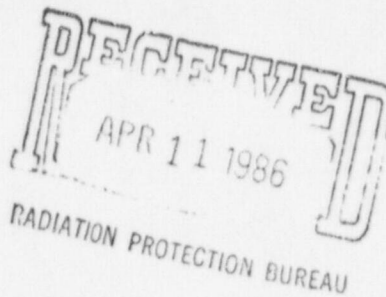




M. C. STOKES
TREASURER and SECRETARY



April 7, 1986

Ms. Denise D. Forte
Environmental Improvement Division
P.O. Box 968
Santa Fe, NM 87504-0968

Dear Ms. Forte:

Please find enclosed a Verification verifying that the balance sheet ending December 31, 1985 as contained in the enclosed Annual Report for 1985 is the current balance sheet of Homestake Mining Company. This verification is submitted pursuant to Section 3-315 E(8) of the New Mexico Radiation Protection Regulations.

Also enclosed and attached to the Annual Report is the annual statement as required by Section 3-315 (E)(b)(2) and (3).

Homestake Mining Company submitted its Application for Approval of Surety Arrangement on January 8, 1982.

Regards,

HOMESTAKE MINING COMPANY

MCS:ms

32:NME.1

Enclosure

cc: Sunny J. Nixon, Esquire
H. R. Brassfield, Grants
J. M. Parker, Grants

9803020225 860407
PDR ADOCK 04008903
C PDR

HOMESTAKE MINING COMPANY

650 CALIFORNIA STREET • 9th FLOOR • SAN FRANCISCO • CA 94108-2788 • (415) 981-8150

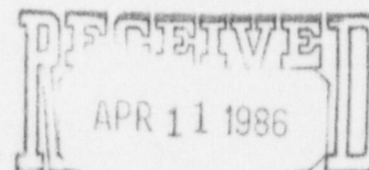
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 1985



RADIATION PROTECTION BUREAU
Commission File
Number 1-1235

HOMESTAKE MINING COMPANY

A Delaware Corporation

I.R.S. Employer Identification No.
94-2934609

650 California Street
San Francisco, California 94108-2788

Telephone: (415) 981-8150

Securities registered pursuant to Section 12 (b) of the Act:

<u>Title of Each Class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$1.00 per value	New York Stock Exchange, Inc.

Number of Shares Outstanding at February 28, 1986 — 49,454,531

Securities registered pursuant to Section 12 (g) of the Act: NONE

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 1986 was \$1,018,507,705.*

* Excludes 5,647,748 shares of voting stock held by directors and officers and affiliates of directors and officers.

Documents incorporated by reference.

(1) Specific information on the following pages of the Company's 1985 Annual Report to Shareholders is hereby incorporated by reference:

Pages 11 through 16, pages 27 through 29 and pages 34 and 35 incorporated in Part I of this report.

Pages 17 through 31 and pages 32, 33 and 35 incorporated in Part II of this report.

(2) Certain information in the Company's 1985 Proxy Statement is incorporated by reference in Part III of this report.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES

PART I

ITEM 1 - BUSINESS

INTRODUCTION

Homestake Mining Company is a Delaware corporation organized in 1983 as the successor to a California corporation organized in 1877. Through its subsidiaries, the Company is engaged principally in mining and related activities, including extraction and processing of minerals and smelting, refining and other treatment of minerals and metals. It is also actively engaged in exploration, development, production and sale of crude oil and natural gas. Its principal products are gold bullion, refined lead metal and silver, concentrates of lead, zinc and uranium, and crude oil and natural gas.

Homestake's two major operating subsidiaries are Homestake Mining Company of California and Felmont Oil Corporation, a Delaware corporation whose predecessors were incorporated in 1924. In June 1984, Homestake Mining Company acquired Felmont in a transaction accounted for as a pooling of interests.

As used in this report, "Homestake" and "Company" refer to Homestake Mining Company, Homestake Mining Company of California, Felmont Oil Corporation and their subsidiaries, unless the context requires otherwise.

Homestake is in active competition with regard to all of its major products in both domestic and world markets. All market prices on which Homestake's sales are based are influenced by domestic and worldwide conditions.

Gold bullion is sold principally at current market quotations on a spot basis to industrial customers in the United States. Gold prices are determined by international markets, principally London, Zurich, New York and Hong Kong. Uranium concentrates are sold under contracts at base prices adjusted for escalation at the time of delivery. The contracts expire in 1986 and 1987.

Refined lead metal is sold both under contract and on a spot basis, based on current domestic price quotations. Zinc concentrate is sold under contract at market-related prices.

The Company's oil and gas revenues are a function of future prices and demand for oil and gas. Many factors beyond the control of the Company will continue to affect oil and gas prices. Such factors include, among other things, domestic and foreign supplies of oil and gas, consumer demand, price and availability of alternative fuels, availability of pipeline capacity and changes in existing and proposed federal and state regulation, price controls and deregulation.

A worldwide surplus of oil is placing strong downward pressure on prices. During December 1985, the Organization of Petroleum Exporting Countries abandoned its price support efforts, thus creating still stronger downward pressures on prices.

An oversupply of deliverable natural gas now exists in North America. During 1985, approximately 57 percent of the Company's revenues from oil and gas were derived from sale of natural gas. The average price of natural gas sold by the Company has declined from an average of approximately \$3.31 per Mcf during 1984 to an average of approximately \$2.94 per Mcf during 1985. Based on current conditions and prices, the Company expects average natural gas prices received to decline again in 1986.

Declines in prices or sales of natural gas and oil will result in a net decline in the future value of the Company's reserves despite increases in reserves brought about by successful exploration, development and acquisition activities.

On October 9, 1985, the Federal Energy Regulatory Commission ("FERC") adopted major changes in certain of its regulations that significantly affect the transportation and marketing of natural gas. FERC has also proposed, but not yet adopted, regulations concerning a mandatory billing procedure that would eliminate the competitive advantage belonging to interstate pipelines having large volumes of low-cost gas committed to them under old contracts. The Company is uncertain how interstate pipelines will respond to such regulations.

The Company reported in its financial statements for 1985 (at page 29 of its Annual Report) \$110,501,000 as the standardized measure of discounted future net cash flow. If such future cash flows had been calculated as of December 31, 1985 using prices in effect at February 28, 1986, preliminary estimates indicate that the amount of such future cash flows would have been reduced by approximately 15 percent.

Additional information as to the Company's operations appear on pages 11 through 16 in the Company's 1985 Annual Report to Shareholders, a complete copy of which is appended to this report as Exhibit 13. Such information is hereby incorporated by reference.

DOMESTIC GOLD OPERATIONS

Homestake is the largest producer of gold in North America. Gold mining and milling operations are conducted at the Homestake mine in South Dakota, and, since early in 1985, at the McLaughlin mine in California. A venture in which Homestake holds a 25 percent interest conducts mining and heap leaching operations at the Round Mountain mine in Nevada.

HOMESTAKE MINE

Homestake's mineral properties in the northern Black Hills of South Dakota cover approximately 11,700 acres. About 8,200 acres are owned in fee simple and 3,500 acres are held as unpatented mining claims. In addition, Homestake leases mineral land, owns water rights and farm lands, and owns approximately 61,000 acres of timberland from which timber is sold under a long-term cutting contract.

Mineralization in the Homestake mine has been followed over two miles from the outcrop to a vertical depth of 8,000 feet from the surface. Mining is now

carried on between the 1500-foot and 7400-foot levels. Deep level development is continuing on the 8000-foot level in order to follow downward projections of mineralization.

The mine has two active vertical operating shafts from the surface to the 4850-foot level, one of which is connected with an internal shaft which provides access to the 8000-foot level. The mine also has an underground hoisting shaft from the 4850-foot level to the 6800-foot level and a service shaft from the 6800-foot level to the 8000-foot level. There were 70 active stopes at year-end compared with 74 at the end of 1984.

In 1985, deep level development continued on the 6950, 7100, 7250, 7550 and 8000-foot levels. Higher than average grade ore is being encountered below the 6800-foot level.

The Homestake mill has an annual milling capacity of 2,300,000 tons of ore. A portion of the tailings from milling operations are returned to the mine for sand backfill, and the remainder deposited in a tailings impoundment that has capacity for disposal of tailings through 1989. Additional lifts, beginning in 1987, are planned to extend the life of the impoundment into the next century.

Test mining in the original open-cut was concluded during 1985 and verified previous geological and engineering estimates. Waste stripping to prepare the site for full scale open-pit mining at the rate of approximately 500,000 tons of ore per year began in October 1985. Mining in the open-cut is expected to begin in mid-1987 and continue for 15 years.

Ore Reserves - (Proven and Probable) all of which were above the 8000-foot level, as of December 31, 1985 - aggregated

	<u>Tons</u>	<u>Grade</u>
Underground	18,602,000	0.219 oz. Gold per ton
Open-cut	<u>6,517,000</u>	<u>0.124 oz. Gold per ton</u>
Total	25,119,000	0.194 oz. Gold per ton

Total production from the Homestake mine in 1985 was 2,345,700 tons compared to 1,897,000 tons in 1984, from which 343,103 ounces and 295,941 ounces of gold were recovered, respectively. Gold production in 1985 increased because of increased tonnage from both the deeper levels of the mine and the open-cut.

Hourly employees are represented by the United Steelworkers of America. The current contract expires May 31, 1986.

McLAUGHLIN MINE

Homestake's newly dedicated domestic gold mine and processing plant is located at the junction of Lake, Napa and Yolo counties in northern California. The properties cover approximately 39,000 acres. They consist of 13 patented mining

claims, 1,788 unpatented mining claims and 645 millsite claims. Approximately 8,000 acres are owned in fee simple and 400 acres are leased.

Capital investment in the project equaled \$274,800,000 through 1985. Additional capital expenditures of about \$8,300,000 will be required in 1986, primarily for county road improvements and other facilities to complete construction.

The first bar of gold doré was poured on March 4, 1985. By year-end the open-pit mine and processing plant were approaching design capacity of 3,000 tons per day.

Crushing and grinding facilities are located adjacent to the mine in Napa County. The pulverized ore in the form of a water/rock slurry is pumped 4.8 miles to the main processing plant in Lake County where the tailings impoundment area is located. A water storage reservoir in Yolo County provides the water needed for the process. The main processing plant utilizes pressure oxidation with autoclaves, cyanide leach, carbon-in-pulp adsorption and electro-winning. The extraction process is unique in the gold mining industry.

