PLACER

1967

Placer Development Limited

Forty-second Annual Report

Placer Development Limited

Incorporated in British Columbia, Canada

Your Directors are pleased to submit the Forty-second Annual Report of your Company for the year ended December 31, 1967 including the Financial Statements and Auditors' Report thereon.

contents

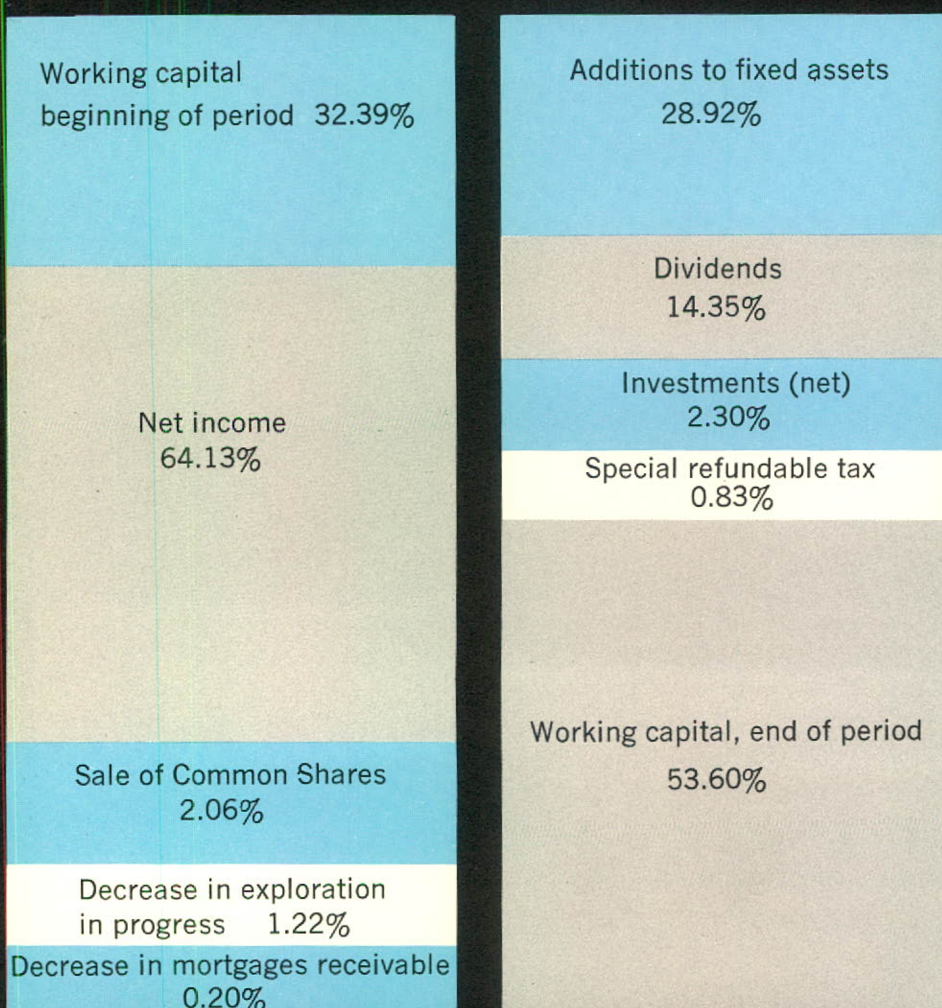
ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of the Company will be held on Monday, May 6, 1968 at 11:00 A.M. in the Board Room of the Hotel Vancouver, Vancouver, British Columbia, Canada.

COMPARATIVE HIGHLIGHTS

	1967	1966
Operating Revenue	$40,512,715	$35,336,711
Dividends and interest received	$ 9,142,813	$ 3,475,136
Net Income	$11,852,058	$ 8,163,324
– per share	$2.23	$1.53
Common shares outstanding (net)	5,330,437	5,301,537
Working capital	$15,830,835	$ 9,595,536
Capital Expenditures	$ 8,566,285	$ 7,736,988
Investment in shares	$ 7,719,683	$ 6,961,653
Number of shareholders	5,510	5,800
Number of employees	2,050	2,245

FUNDS MADE AVAILABLE FROM . . . AND USED FOR



comparative highlights

T. H. McClelland,
President and
Chief Executive Officer

directors' report to the shareholders

Record earnings

Fiscal 1967 was a most satisfactory year for your Company. Net earnings of $2.23 per share are the highest on record. This compares with net earnings of $1.53 per share for the preceding 12 months, during which time the fiscal year-end was changed from April 30 to December 31. The sharp increase in earnings is due mainly to two factors: the payment by Craigmont Mines Limited of $1.00 per share in extra dividends in addition to regular dividends totalling $1.00 per share, and to the initiation of dividends by Mattagami Lake Mines Ltd. (N.P.L.), which paid four interim dividends of 25 cents as well as an extra of 25 cents per share in December, 1967. In the Annual Report to Shareholders, the Directors of Craigmont indicated that earnings are not likely to permit the payment of further extras, but that regular dividend payments should be maintained for the foreseeable future. Craigmont net earnings for its fiscal year ended October 31, 1967 amounted to $2.20 per share.

