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Chairman Emeritus;
Former Chairman and
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Homestake Mining Company

HADLEY CASE
Director Emeritus; Chairman Emeritus,
Case, Pomeroy & Company, Inc.

OFFICERS

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Safety and Government Affairs

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Assistant Secretary

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Vice President, Corporate Development

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Vice President, Tax; Assistant Treasurer
and Assistant Secretary

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Vice President, General Counsel and
Corporate Secretary

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Managing Director,
Homestake Gold of Australia Limited

IGOR LEVENTAL, 45
Vice President, Investor Relations

DONALD W.T. LEWIS, 43
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Evaluations and Development

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Vice President, Exploration

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North American Operations;
President and Chief Executive Officer,
Homestake Canada Inc.

DAVID W. PEAT, 48
Vice President, Finance and
Chief Financial Officer

MARY T. SCHUBA, 53
Vice President, Human Resources

SANFORD C. COLLINS, 32
Assistant Controller

ROSS P. GLOSSOP, 44
Assistant Treasurer and
Assistant Secretary

THOMAS H. WONG, 51
Assistant Treasurer and
Assistant Secretary

A MEMBER OF AUDIT COMMITTEE

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

W MEMBER OF COMMITTEE OF THE WHOLE

Corporate Information

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RONALD L. PARRATT
Exploration Manager, North America

INVESTOR INFORMATION

ANNUAL MEETING OF STOCKHOLDERS
April 27, 2001, 11:00 a.m.
Westin St. Francis Hotel,
Colonial Room
335 Powell Street
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 on our website: *http://www.homestake.com*, or 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.

TRANSFER AGENT AND REGISTRAR

Fleet National Bank
c/o EquiServe
P.O. Box 43010
Providence, RI 02940-3010
T: (800) 730-4001
http://www.equiserve.com

STOCK EXCHANGE

LISTINGS AND SYMBOLS
New York Stock Exchange (HM), Australian Stock Exchange (HSM), SWX Swiss Exchange (HM); 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.

WORLD GOLD COUNCIL

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 nonprofit 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. For more information on gold, please visit the World Gold Council's website at *http://www.gold.org*.

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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
Costs directly and indirectly related to the physical activities of producing gold, including mining, milling and administration expenses at the operating level, transportation, royalties and production taxes net of by-product credits.

Decline
A sloping tunnel, which provides access to and movement between levels in an underground mine.

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.

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
See definition on page 19.

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

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

Ounce
Implies a troy 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 19.

Pulp Agglomeration
A process whereby tailings from high-grade ore, which has been ground, leached and thickened, are cemented onto coarsely crushed low-grade ore before being treated on a conventional heap-leach pad.

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.

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

Shaft
A vertical access-way to an underground mine.

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

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

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

Total cost
Cash cost plus noncash cost.

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