Gold production from the cyanide section of the plant commenced in March 1985. The oxidation section commenced operation in July and commissioning activities were concluded in September. No unusual problems have been encountered during start-up.

McLaughlin is expected to achieve its design capacity early in 1986, producing an average of 200,000 ounces of gold per year through 1988, with production thereafter expected to average 150,000 ounces per year. Gold recovery is expected to be in excess of 90 percent.

All permits required for operations have been obtained. Certain permits require periodic review of permit conditions by government agencies.

Ore reserves - (Proven and Probable) as of December 31, 1985 - aggregated

<u>Tons</u>	<u>Grade</u>
18,576,000	0.152 oz. Gold per ton

Tons of ore milled in 1985 totaled 781,280 tons at an average head grade of 0.144 ounces per ton. Production for the year totaled 83,836 ounces of gold and 20,310 ounces of silver. The average head grade until 1988 is expected to be about 0.22 ounces per ton and is expected to decline thereafter to about 0.14 ounces per ton.

ROUND MOUNTAIN MINE

Through Felmont, Homestake owns a 25 percent cotenancy interest in a gold mine at Round Mountain in Nye County, Nevada, approximately 60 miles north of Tonopah, Nevada. The operation is managed under the terms of an operating agreement by Round Mountain Gold Corporation, which owns a 50 percent cotenancy interest. Case, Pomeroy & Company, Inc. owns the remaining cotenancy interest.

The mining properties consist of 638 acres of patented claims and 23,152 acres of unpatented claims. Mine assets include mining equipment, crushing facilities, heap leaching facilities and gold extraction and recovery facilities.

The mineralization is composed of two principal types. During 1985 Type I ore was mined and processed at a rate of approximately 17,000 tons per day, which includes approximately 3,000 tons per day of upgraded lean ore mined and stock-piled in prior years. In 1985, the stripping (waste to ore) ratio was 2.5 to 1.

Extensive metallurgical testing on Type II ore and preliminary feasibility work during 1985 indicate that Type II can be economically mined and processed by heap leaching. As a result, a large portion of the extensive Type II mineralization, and additional Type I ore found during 1985 by surface drilling, has been classified as ore and included in the Round Mountain proven and probable ore reserves increasing the stated reserve tonnage by 660 percent. A feasibility study to examine the expansion of Round Mountain production is being undertaken in 1986.

Total gold production rose 15 percent in 1985 to 138,749 ounces, compared to 121,014 ounces in 1984. A total of 5,355,000 tons of ore were processed at an average head grade of .037 ounces per ton. Average heap leach recovery was 73 percent, compared to 66 percent in 1984, following a 32 percent expansion in heap leach pad area and increased pad height which resulted in longer leach time.

Homestake's 25 percent share of production was 34,688 ounces. Gold produced is in the form of doré bullion containing about 65 percent gold and 35 percent silver.

Ore Reserves - (Proven and Probable - 100 percent basis) as of December 31, 1985
- aggregated

<u>Tons</u>	<u>Grade</u>
175,200,000	0.039 oz. Gold per ton

FOREIGN GOLD OPERATIONS

Homestake owns a 48 percent interest in Kalgoorlie Mining Associates ("KMA"), an Australian partnership. KMA owns and operates the Mt. Charlotte (underground) and Fimiston (underground and open-pit) gold mines at Kalgoorlie, Western Australia. The ores from all mines are processed at the partnership's Oroya Mill and concentrating complex at Fimiston, three miles from the Mt. Charlotte mine. KMA holds some additional mining leases in the immediate area on which it is conducting exploration. Kalgoorlie Lake View Pty. Ltd. is the managing partner and Western Mining Corporation Limited manages the operations.

In 1985 the partnership produced 218,311 ounces of gold from 1,638,000 tons of ore milled.

The majority of KMA employees are members of trade unions.

MT. CHARLOTTE MINE

The main production levels of the Mt. Charlotte mine are 2,000 and 2,200 feet deep with decreasing production from the 1,800-foot level. Ore is mined by mechanized bulk underground methods using large trackless diesel equipment. Primary crushing is carried out underground. After secondary crushing is completed at the mine surface, fine ore is transported by truck to the mill. The capacity of the Mt. Charlotte section of the Oroya mill is approximately 930,000 tons of ore per year.

A production headframe was erected on the new Cassidy Shaft, the hoist installed and underground development from the shaft is underway. Underground drilling of projected ore bodies below the Flanagan fault is in progress. More drilling is required to establish the geometry and tenor of mineralization before reserves below the fault can be calculated. The Cassidy shaft is scheduled to be in production by 1987 and will provide access to ore bodies above the 3000-foot level and is expected to permit mining below the Flanagan fault.

Mt. Charlotte produced 95,605 ounces of gold from 932,000 tons of ore in 1985, compared with 111,996 ounces from 905,000 tons in 1984. Gold production fell as a result of lower ore grades in 1985. The lower grades are consistent with normal grade variations in the mining cycle.

Ore Reserves - (Proven and Probable - 100 percent basis) as of December 31, 1985
- aggregated

<u>Tons</u>	<u>Grade</u>
9,195,000	0.126 ozs. Gold per ton

Mt. Charlotte ore reserves do not include tonnages below the Flanagan fault.

FIMISTON MINE

The Fimiston leases are three miles from Mt. Charlotte.

Underground development and mining are conducted at depths ranging from 200 to 2,000 feet. Two-thirds of the underground ore is produced from numerous small stopes and development and the remainder by open stoping. Ore is hauled underground by small trains. Underground exploration and development during the year resulted in the location of a satisfactory number of new stopes and confirmation of replacement of ore reserves. Increased open stope production is planned through a new haulage drift to the Chaffers shaft. Production from this source is scheduled for 1988.

Open-pit production increased during 1985 and now provides 40 percent of total Fimiston production.

Fimiston produced 122,706 ounces of gold from 706,000 tons of ore and clean-up compared with 109,925 ounces from 590,000 tons of ore in 1984.

Development work commenced from the reopened Chaffers shaft on nine different levels. This work is expected to extend the life of the Fimiston properties.

Ore Reserves - (Proven and Probable - 100 percent basis) as of December 31, 1985
- aggregated

<u>Tons</u>	<u>Grade</u>
5,786,000	0.203 ozs. Gold per ton

SILVER

Underground workings at the Bulldog mine near Creede in southwestern Colorado contain silver-lead mineralization. At year-end, the properties consisted of 1,458 patented, unpatented and mill site claims, covering approximately 27,300 acres. The Company also owns other surface and water rights.

Because of severely depressed silver prices, production was suspended in January 1985 and the mine and mill were placed on a standby status with a small maintenance staff. To protect the underground facilities, mine pumping and treatment of the discharge is continuing. The carbon-in-pulp plant is operated to recover gold and silver from loaded carbon shipped from the Homestake mine in South Dakota.

URANIUM

Homestake produces and markets uranium concentrates, principally from ores mined and solutions recovered from mines and tailings near Grants, New Mexico.

Homestake's production cost of uranium concentrate continues to be substantially higher than the spot market price. Planned future production plus current inventories will be sold under existing sales contracts. The last deliveries under the contracts are scheduled to be made in 1987. Sales under these contracts averaged \$49.65 a pound in 1985 compared with \$51.21 in 1984.

Grants Operations. Homestake produces uranium in the Grants, New Mexico area. The facilities consist of a mill and three underground mines. Only one of the mines was operated during 1985.

The Grants mineral properties total approximately 3,200 acres scattered throughout the Ambrosia Lake uranium district, within a radius of 35 miles of the mill. Approximately 2,560 acres are held under leases which provide for payment of minimum annual advance royalties. Approximately 640 acres are leased from the State of New Mexico.

The mine and mill were operated on reduced schedules in 1985 in response to reduced sales volume. The mine was placed on standby in April 1985 with the exception of a small crew retained to extract higher grade developed reserves. This crew will also conduct limited exploration in previously unexplored areas.

Ore processed from the Grants mine in 1985 declined to 61,829 tons from 107,000 tons in 1984. Ore processed from the Pitch mine in 1985 decreased to 3,205 tons from 37,000 tons in 1984. Total production of uranium concentrates by the Grants mill in 1985, including Pitch production amounted to 618,388 pounds compared to 887,545 pounds in 1984.

The mill, which uses the alkaline leach process, has an annual capacity to process approximately 1,000,000 tons of ore. In addition, an ion exchange plant recovers leached uranium from waters pumped through old mine workings.

Ore Reserves - (Proven and Probable) as of December 31, 1985 - aggregated

<u>Tons</u>	<u>Grade</u>
103,000	0.186% U ₃ O ₈

Ore reserves reflect only tonnages which can be economically mined and processed to fulfill deliveries of U₃O₈, net of year-end inventories, under existing contracts. Reserves do not include uranium that may be profitably recovered through solution mining, ion-exchange recovery or small-scale mining. The Company plans to continue production by such techniques.

Pitch Operations. Homestake's 85 percent interest in the Pitch open-pit uranium mine near Gunnison, Colorado has been fully written down. Activities are confined to maintenance, operation of water treatment facilities and reclamation work. At current market prices there are no economic reserves at the properties.

LEAD AND ZINC

Lead and zinc concentrates are produced from ores mined at the Buick mine and concentrating mill near Boss in southeastern Missouri. The properties are jointly owned by Homestake Lead Company of Missouri, a wholly-owned subsidiary of Homestake Mining Company of California and a wholly-owned subsidiary of AMAX, Inc. Each party has a 50 percent interest. Refined lead metal and by-products are produced at a lead smelter and refinery operated as a partnership with a wholly-owned subsidiary of AMAX. Each partner has a 50 percent interest. AMAX is the manager of the facilities.

On March 12, 1986, AMAX and Homestake announced a preliminary agreement for purchase by Homestake of AMAX's 50 percent interest in Buick for \$10 million in cash and payment for certain working capital items as well as assumption by Homestake of certain liabilities. The transaction is subject to government approvals and satisfaction of closing conditions. Closing is expected to be held in May 1986.

The Buick mineral properties cover approximately 32,000 acres and consist of surface holdings and mineral rights on numerous parcels of land. The principal mining areas are held under federal mineral leases. The leases continue in effect until the year 2013. The leases require royalty payments of 5 percent of the sales value of concentrates produced. In October 1994 and at ten-year intervals, the Secretary of the Interior may reasonably readjust royalty rates.