Craigmont and Mattagami dividends main effect on earnings

Stock dividends tax free to Canadian resident shareholders in 1967

Regular quarterly dividends of 20 cents per share were paid during the year for a total distribution to shareholders of $4,250,138 by way of redeemable stock dividends from surplus arising from capital gains. These dividends are received free of tax to Canadian resident shareholders with no disadvantage to other shareholders. This distribution on a tax free basis is subject to the continuing approval of the Department of National Revenue.

Endako throughput increased to 25,000 tons per day

Endako Mines Ltd. (N.P.L.), in which your Company holds an 82.48% interest, reported net earnings of $1.43 per share for the year ended December 31, 1967. The financial results of Endako are consolidated in the Placer accounts. The expansion program at Endako was completed on schedule and, during December, the milling rate was over 25,000 tons per day. It should be pointed out that while Endako earnings are reflected in the Consolidated Balance Sheet, they do not, at this time, result in any increase in cash flow to your Company. Endako may be in a position to consider dividend payments in late 1968.

Marcopper announces production plans

Possibly the most significant development to report on was the announcement in January, 1968 by Marcopper Mining Corporation of the decision to equip its Philippine copper property for production. Your Company, through a wholly-owned subsidiary, holds a 40% interest in this operation, the maximum

J. D. Simpson,
Chairman

permitted under Philippine law. Marcopper has reported ore reserves at 90,500,000 tons averaging 0.76% copper and 25 cents recoverable gold per ton, which will be mined by open pit methods at a rate of 15,000 tons per day. It is expected that production will commence in early 1970. Your Company has maintained an active interest in this property for the past ten years and it is very gratifying to your Directors that legislation was recently passed by the Philippine Government which clarified the status of foreign investments, thus enabling Marcopper to proceed to production. The encouragement of foreign investment by the Philippine Government should contribute substantially to the growing economy of that country.

Cortez Gold property to be placed in production

The exploration program being carried out at Cortez, Nevada, has delimited 3,400,000 tons of open pit gold ore averaging 0.291 oz. per ton. The joint venture group, in which Placer, through its wholly-owned subsidiary, American Exploration & Mining Co., has a 28.33% interest, is planning to place this property in production at a rate of 1,500 tons per day.

Aggressive exploration policy continues

The need for a continuing, vigorous exploration program cannot be over-emphasized. We are all aware that producing orebodies are wasting assets; therefore, a responsible mining company should exert every effort to locate new orebodies to replace those being worked out. Your Company continues to follow this policy and while it is difficult to appraise the results of such exploration programs at any given date, several ventures now in progress show some indications of becoming producing mines. Such undertakings are of a very high risk nature, but vital to the continuing growth of the Company.

Molybdenum over-supply

Endako's favourable position assured

In January, 1967, the prices per pound of molybdenite concentrate and molybdic oxide were increased from $1.55 U.S. to $1.62 U.S. and from $1.75 U.S. to $1.82 U.S. respectively. The higher price level prevailed throughout the year. Approximately 80% of Endako's production is sold under long term contracts to more than a dozen consumers in Europe and Japan. The remainder is sold on a spot basis. In the Fall of 1967, a softening in molybdenum demand became evident in both Europe and Japan. This was a reflection of inventory accumulation in the hands of the users, combined with increased production, which has risen from 75 million pounds per year in 1964 to an annual rate of 140 million pounds at the end of 1967. Were it not for the copper strike in the United States which eliminated most of the by-product output by the copper industry, there would have been a substantial over-supply. The outlook for 1968 involves further consolidation of supply and demand, with the labour situation as a major factor in this relationship. Endako's position in the market remains secure by virtue of the aforementioned contracts and the fact that its product is unusually pure.

New sales agreements for Craigmont and Marcopper

The concentrate sales contract between Craigmont and Japanese buyers expired in November, 1967 and was replaced by a new five-year agreement with Nippon Mining Company. In January, 1968, a ten-year concentrate sales contract was signed between Marcopper Mining Corporation and Nippon Mining Company covering the entire output of copper production from time of startup.

Future copper market uncertain

The copper market was unsettled during 1967 due to the prolonged strike in the United States. It appears that at the end of this strike an excess of supply over demand may develop, the extent of which is not possible to assess in advance. Factors influencing the situation include the Vietnam war, the extent of substitution by other materials and the stockpiling policy in the United States.