The mine-mill facilities, situated on fee land, are centrally located to the ore reserves. The ore is crushed underground and conveyed from the hoisting shaft to a flotation mill. The mine and mill have a capacity of over 6,000 tons of ore per day.

Ore Reserves - (Proven and Probable - 100 percent basis) of the jointly owned Buick mine as of December 31, 1985 - aggregated

<u>Tons</u>	<u>Grade</u>
20,063,000	8.0% Lead
	2.2% Zinc

During 1985, ore reserve tonnages were reduced by 44 percent and lead and zinc reserve grades were increased by 43 percent and 57 percent respectively, to reflect the adoption of a higher ore cut-off grade due to continuing low lead prices.

The lead smelter, which is situated approximately three miles from the mine, has an annual capacity of approximately 140,000 tons of refined lead.

In 1985, the entire smelter capacity was devoted to treatment of Buick concentrates for the partners on a toll basis. Homestake's share of refined lead metal produced by the smelter was approximately 65,400 tons in 1985.

Production at the mine-mill in 1985 was 2,281,000 tons of ore compared with 1,499,000 tons in 1984, from which 196,076 tons of lead concentrates and 47,037 tons of zinc concentrates were produced in 1985, compared with 151,582 tons of lead concentrates and 40,099 tons of zinc concentrates in 1984. In 1985, production from January through September was at an annual rate of 2,400,000 tons.

Commencing in October 1985, a new mine plan was implemented reducing the annual production rate to 1,600,000 tons. The new plan is designed to lower unit costs by improving the head grades of lead and zinc and reducing manpower. Refined lead metal production at the smelter for 1985, from concentrate drawn from the Buick mine, was 131,600 tons compared with 115,355 tons in 1984. Homestake's share of production is 50 percent.

During 1984, production at the Buick facilities was reduced because of a strike which lasted from June through the end of the year.

Homestake sells lead and zinc products in both domestic and international markets. Homestake sells approximately 70 percent of its share of zinc concentrate from the Buick mine under a contract with AMAX Lead & Zinc, Inc. The balance is sold to foreign smelters. If Homestake acquires AMAX's interest in Buick, Homestake has agreed to extend the existing zinc concentrate sales contract until December 31, 1987 with respect to 90 percent of the zinc concentrates produced by Buick.

Homestake sells lead metal mainly to the United States automotive battery industry.

Hourly employees are represented by the United Steelworkers of America. The current contract expires on January 31, 1988.

OIL AND NATURAL GAS

Homestake, through its wholly-owned subsidiaries Felmont Oil Corporation and Black Hills Oil and Gas Company, explores for and produces crude oil and natural gas principally within the contiguous United States. It also owns significant royalty interests in producing and non-producing oil and natural gas properties in the United States and some royalty interests in Canada. At the end of 1985, Felmont owned leasehold working interests in 1,198 producible oil and natural gas wells, 936,453 producing and non-producing gross acres, and royalty interests in 139,024 producing and non-producing acres.

Felmont manages the oil and gas interests of Black Hills.

Homestake's total proved oil and natural gas reserves, including royalty interests, amounted to 4,213,762 barrels and 88,599,581 thousand cubic feet, respectively, at year-end 1985.

Offshore Gulf of Mexico - Felmont owns varying working interests in federal and state offshore leases acquired largely through participation with others in lease sales.

Crude oil and condensate produced offshore are usually sold to refineries under short-term contracts. Offshore natural gas production is generally sold to pipeline companies under long-term contracts. However, during 1985 Felmont participated in numerous spot market transactions as well as direct gas sales to end users. As a result of the issuance of pipeline open access rules by the Federal Energy Regulatory Commission in late 1985, Felmont expects an increase in such transactions.

Felmont, as well as most other offshore producers, has entered into long-term "take-or-pay" gas contracts with pipeline companies obligating the buyer to pay for certain quantities of the gas capable of being produced by a producer (without regard to volumes actually taken). The excess of natural gas deliverability has led to curtailment of natural gas purchases and in some cases repudiation of purchase contracts by pipeline companies. A number of pipeline companies are trying to renegotiate or abrogate the take-or-pay and pricing provisions of their contracts.

Certain arbitration proceedings in which the Company is a party are discussed on page 25 under Item 3 - Legal Proceedings.

Felmont holds minor fractional interests in several natural gas processing and separation facilities operated on behalf of offshore natural gas producers who utilize the plants to process natural gas and extract natural gas liquid products for sale.

Felmont owns an underground natural gas storage field, underlying the Allegany State Park, in Cattaraugus County, New York State, which is leased from the

State of New York under an agreement expiring in the year 2014 under its primary term. At December 31, 1985, the storage field contained approximately 8.3 billion cubic feet of natural gas in-place.

At December 31, 1985, Felmont owned working interests in 66 federal offshore leases, 38 of which are producing. Of the remaining 28 leases, one was a 1984 discovery which is now being completed, three more are leases which have been depleted, and the remainder are leases that are still being evaluated. Certain information as to the offshore properties is set forth in the map and table on pages 14, 15 and 16.

Other United States Operations - Felmont's principal onshore oil and gas activities in the western United States are in the Permian Basin of west Texas and southern New Mexico, the Powder River Basin in Wyoming, the Williston Basin of North Dakota, western Montana, and the onshore Gulf Coast area. In these areas Felmont operates 45 wells, owns a working interest in 122 other producing leases, and owns a working interest in nine producing waterflood units. Total western United States acreage consists of 20,967 net producing leasehold acres and 156,799 net non-producing leasehold acres.

In 1983, Santa Fe Energy Co. and Felmont entered into an agreement under which Felmont is entitled to earn a 25 percent working interest in approximately 55,000 net acres owned by Santa Fe in southeastern New Mexico. Through the end of 1985, Felmont joined in drilling a total of one exploratory and six development wells under the agreement. Felmont expects to spend an additional \$773,000 during 1986 to acquire its 25 percent working interest.

Operations in the eastern United States are located primarily in Pennsylvania, with additional operations in Ohio, New York, West Virginia and Indiana, as well as the Allegany State Park Gas Storage Field in western New York. Exploration activities are conducted primarily in Pennsylvania. Felmont has 102 wells in Pennsylvania and 11 wells in Ohio which can produce approximately nine million cubic feet (5 million net to Felmont) of natural gas per day in the aggregate.

Canadian Operations - Felmont owns working interests in 21 producing wells and in three producing units in the Bigoray area of Alberta. Felmont also owns interests in eight shut-in wells and overriding royalties convertible into working interests after payout in 13 wells. The operations in which Felmont owns interests cover 2,815 net producing acres and 7,081 net non-producing acres.

DRILLING ACTIVITY

The following table shows annual drilling activity with respect to properties in which Felmont had an interest for each of the years 1981 through 1985.

OIL AND NATURAL GAS WELLS

	1985 **		1984 **		1983 **		1982		1981	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Producible at year-end..	1,198*	240.12	1,129*	218.38	1,174*	200.45	1,220*	205.70	1,123*	188.49
Drilled and completed...										
Oil wells:										
Exploration.....	4	.82	2	1.6	4	1.54	4	.48	2	.26
Development.....	18	7.29	13	1.91	16	7.90	42	3.28	26	4.42
Natural Gas wells:										
Exploration.....	7	2.83	7	5.36	2	.72	17	3.56	5	.56
Development.....	42	8.34	26	15.76	8	3.74	21	7.67	47	31.98
Dry holes:										
Exploration.....	16	6.77	12	7.06	6	3.73	6	.53	16	2.79
Development.....	13	2.34	5	2.30	5	1.40	4	.27	3	.25
Drilling at year-end:										
Exploration.....	2	.29	3	.42	2	.30	4	.48	6	1.26
Development.....	4	1.05	4	1.52	7	2.04	4	.34	6	.67

* Includes multiple completions of 62 in 1984 and in 1983, 59 in 1982 and 110 in 1981. No multiple completion wells were drilled in 1985.

** Does not include wells in Mikes Draw/Well Draw Field, located in Wyoming, which were sold in December 1983.

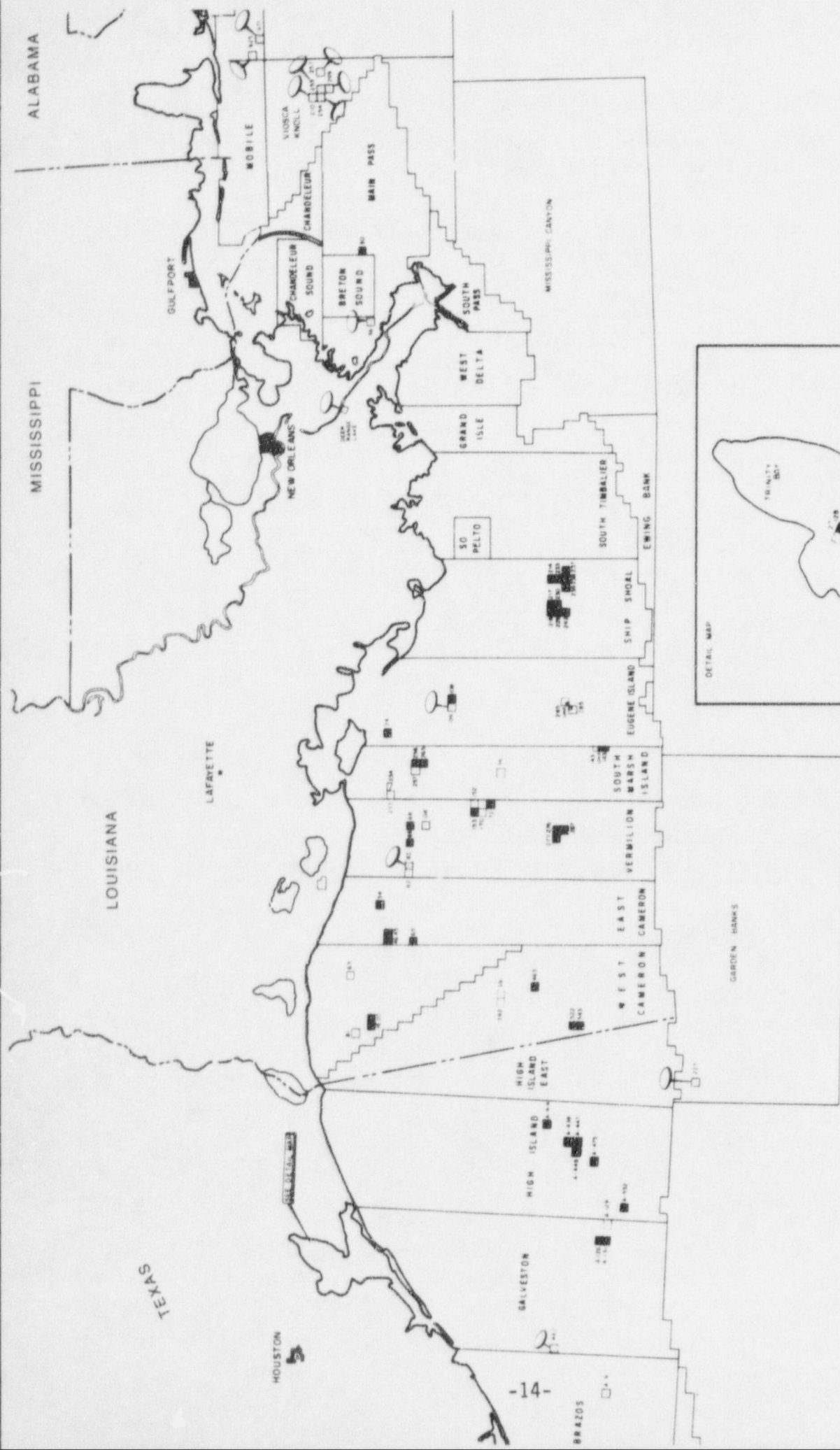
Information as to the Company's oil and gas reserves, and other related supplementary oil and gas data, appear on pages 27, 28 and 29 in the Company's 1985 Annual Report to Shareholders, a complete copy of which is appended to this report as Exhibit 13. Such oil and gas reserve and supplementary information is hereby incorporated by reference.

DEVELOPED AND UNDEVELOPED ACREAGE

The following table shows Felmont's developed and undeveloped acreage at December 31, 1985. The table shows both lease acreage and net royalty acreage.

OIL AND NATURAL GAS LEASE AND ROYALTY ACRES December 31, 1985

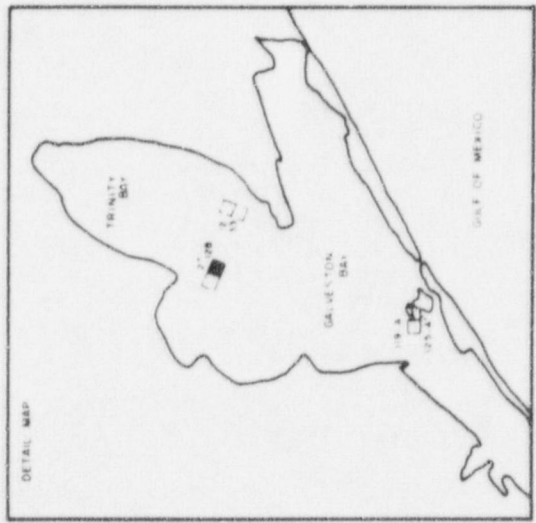
	Nonproducing Lease Acres		Producing Lease Acres		Net Royalty Acres		Net	Net ORR
	Gross	Net	Gross	Net	Nonproducing	Producing	Surface Acres	Producing Acres
UNITED STATES								
Indiana	0	0	1,386	1,223	152	0	0	0
Louisiana - Onshore	3,320	1,544	971	141	0	1,023	0	0
- Offshore	129,701	23,169	172,475	21,740	0	0	0	0
Texas - Onshore	30,493	15,917	17,123	8,407	58,404	13,697	2,997	229
- Offshore	28,800	6,796	53,280	4,391	0	0	0	0
Texas Coastal Waters	2,694	2,020	640	640	0	0	0	0
New Mexico	66,143	16,520	5,172	2,735	684	932	0	0
Appalachian Basin	154,905	74,945	29,421	25,352	6,567	1,733	0	59
North Dakota	0	0	2,710	232	43,707	682	0	0
Wyoming	28,855	27,924	34,364	8,812	174	147	0	10
Montana	92,904	92,904	0	0	0	0	0	0
Other States	4,450	1,736	1,220	394	7,882	448	0	19
Total USA	542,263	263,475	318,762	74,067	117,570	18,662	2,997	317
CANADA								
Alberta	37,345	6,309	28,429	2,288	0	0	0	480
British Columbia	6,013	772	3,481	522	0	0	0	0
Other Provinces	0	0	160	5	2,404	388	0	0
Total Canada	43,358	7,081	32,070	2,815	2,404	388	0	480
Total USA & Canada	585,621	270,556	350,832	76,882	119,974	19,050	2,997	797



TEXAS-LOUISIANA GULF COAST

ONSHORE AND OFFSHORE LEASES
FELMONT PARTIAL INTERESTS

- PRODUCTIVE LEASES
- OTHER LEASES ACQUIRED IN PRIOR YEARS
- - - ACQUIRED IN 1985



FEDERAL OFFSHORE LEASES — December 31, 1985

Area and Block	Operator	Date Acquired	Felmont Working Interest (%)	Net Bonus (\$M)	Gross Wells (Drilled or Drilling)		Producing Completions 12/31/85	Platforms
LOUISIANA								
Vermilion								
82	Southland	4/84	26.67	227	—	—	—	—
	Royalty							
83	Texas Gas	5/85	30.00	379	—	—	—	—
■ 86	Felmont	1/58	35.94	Farm-in	8	4	3	2
■ 88	Southland	5/83	26.67	2163	2	—	2	1
	Royalty							
108	Southland	5/83	26.67	670	1	—	—	—
	Royalty							
152	Elf Aquitaine	7/81	8.00	494	—	—	—	—
□ 153	Elf Aquitaine	7/81	8.00	1022	2	—	—	—
170	BelNorth	7/81	12.00	371	—	—	—	—
□ 172	Southland	4/84	26.67	375	1	2	—	1
	Royalty							
■ 276	Chevron	5/75	6.67	349	1	2	2	1
■ 277	Chevron	11/76	6.67	1108	1	1	1	1
■ 287	Chevron	5/75	6.67	174	1	8	4	1
South Marsh Island								
46	BelNorth	5/83	16.00	209	—	—	—	—
■ 143 (Unit)	Forest		4.12	—	2	7	4	2
■ 143 (Non-unit)		3/62	8.00	14	4	4	6	1
233	BelNorth	4/84	20.00	503	—	—	—	—
□ 234	Huffco	9/80	2.67 (ORR)	659	2	—	—	1
□ 256	Chevron	7/79	7.00	512	1	—	—	1
257	Chevron	12/73	20.00	2025	1	3	—	1
■ 265	Chevron	10/74	7.00	1873	6	1	2	1
Eugene Island								
■ 24	Odeco	10/74	10.00	78	2	3	2	1
■ 108	Felmont	4/78	20.00	1144	5	5	9	2
109	Felmont	5/85	20.00	1035	—	—	—	—
■ 285 (Unit)	Forest		5.32	—	2	11	1	2
285 (Non-unit)		3/62	20.00	61	1	—	—	—
Ship Shoal								
■ 214	Kerr-McGee	2/60	9.68	197	23	63	33	12
■ 217	Kerr-McGee	3/62	10.00	60	4	2	1	1
■ 218	Kerr-McGee	3/62	10.00	81	2	6	—	—
■ 229	Kerr-McGee	2/60	9.68	121	5	42	26	4
■ 230	Kerr-McGee	2/60	9.68	533	7	7	2	2
■ 233	Kerr-McGee	6/67	20.00	640	4	13	3	4
■ 237	Kerr-McGee	5/75	10.75	145	2	—	1	1
■ 238	Kerr-McGee	5/75	16.00	84	4	6	4	2
■ 239	Kerr-McGee	3/62	10.00	50	5	13	7	2
■ 242	Kerr-McGee	2/60	9.68	73	7	2	3	2
Main Pass								
□ 30	Texaco	10/81	5.00	1172	2	—	—	—

FEDERAL OFFSHORE LEASES — December 31, 1985

Area and Block	Operator	Date Acquired	Felmont Working Interest (%)	Net Bonus (\$M)	Gross Wells (Drilled or Drilling)		Producing Completions 12/31/85	Platforms
TEXAS								
Brazos								
A-9	BelNorth	7/84	25.00	275	—	—	—	—
Galveston								
■ A-126	McMoRan	7/79	2.33	90	—	1	1	—
■ A-129	Kerr-McGee	3/82	20.74	Farm-in	1	—	—	—
■ A-131	FMP Operating	6/73	2.33	74	4	10	3	1
460	Anadarko	8/85	33.30	356	—	—	—	—
High Island								
■ A-414	Tenneco	5/74	8.00	210	3	5	5	1
■ A-438	McMoRan	11/80	7.05	230	1	2	1	1
■ A-447	McMoRan	6/73	**	882	4	20	7	2
■ A-448	McMoRan	6/73	4.67	1324	4	5	1	1
■ A-475	Kerr-McGee	6/73	1.17(ORR)	735	7	2	1	—
■ A-532	Kerr-McGee	6/74	14.00	294	4	7	3	1
Garden Banks								
223	Conoco	8/85	20.00	232	—	—	—	—
LOUISIANA								
West Cameron								
63	Elf Aquitaine	7/81	10.00	3611	1	—	—	—
81	Chevron	7/75	8.00	242	1	1	—	—
■ 115	Odeco	10/74	7.00	753	3	—	1	1
■ 116	Odeco	10/74	7.00	184	1	—	1	1
□ 391	Elf Aquitaine	5/83	10.00	78	1	—	—	1
392	Elf Aquitaine	7/81	10.00	1130	—	—	—	—
■ 463	Texas Eastern	7/79	20.00	646	3	4	7	1
■ 522	Kerr-McGee	1/75	*	Farm-in	11	3	4	1
■ 543	Kerr-McGee	12/70	20.00	623	6	5	1	2
East Cameron								
■ 34	Kerr-McGee	10/74	7.00	2005	5	2	3	1
■ 45	Sonat	7/75	7.00	163	4	5	5	3
■ 46	Sonat	7/75	7.00	78	5	6	7	2
■ 65	BelNorth	9/80	10.00	3090	4	2	1	2
Pensacola								
925	Odeco	12/85	20.00	204	—	—	—	—
971	Odeco	12/85	20.00	204	—	—	—	—
Viosca Knoll								
210	Odeco	5/85	17.00	173	—	—	—	—
254	Odeco	5/85	17.00	260	—	—	—	—
255	Odeco	5/85	17.00	260	—	—	—	—
257	Odeco	5/85	17.00	173	—	—	—	—
299	Odeco	5/85	17.00	173	—	—	—	—

■ On production at 12/31/85
□ Discovery not yet Producing

*W.I. South 1/4 = 13.33%; North 3/4 = 12.00%
**W.I. A-447 "A" platform = 4.67%; "B" platform = 7.05%

RESERVES

Minerals - The proven and probable ore reserves stated in this report reflect estimates of the quantities and grades of mineralized material at the Company's mines which the Company believes will be recoverable at a profit. The Company's estimates are based largely on current costs and on projected prices and demand for the Company's products. Ore reserves are stated separately for each of the Company's mines based upon factors relevant to each mine. Ore reserves for Kalgoorlie Mining Associates, the Round Mountain mine and the Buick lead-zinc properties are based on calculations of geologic reserves provided to the Company by the respective operators. The Company has reviewed but has not independently confirmed those geologic reserves.

Ore reserves are reported as general indicators of mine life. Changes in reserves represent general indicators of the results of efforts to develop additional reserves as existing reserves are depleted through production. Grades of ore fed to process may be different from stated reserve grades because of variation in grades in areas mined from time to time, mining dilution and other factors. Reserves should not be interpreted as assurances of mine life or of the profitability of current or future operations.

Oil and Gas - The Company's net proved oil and gas reserves are the estimated quantities of natural gas, natural gas liquids, crude oil and condensate which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Due to the inherent uncertainties and the limited nature of reservoir data, estimates of underground reserves are subject to change over time as additional information becomes available.

Natural gas is reported on the basis of actual or calculated volumes which remain after non-hydrocarbons or liquefiable hydrocarbons are removed. Proved developed reserves are the quantities expected to be recovered through existing wells with existing equipment and operating methods. Proved reserves do not include additional quantities which may result from extensions of currently proved areas, or from application of secondary or tertiary recovery processes not yet tested and determined to be economic.

MINERAL EXPLORATION

Homestake conducts exploration activities in search of minerals, primarily gold and silver. Homestake has field exploration offices in the United States, Australia, New Zealand and Canada. Exploration is conducted independently and with others.

The total mineral exploration expense during 1985 was \$16,845,000, of which \$2,628,000 was expended on the North Amethyst Development project, Creede, Colorado. The 1985 total compares with \$17,705,000 in 1984.

At year-end, the Company's precious metal prospects totaled 124, compared with 91 in 1984. Expanded exploration efforts at the Homestake mine and the surrounding district area at Lead, South Dakota, as well as Australia, have added promising prospects.

Exploration continues on the North Amethyst Deposit Development project. A decline was begun in August 1984 and has now reached a decline distance of 4,900 feet. On-vein drifting on the first level encountered silver/gold mineralization in a zone consisting predominately of a clay cap indicating the probability of ore at deeper levels. On-vein drifting on the second and lower level to evaluate grade, ore continuity and metallurgy along the mineralized structures is planned when the decline reaches that level. The project is scheduled for completion in late 1986. If precious metal reserves are developed, the ore would be processed at the Homestake Bulldog mill.

Homestake formed Homestake International Minerals Limited in 1985 to acquire precious metal properties in advanced stages of exploration, development or operations. The acquisition search is world-wide.

Homestake seeks joint venture partners to advance the development of mineral projects not meeting Homestake's advancement criteria.

ENVIRONMENTAL MATTERS

General

The Company uses its best efforts to minimize, to the extent practicable, the adverse effects of its operations on the environment. The Company also uses its best efforts to comply with regulatory requirements. To do so, it has made substantial capital expenditures and has incurred significantly increased operating costs. In 1985, capital expenditures for such purposes totaled approximately \$6,660,000, compared with approximately \$15,453,000 in 1984. The Company estimates that during the next five years additional capital expenditures for such purposes will total more than \$26,000,000. The Company also estimates that its operating costs will continue to increase in order to comply with such requirements. Such expenditures and costs have not and will not increase productive capacity, efficiency, or revenues. Increased costs generally cannot be passed on to the Company's customers.

RCRA

Regulation of solid wastes from extraction, beneficiation and processing of ores and minerals under the Resource Conservation and Recovery Act ("RCRA") has been suspended since 1980 pending completion of a study by the United States Environmental Protection Agency ("EPA"). EPA presented the study to Congress on December 31, 1985. EPA is expected to propose additional regulations for such wastes on or before June 30, 1986.

CERCLA

EPA published the final National Priorities List ("NPL") under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") in 1983. CERCLA requires EPA to list in order of priority known or threatened releases of hazardous substances, pollutants or contaminants. The listing of a site does not constitute a determination that any remedial action is required or that any person is liable for any remedial action or environmental damage.

Site numbered 20 on the NPL is an approximately 18-mile stretch of Whitewood Creek in western South Dakota. The NPL states that for more than 100 years discharges of tailings by mining companies, including the Company, contaminated soil and water. A joint study of potential effects of such tailings by the Company, EPA and the State of South Dakota was completed in late 1985. The Company paid for the entire cost of the study totalling more than \$700,000. The Company believes that the study establishes that the tailings represent no significant threat to human health or the environment. The State of South Dakota has petitioned EPA to remove the site from the NPL. EPA is now evaluating whether the site should be removed from the NPL or whether remedial action is required.

In January 1985, South Dakota and the United States Geological Survey ("USGS") completed a separate study of mining and milling wastes along Whitewood Creek and the Belle Fourche and Cheyenne Rivers. The study generally supports the conclusions of the joint Whitewood Creek study.

The USGS is conducting a study of history, presence and ultimate fate of heavy metals derived from the Homestake mine in sediments in the thirty mile long Cheyenne River Arm of the Oahe Reservoir near Pierre, South Dakota. The study is expected to be completed by 1990.

Site numbered 330 on the NPL is the tailings at the Company's uranium mill near Grants, New Mexico. The NPL states that leachate from the tailings has contaminated a shallow aquifer used by residential subdivisions. In February 1985, the Company completed an extension of a municipal water system to the subdivisions as required by an agreement and stipulation with EPA. The cost of the extension and 1984 settlements of property damage claims by residents of the subdivisions totaled \$1,860,000. The Company has paid or accrued the total cost of the extension of the water system and the settlements in excess of amounts expected to be covered by insurance.

In December 1985, the State of New Mexico awarded a contract for design of a study of indoor radon levels in residences in the subdivisions near the Grants mill. Reported levels of radon in the residences are within the range of naturally occurring concentrations observed in other areas of New Mexico.

New Mexico and South Dakota have filed claims with the Company for natural resource damages resulting, respectively, from the Grants and Whitewood Creek tailings.

The Company denies all liability with respect to the two CERCLA sites. The Company is seeking declaratory judgments that its insurance carriers are required to indemnify it against any liability the Company may incur in connection with the two CERCLA sites.

Gold

At the Homestake mine, the Company has constructed, and is now operating, a state-of-the-art biological treatment plant. The treated discharge complies with the Company's 1978 consent decree with EPA and the State of South Dakota and an interim NPDES permit issued in November 1985. Site-specific discharge

standards for a final NPDES permit are being developed as part of a cooperative biological assessment by the Company, EPA, and the State.

Uranium

EPA has promulgated environmental standards for both active and inactive uranium mill tailings sites. The State of New Mexico has adopted regulations which do not conform to EPA standards in material respects. If implemented by the State of New Mexico, the EPA standards could impose significant additional compliance costs on the Company.

Renewal of radioactive materials licenses for all New Mexico uranium mills, including the Company's Grants mill, has been deferred by the state, pending resolution of the radiation standards issue. The Grants mill continues to operate under a variance.

Lead and Zinc

Litigation challenging the regulation of smelter slag by the State of Missouri was concluded by a settlement that required the participants in the Buick mine, mill and smelter complex to conduct a hydrogeological study of the smelter slag storage area. The study was begun in 1985 and is expected to continue for several years and to be completed at a total cost of approximately \$200,000.

The Buick smelter continues to comply with the national ambient air quality standards for lead of 1.5 micrograms of lead per cubic meter of air, averaged over a calendar quarter.

The Buick smelter continues to comply with blood level standards established by the United States Occupational Safety and Health Administration ("OSHA"). OSHA regulations establish a maximum average airborne lead exposure of 50 micrograms per cubic meter of air by March 1989. The Company believes that ambient dust controls and proposed modifications to the Buick sinter plant and dross furnace will meet the airborne lead standard at a total cost during 1986 of approximately \$810,000. Depending on results additional controls and modifications may be required.

During 1984, EPA promulgated new water quality effluent limitations for smelter discharges as a part of the NPDES permit system. To meet the new standards, a new filtration plant may be required at an estimated cost of \$265,000.

CUSTOMERS

During 1985, sales were made to two customers in excess of 10 percent, but not greater than 12 percent, of the Company's consolidated revenue. Sales to one such customer, Leach and Garner Company, was made from the gold segment. The other major customer, Central Area Power Coordinating Organization, a consortium of five mid-western utilities, purchases uranium under a sales contract. The registrant has no other relationship with either of these customers.

With the exception of certain uranium sales contracts, no sales contract with any single customer, or affiliated group of customers, is by itself material to any of the Company's segments.

EMPLOYEES

The number of full-time employees at year-end of Homestake and its subsidiaries was:

Homestake mine, South Dakota.....	1,355
McLaughlin mine, California.....	256
Bulldog mine, Colorado.....	30
Grants mines, New Mexico.....	63
Oil and gas operations.....	83
Mineral Exploration.....	84
Corporate staff and other.....	138

Total as of December 31, 1985.....2,009

The number of full-time employees at year-end in joint venture or partnership operations in which the Company participates, was:

Gold - Nevada.....	302
Gold - Australia.....	902
Lead/Zinc - Missouri.....	644

INDUSTRY SEGMENTS

Information as to revenues and operating profit or loss and identifiable assets for each industry segment is set forth in the table and notes under the heading "Three-Year Segment Information" on pages 34 and 35 in the Company's Annual Report to Shareholders for the year ended December 31, 1985. Such table and notes are hereby incorporated by reference.

EXECUTIVE OFFICERS OF THE REGISTRANT

<u>Name</u>	<u>Position</u>	<u>Age as of December 31, 1985</u>	<u>Years as an Officer</u>
Harry M. Conger	Chairman of the Board, President and Chief Executive Officer	55	10
James A. Anderson	Executive Vice President - Exploration, Business Development and Government Affairs	50	10
William A. Humphrey	Executive Vice President - Operations and Engineering	58	5
Lynn Walker	Executive Vice President - Oil and Gas	60	2
Kenneth S. Canfield	Vice President - Commercial	61	7
Lee A. Graber	Vice President - Corporate Development	38	2
Rex Guinivere	Vice President - Engineering	54	4
Richard R. Hinkel	Vice President - Human Resources	50	11
William G. Langston	Vice President, General Counsel and Assistant Secretary	50	3
Robert A. Reveles	Vice President - Government Affairs	53	3
Richard W. Stumbo, Jr.	Vice President - Finance and Chief Financial Officer	52	2
Maurice C. Stokes	Treasurer and Secretary	37	1
Jonathan J. Williams	Controller	54	14
Robert L. Watson	Assistant Controller	44	-
Charles R. Thurman	Assistant Secretary and Assistant Treasurer	57	10

No officer is related to any other officer by blood, marriage or adoption.

Officers are elected to serve until the next annual meeting of the Board of Directors at which officers are elected, or their successors are chosen and qualified.

No arrangement or understanding exists between any of the above officers and any other person pursuant to which any officer was elected.

Business Experience and Principal Occupation

The principal occupations of such officers during the past five years and their business experience have been:

Harry M. Conger - Mining Engineer, is now and since January 1982 has been Chairman of the Board of Directors and has also been Chief Executive Officer since December 1978 and President of the Company since June 1977. He has over 30 years of experience of increasing responsibility in the mining industry.

James A. Anderson - Geological Engineer, is now and since April 1981 has been an Executive Vice President of the Company, responsible for Mineral Exploration, Corporate Development and Government Relations. From November 1975 to April 1981, Mr. Anderson was Vice President and General Manager of the Exploration Division. He has 29 years of exploration and development experience in the mining industry.

William A. Humphrey - Mining Engineer, is now and since April 1981 has been an Executive Vice President of the Company, responsible for all mining and metallurgical operations and corporate engineering. Before joining Homestake in April 1981, Mr. Humphrey was Vice President - Operations for Newmont Mining Corporation from December 1975 to April 1981. He has 36 years of operations experience in the mining industry.

Lynn Walker - Petroleum Engineer, is now and since June 1984 has been an Executive Vice President of the Company, responsible for all oil and gas operations and exploration. Before Felmont Oil Corporation was acquired by Homestake in June 1984, Mr. Walker was President and Chief Operating Officer of Felmont from October 1972 to June 1984 and a Director of Felmont from 1966 to 1984. He has over 35 years of engineering and operating experience in the oil and gas industry.

Kenneth S. Canfield - Chemical Engineer, is now and since April 1981 has been Vice President - Commercial of the Company. From October 1978 to April 1981, Mr. Canfield was Vice President and General Manager of the Energy Division. He has 37 years of experience in engineering, product development and marketing in the energy and mining industries.

Lee A. Graber is now and since October 1983 has been Vice President - Corporate Development of the Company. From February 1980 to October 1983, Mr. Graber was Manager, Corporate Development and Planning, and previously was Manager, Planning and Analysis from July 1979 to February 1980. He has over 14 years experience in finance and corporate development.

Rex Guinivere - Mining Engineer, is now and since September 1981 has been Vice President - Engineering of the Company. Before joining Homestake in September 1981, Mr. Guinivere was employed by Kaiser Engineers as Vice President of the Non-Ferrous Minerals Division from January 1979 to September 1981. He has over 31 years of experience in mining and construction engineering.

Richard R. Hinkel is now and since January 1, 1986 has been Vice President - Human Resources of the Company. From January 1975 to December 1985, Mr. Hinkel was Vice President - Industrial Relations and Personnel. He has 26 years of experience in personnel and labor relations.

William G. Langston is now and since May 14, 1985 has been Vice President and General Counsel of the Company. He has also been an Assistant Secretary since May 1984. From March 1983 to May 1985, he was Vice President and Corporate Counsel, and from 1974 to 1983 was Corporate Counsel.

Robert A. Reveles is now and since July 1982 has been Vice President - Government Affairs of the Company. Before joining Homestake in September 1980, Mr. Reveles was employed by the United States House of Representatives, where he was Associate Staff Director of the Interior and Insular Affairs Committee from 1977 to 1980. He held positions in government service for over 25 years before joining Homestake.

Richard W. Stumbo, Jr. - Civil Engineer, is now and since October 1983 has been Vice President - Chief Financial Officer of the Company. Before joining Homestake in October 1983, Mr. Stumbo was employed by The Western Pacific Railroad Company as Senior Vice President and Vice President - Finance from April 1974 to October 1983. He has six years of experience as a civil engineer and 21 years of experience in finance.

Maurice C. Stokes is now and since September 1984 has been Treasurer of the Company and has also been Secretary since May 14, 1985. From April 1981 to September 1984 he was Corporate Manager of Financial Analysis, and previously was Manager of Planning and Evaluation, Energy Division from August 1980 to April 1981. He has over 11 years experience in finance.

Jonathan J. Williams - Certified Public Accountant, is now and since July 1971 has been Controller of the Company. He has 32 years of accounting experience.

Robert L. Watson - Certified Public Accountant, is now and since May 14, 1985 has been Assistant Controller of the Company. From September 1984 to May 1985 he was Manager, Internal Audit and previously was Accounting Manager from September 1981 to September 1984. He has over 11 years of accounting experience.

Charles R. Thurman - Certified Public Accountant, is now and since September 1984 has been Assistant Treasurer and Assistant Secretary of the Company. From May 1976 to September 1984, he was Assistant Secretary of the Company. He has 36 years experience in finance.

ITEM 2 - PROPERTIES

Reference is hereby made to the descriptions given under Item 1 - Business.

ITEM 3 - LEGAL PROCEEDINGS

In Homestake Mining Company v. R. Van Johnson, Secretary of Revenue, South Dakota, et al. (Circuit Court, Sixth Judicial Circuit, South Dakota), the South Dakota Supreme Court rejected each of the Company's attacks on the constitutionality of the State's 1981 6 percent tax on gross receipts from mining precious metals.

In Homestake Mining Company, et al. v. AMAX, Inc., et al. (Circuit Court, Dent County, Missouri, Cause No. CV-383-2166), the Company seeks declarations that it is now entitled to manage the Buick complex because of breaches of contract by AMAX and its subsidiaries, and that in any event it will be entitled to manage the Buick complex if AMAX should sell its half interest. The Company also seeks damages and other relief. The case is scheduled to be tried in July 1986.

In Ordrich Gold Reserves Company, Inc. v. Copper Range Company, et al. (U.S.D.C., D-Nev. CV-LV-83-284 HEC), the owners of an 18 percent net profits interest in the Round Mountain mine allege breach of contract and fiduciary duty by the Round Mountain participants in the calculation of net profits and seek compensatory and punitive damages and reformation of contract. The case is expected to be tried in the autumn of 1986.

Felmont Oil Corporation continues to pursue several arbitration proceedings under certain of its contracts for the sale of natural gas relating to (1) the purchaser's refusal to pay for certain minimum annual quantities which it was required to take or pay for, (2) the purchaser's purported invocation of a contract provision providing for reduction of the purchase price for sales of deregulated natural gas, and (3) the purchaser's failure to take certain required monthly minimum quantities of natural gas.

Certain environmental proceedings in which the Company is or may become a party are discussed on pages 18 through 20 under the caption "Environmental Matters".

ITEM 4 - SUBMISSION OF MATTERS TO A

VOTE OF SECURITY HOLDERS

- NONE -

PART II

ITEM 5 - MARKET FOR THE REGISTRANT'S COMMON STOCK AND RELATED

STOCKHOLDER MATTERS

- a. The common stock of the Registrant is registered and traded principally on the New York Stock Exchange. The common stock is also listed and traded on the Stock Exchange, London, the Frankfurt Stock Exchange and in Switzerland on the Basel, Geneva and Zurich stock exchanges.
- b. The number of holders of common stock as of February 28, 1986 was 24,733.
- c. Information about the range of sales prices for the common stock and the frequency and amount of dividends declared during the past two years appears in the tables on pages 33 and 35 in the Company's 1985 Annual Report to Shareholders, a complete copy of which is appended to this report as Exhibit 13. Such tables on sales prices and dividends are hereby incorporated by reference.

ITEM 6 - SELECTED FINANCIAL DATA

A summary of selected consolidated financial data of the Company and subsidiaries for the five-year period ended December 31, 1985 appears on page 35 in the Company's 1985 Annual Report to Shareholders, a complete copy of which is appended to this report as Exhibit 13. Such summary of selected consolidated financial data is hereby incorporated by reference.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion and analysis of financial condition and results of operations covering the three-year period ended December 31, 1985 appears on pages 32 and 33 in the Company's 1985 Annual Report to Shareholders, a complete copy of which is appended to this report as Exhibit 13. Such discussion and analysis are hereby incorporated by reference.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Homestake Mining Company and Subsidiaries:

The Company's 1985 Annual Report to Shareholders, appended to this report as Exhibit 13, includes the Company's consolidated financial statements as of December 31, 1985 and 1984 and for the years ended December 31, 1985, 1984 and 1983, an auditors' opinion thereon, and certain supplementary financial infor-

mation. The following are hereby incorporated by reference from such 1985 Annual Report to Shareholders at the pages indicated:

Statements of Consolidated Income (page 17)
Consolidated Balance Sheets (page 18)
Statements of Consolidated Shareholders' Equity (page 19)
Statements of Changes in Consolidated Financial Position (page 20)
Notes to Consolidated Financial Statements (pages 21-30)
Opinion of Certified Independent Public Accountants (page 31)
Selected Quarterly Data (page 35)

Financial statements in respect of Kalgoorlie Mining Associates (a 48% owned partnership) for the fiscal year ending in June 1986 will be subsequently filed as an amendment to this report, under cover of Form 8.

Summarized financial position and operating earnings of Kalgoorlie Mining Associates for the years ended December 31, 1985, 1984 and 1983 appear on pages 22-23 of the Company's 1985 Annual Report to Shareholders, to which reference is made.

ITEM 9 - DISAGREEMENTS ON ACCOUNTING AND

FINANCIAL DISCLOSURE

-NONE-

PART III

ITEMS 10, 11, 12 AND 13

In accordance with General Instruction G(3), Items 10, 11, 12 and 13 (with the exception of certain information pertaining to executive officers, which is included in Part I hereof) have been omitted from this report since a definitive proxy statement is being filed with the Securities and Exchange Commission and furnished to shareholders pursuant to Regulation 14A.

The information contained in such proxy statement relating to directors, management remuneration, security ownership and relationships is hereby incorporated by reference.

PART IV

ITEM 14 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES,
AND REPORTS ON FORM 8-K

(a) 1. Financial Statements:

Refer to Part II, Item 8.

2. Financial Statement Schedules:

Schedules as of December 31, 1985 -

- I Marketable Securities
- XIII Other Investments

Schedules for the years ended December 31, 1985, 1984 and 1983 -

- II Amounts Receivable from Related Parties and Underwriters,
 Promoters and Employees (other than related parties)
- V Property, Plant and Equipment
- VI Accumulated Depreciation, Depletion and
 Amortization of Property, Plant and Equipment
- X Supplementary Income Statement Information

Opinion of Independent Certified Public Accountants

Schedules not listed above are omitted because they are not required or because the required information is included elsewhere in this report.

3. Exhibits:

- (13) Annual Report to Shareholders.*
- (22) Subsidiaries of the Registrant.
- (24) Consent of Independent Certified Public Accountants.

(b) Reports Filed on Form 8-K

None filed during the last quarter covered by this report.

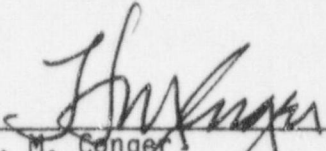
* With the exception of those statements, tables, summaries and notes specifically incorporated herein by reference, and as set forth in pages 2, 12, 21, 26 and 27 hereof, the Company's 1985 Annual Report to Shareholders, appended as Exhibit No. 13, is not deemed filed as part of this report.

SIGNATURES

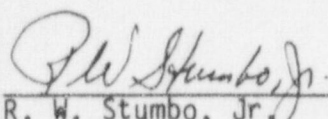

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOMESTAKE MINING COMPANY

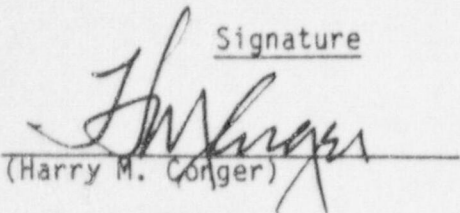
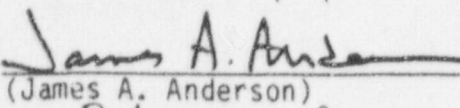
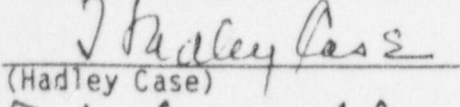
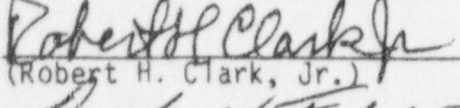
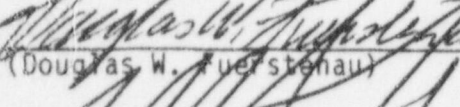
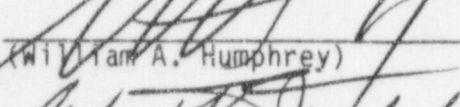
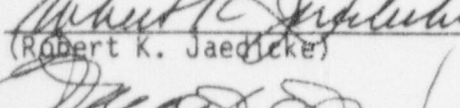

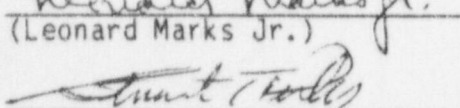

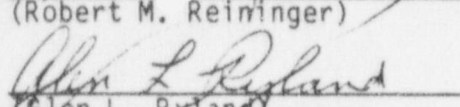

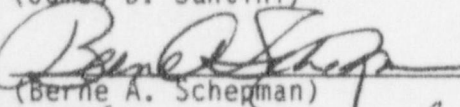
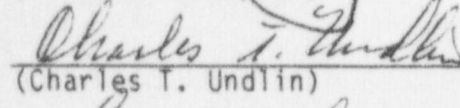
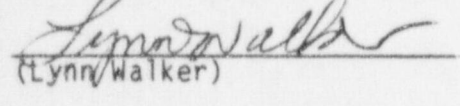
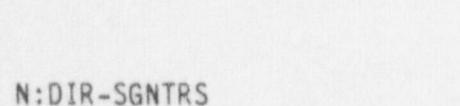
Date March 17, 1986

By 
H. M. Conger
Chairman of the Board,
President and Chief
Executive Officer.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u></u> R. W. Stumbo, Jr.	Vice President - Finance (Principal Financial Officer)	March 17, 1986
<u></u> J. Williams	Controller..... (Principal Accounting Officer)	March 17, 1986

(Signatures continued on following page.)

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
 (Harry M. Conger)	Chairman of the Board, President, Chief Executive Officer and Director (Principal Executive Officer..	March 17, 1986
 (James A. Anderson)	Director.....	March 17, 1986
 (Hadley Case)	Director.....	March 17, 1986
 (Robert H. Clark, Jr.)	Director.....	March 17, 1986
 (Douglas W. Fuerstehau)	Director.....	March 17, 1986
 (William A. Humphrey)	Director.....	March 17, 1986
 (Robert K. Jaedicker)	Director.....	March 17, 1986
 (Wallace Macgregor)	Director.....	March 17, 1986
 (Leonard Marks Jr.)	Director.....	March 17, 1986
 (Stuart T. Peeler)	Director.....	March 17, 1986
 (Robert M. Reininger)	Director.....	March 17, 1986
 (Glen L. Ryland)	Director.....	March 17, 1986
 (James D. Santini)	Director.....	March 17, 1986
 (Berne A. Schepman)	Director.....	March 17, 1986
 (Charles T. Undlin)	Director.....	March 17, 1986
 (Lynn Walker)	Director.....	March 17, 1986

OPINION OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Homestake Mining Company:

We have examined the consolidated balance sheets of Homestake Mining Company and subsidiaries as of December 31, 1985 and 1984 and the related statements of consolidated income, consolidated shareholders' equity, and changes in consolidated financial position for the years ended December 31, 1985, 1984, and 1983 and have issued our opinion thereon dated February 24, 1986; such financial statements and opinion are included in your 1985 Annual Report to Shareholders and are incorporated herein by reference. Our examinations also comprehended the supplemental financial statement schedules of Homestake Mining Company and subsidiaries as of December 31, 1985 and for the years ended December 31, 1985, 1984, and 1983, listed in Item 14.(2). In our opinion, such supplemental schedules, when considered in relation to the basic financial statements, present fairly in all material respects the information shown therein.

Deloitte Haskins + Sells

February 24, 1986

HOMESTAKE MINING COMPANY AND SUBSIDIARIES

SCHEDULE I - MARKETABLE SECURITIES

DECEMBER 31, 1985

(In Thousands)

COLUMN A	COLUMN B	COLUMN E
DESCRIPTION	NUMBER OF SHARES OR UNITS - PRINCIPAL AMOUNT OF BONDS AND NOTES	AMOUNT AT WHICH CARRIED IN BALANCE SHEET*
SHORT-TERM INVESTMENTS:		
Bankers' acceptances - domestic banks, 7.62% to 8.20% maturing between 1/2/86 and 2/14/86.....	\$35,700	\$35,346
Eurodollar deposits with major European banks and a domestic bank, 7.75% to 8.25% maturing between 1/6/86 and 1/15/86.....	27,477	27,477
Deposits with Australian financial and savings inatitutions, 12.0% to 20.0%, due on demand or matur.ng thru 12/21/87.....	9,179	9,179
Certificate of deposits and repurchase agreements - domestic banks, 6.75% to 7.75% maturing between 1/2/86 and 1/13/86.....	8,007	8,007
Commerical paper - domestic banks 7.5% to 7.9%, maturing between 1/2/86 and 1/21/86.....	6,260	6,235
U.S. government agency bonds and notes, 7.6% due 5/15/86.....	2,000	1,935
Chemical Bank commercial paper (in custody of pollution control bond trustee), 7.16% to 7.20%.....	809	809
Private Export Funding Corporation Note, 10.25% due 5/16/88...	690	690
Other.....	-	454
Total Short-Term Investments		90,132
CASH		(599)
Total Cash and Short-Term Investments		\$89,533

* Short-term investments are carried at cost which approximates market value.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES
 SCHEDULE II - AMOUNTS RECEIVABLE FROM RELATED PARTIES AND UNDERWRITERS, PROMOTERS, AND
 EMPLOYEES (OTHER THAN RELATED PARTIES)
 FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 and 1983
 (In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
NAME OF DEBTOR	BALANCE AT BEGINNING OF PERIOD	ADDITIONS (1)	DEDUCTIONS AMOUNTS COLLECTED	BALANCE AT END OF PERIOD CURRENT NOT CURRENT
YEAR ENDED DECEMBER 31, 1985				
H. M. Conger	\$259	\$ 10	\$269	-
J. A. Anderson	168	15	32	21
	\$427	\$ 25	\$301	\$21
				\$130
YEAR ENDED DECEMBER 31, 1984				
H. M. Conger	-	\$259	-	\$35
J. A. Anderson	-	168	-	22
	-	\$427	-	\$57
				\$224
				146
				\$370
YEAR ENDED DECEMBER 31, 1983				

No required disclosures

(1) Represents notes receivable, including accrued interest, in connection with the exercise of options to purchase Homestake common stock. Such notes are secured by a pledge of the shares of common stock purchased and bear interest at the greater of 9% per annum or the rate from time to time specified by the IRS as necessary to avoid imputation of interest income. Principal is payable in five consecutive annual installments on the anniversary date of each note. Accrued interest is payable on the date each installment of principal is due.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES
SCHEDULE V - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 and 1983
(In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BEGINNING OF YEAR	ADDITIONS AT COST	RETIREMENTS OR SALES	OTHER CHANGES- ADD/(DEDUCT) (1)	END OF YEAR
YEAR ENDED DECEMBER 31, 1983					
Mineral: Mining properties	\$ 34,476	\$ 1,854	\$ -	\$ -	\$ 36,330
Mine development costs	64,568	826	-	-	65,394
Plant and equipment	124,594	6,083	1,165	36	129,548
Land and royalty interests	7,447	2	149	-	7,300
Construction and mine development in progress	35,257	38,202	-	(432)	73,027 (2)
Subtotal	<u>266,342</u>	<u>46,967</u>	<u>1,314</u>	<u>(396)</u>	<u>311,599</u>
Oil & Gas: Undeveloped lease and royalty interests	20,940	5,759	181	(2,793)	23,725
Producing lease and royalty interests	29,906	-	107	3,371	33,170
Development costs and equip. on producing properties	134,802	15,666	6,226	185	144,427
Other	3,810	357	733	182	3,616
Subtotal	<u>189,458</u>	<u>21,782</u>	<u>7,247</u>	<u>945</u>	<u>204,958</u>
Chemical Plant	11,134	-	10,182	(952)	-
TOTAL - 1983	<u>\$466,934</u>	<u>\$ 68,749</u>	<u>\$ 18,743</u>	<u>\$ (403)</u>	<u>\$516,537</u>
YEAR ENDED DECEMBER 31, 1984					
Mineral: Mining properties	\$ 36,330	\$ 1,350	\$ 52	\$ (2,999) (4)	\$ 34,629
Mine development costs	65,394	2,590	27,280 (3)	(2)	40,702
Plant and equipment	129,548	16,371	400	5,419	150,938
Land and royalty interests	7,300	7	-	-	7,307
Construction and mine development in progress	73,027	151,591	-	(4,650)	219,968 (2)
Subtotal	<u>311,599</u>	<u>171,909</u>	<u>27,732</u>	<u>(2,232)</u>	<u>453,544</u>
Oil & Gas: Undeveloped lease and royalty interests	23,725	3,153	3,705	(952)	22,221
Producing lease and royalty interests	33,170	1,010	126	-	34,054
Development costs and equip. on producing properties	144,427	19,379	2,401	281	161,686
Other	3,616	1,336	87	676	5,541
Subtotal	<u>204,938</u>	<u>24,878</u>	<u>6,319</u>	<u>5</u>	<u>223,502</u>
TOTAL - 1984	<u>\$516,537</u>	<u>\$196,787</u>	<u>\$ 34,051</u>	<u>\$ (2,227)</u>	<u>\$677,046</u>

See footnotes on following page.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES

SCHEDULE V (continued) - PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 and 1983
(In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BEGINNING OF YEAR	ADDITIONS AT COST	RETIREMENTS OR SALES	OTHER CHANGES - ADD/(DEDUCT) (1)	END OF YEAR
YEAR ENDED DECEMBER 31, 1985					
Mineral: Mining properties	\$ 34,629	\$ 1,289	\$ 12	\$ 2,613 (5)	\$ 38,519
Mine development costs	40,702	7,272	-	52,603 (5)	100,577
Plant and equipment	150,938	50,340	2,262	160,752 (5)	359,768
Land and royalty interests	7,307	10	-	192 (5)	7,509
Construction and mine development in progress	219,968	(2,612)	-	(214,711) (5)	2,645
Subtotal	453,544	56,299	2,274	1,449	509,018
Oil & Gas: Undeveloped lease and royalty interests	22,221	6,396	5,705	1,356	24,268
Producing lease and royalty interests	34,054	37	2,322	(1,047)	30,722
Development costs and equip. on producing properties	161,686	18,141	12,790	(503)	166,534
Other	5,541	1,422	897	(1,202)	4,864
Subtotal	223,502	25,996	21,714	(1,396)	226,388
TOTAL - 1985	\$677,046	\$ 82,295	\$ 23,988	\$ 53	\$735,406

- (1) Primarily reclassifications to other accounts
- (2) Includes McLaughlin mine development costs of \$210,524 and \$58,030 in 1984 and 1983 respectively.
- (3) Primarily write-off of pitch mill development costs.
- (4) Primarily transfers to mining venture partnerships.
- (5) Primarily transfers relating to the capitalization of the McLaughlin mine.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES
SCHEDULE VI - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 and 1983
(In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS OR SALES	OTHER CHANGES- ADD/(DEDUCT) (1)	END OF YEAR
YEAR ENDED DECEMBER 31, 1983					
Mineral: Mining properties	\$ 14,876	\$ 628	\$ -	\$ 179	\$ 15,683
Mine development costs	40,497	9,813 (2)	-	-	50,310
Plant and equipment	69,418	11,417	859	288	80,264
Land and royalty interests	1,722	289	148	-	1,863
Subtotal	126,513	22,147	1,007	467	148,120
Oil & Gas: Undeveloped lease and royalty interests	2,531	4,628	153	579	7,585
Producing lease and royalty interests	13,551	2,244	98	-	15,697
Development costs and equip. on producing properties	45,469	17,469	4,526	(29)	58,383
Other	970	262	615	153	770
Subtotal	62,521	24,603	5,392	703	82,435
Chemical Plant	8,206	512	7,984	(734)	-
TOTAL - 1983	\$197,240	\$ 47,262	\$ 14,383	\$ 436	\$230,555
YEAR ENDED DECEMBER 31, 1984					
Mineral: Mining properties	\$ 15,683	\$ 588	\$ 52	\$ 179	\$ 16,398
Mine development costs	50,310	1,928	27,280 (3)	(3)	24,955
Plant and equipment	80,264	9,695	362	663	90,260
Land and royalty interests	1,863	114	-	(15)	1,962
Subtotal	148,120	12,325	27,694	824	133,575
Oil & Gas: Undeveloped lease and royalty interests	7,585	6,077	3,705	(1,092)	8,865
Producing lease and royalty interests	15,697	2,458	80	513	18,588
Development costs and equip. on producing properties	58,383	18,289	2,333	(3)	74,336
Other	770	246	55	565	1,526
Subtotal	82,435	27,070	6,173	(17)	103,315
TOTAL - 1984	\$230,555	\$ 39,395	\$ 33,867	\$ 807	\$236,890

See footnotes on following page.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES
SCHEDULE VI (continued) - ACCUMULATED DEPRECIATION, DEPLETION AND AMORTIZATION
OF PROPERTY, PLANT AND EQUIPMENT
FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 and 1983
(In Thousands)

COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E	COLUMN F
DESCRIPTION	BEGINNING OF YEAR	ADDITIONS CHARGED TO COSTS AND EXPENSES	RETIREMENTS OR SALES	OTHER CHANGES-- ADD/(DEDUCT) (1)	END OF YEAR
YEAR ENDED DECEMBER 31, 1985					
Mineral: Mining properties	\$ 16,398	\$ 2,563 (4)	\$ -	\$ 3	\$ 18,964
Mine development costs	24,955	11,337 (4)	-	-	36,292
Plant and equipment	90,260	18,923	2,216	646	107,613
Land and royalty interests	1,962	81	-	300	2,343
Subtotal	133,575	32,904	2,216	949	165,212
Oil & Gas: Undeveloped lease and royalty interests	8,865	6,254	4,022	-	11,097
Producing lease and royalty interests	18,588	2,535	1,687	-	19,436
Development costs and equip. on producing properties	74,336	19,937	7,241	-	87,032
Other	1,526	254	115	-	1,665
Subtotal	103,315	28,980	13,065	-	119,280
TOTAL - 1985	\$236,890	\$ 61,884	\$ 15,281	\$ 949	\$284,442

(1) Primarily reclassifications to other accounts.

(2) Includes amortization of Pitch mine and mill development costs of \$8,198 in 1983.

(3) Primarily write-off of Pitch mill development costs.

(4) Primarily the writedown of uranium assets; \$1,445 mining properties, \$6,670 mine development costs.

See significant accounting policies (page 22) in annual report to shareholders attached hereto as Exhibit 13, for methods used in computing depreciation, depletion and amortization.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES

SCHEDULE X - SUPPLEMENTARY INCOME STATEMENT INFORMATION FOR THE YEARS ENDED DECEMBER 31, 1985, 1984 AND 1983

(In Thousands)

COLUMN A		COLUMN B		
		CHARGED TO COSTSAND EXPENSES.....		
ITEM		1985	1984	1983
MAINTENANCE AND REPAIRS (1).....		<u>\$27,712</u>	<u>\$23,924</u>	<u>\$24,798</u>
TAXES, OTHER THAN PAYROLL AND INCOME TAXES:				
Property.....		\$ 4,340	\$ 3,564	\$ 2,965
Severance/Production.....		5,033	5,767	9,297
Windfall Profit Tax.....		3,304	4,396	4,435
Other.....		<u>434</u>	<u>532</u>	<u>463</u>
TOTAL.....		<u>\$13,111</u>	<u>\$14,259</u>	<u>\$17,160</u>
ROYALTIES.....		<u>\$ 3,810</u>	<u>\$ 3,758</u>	<u>\$ 4,918</u>

(1) Maintenance and repairs include labor, materials, and other expenses incurred for those purposes, as well as minor renewals and betterments; major renewals and betterments are added to property, plant and equipment.

HOMESTAKE MINING COMPANY AND SUBSIDIARIES

SCHEDULE XIII - OTHER INVESTMENTS

DECEMBER 31, 1985

(In Thousands)

	<u>PERCENT OWNERSHIP</u>	<u>AMOUNT*</u>
MINING VENTURE PARTNERSHIPS:		
Kalgoorlie Mining Associates	48%	\$31,476
Amax - Homestake Lead Tollers	50%	8,887
American Copper & Nickel Company - Homestake Jardine Venture	50%	2,834
		<hr/>
TOTAL		<u>\$43,197</u>

* Reported using the equity method, which represents Homestake's cost adjusted for its share of profits and losses and distributions.

HOMESTAKE MINING COMPANY

INDEX TO EXHIBITS

Sequentially
Numbered
Page

Exhibit No. (13).....	1985 Annual Report to Shareholders.
Exhibit No. (22).....	Subsidiaries of the Registrant.
Exhibit No. (24).....	Consent of Independent Certified Public Accountants.

HOMESTAKE MINING COMPANY

ANNUAL REPORT TO SHAREHOLDERS
FOR THE YEAR
ENDED DECEMBER 31, 1985.

THIS PAGE INTENTIONALLY
LEFT BLANK