Lead-zinc markets outlook not favourable

The zinc market remained fairly stable during 1967 despite early indications of over-supply. Placer participates in the U.S. markets for zinc and lead sales with production from the Jersey Mine at Salmo, B.C., and in world-wide markets for zinc by virtue of its position in Mattagami. The strike in the United States prevented the sale of zinc to Anaconda and all production was stockpiled at Salmo. It is anticipated that both metals will return to a period of surplus when the strike ends as new productive capacity is expected to cover consumption increases.

Death of Mr. G. A. Gordon

It is with regret that your Board reports the death of Mr. G. A. Gordon in January, 1968. Mr. Gordon served the Company as General Manager of Canadian Exploration Limited since 1951, and his efforts and dedication in that capacity contributed greatly to the success of your Company.

Acknowledgment

Our staff continues to be our most valuable asset and on behalf of you, the Shareholders, your Directors take this opportunity to record appreciation to an extremely loyal group of employees for a major contribution to a most successful year.

On behalf of the Board of Directors,

CHAIRMAN

PRESIDENT

operations

CANADIAN

Jersey Mine
(100% Interest)

The Jersey Lead-Zinc operation is located south of Salmo, British Columbia. During 1967, a total of 493,029 tons, grading 1.04% lead and 2.87% zinc was processed to produce 5,653 tons of lead concentrate and 21,496 tons of zinc concentrate.

Lead concentrate was sold to the Bunker Hill smelter at Kellogg, Idaho, and to July 15, 1967, zinc concentrate was sold to the Anaconda Company at Black Eagle, Montana. A strike at Anaconda in July curtailed zinc concentrate shipments and since that time, with the exception of 3,500 tons treated at Bunker Hill, all zinc concentrate has been stockpiled. At the year end, the stockpile contained 6,500 tons.

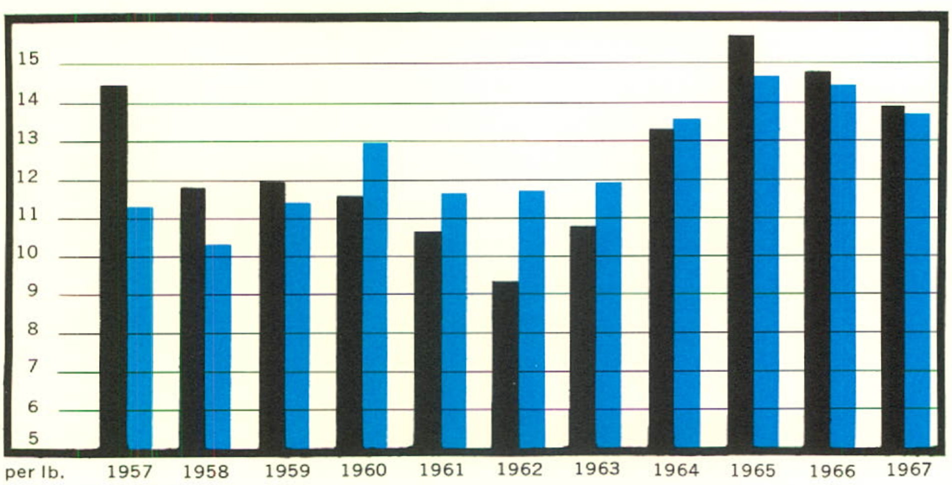
Lead price remained steady at 14.0 cents (U.S.) per pound, but zinc price dropped from 14.5 cents (U.S.) to 13.5 cents (U.S.) by mid-year.

Proven and probable reserves at year end were 523,453 tons grading 1.2% lead and 3.7% zinc.

The 410,000 tons of new ore added during the year result from mining exploration and geological interpretation within the known ore zones, plus one small zone outside the limits of previously known ore boundaries.

During 1967, Placer increased its interest slightly from 82.26% to 82.48% through purchase of shares.

YEARLY AVERAGE LEAD AND ZINC PRICES PER LB.
EAST ST. LOUIS (U.S. $)



Endako Mines Ltd. (N.P.L.)
(82.48% Interest)

Endako has reported a net profit for the year of $11,456,748 after provision of $1,962,000 for depreciation and $1,194,059 for amortization of preproduction expenses. In addition, a further reduction was made of a non-recurring extraordinary write-off of $320,699, with respect to the water system, sewer system and roads sold to the Village of Fraser Lake for a nominal amount, leaving a net profit for the year of $11,136,049, equivalent to $1.43 per common share of Endako. Since the Company is in its three year tax-free period, no provision has been made for income tax. Funds generated were applied to fixed asset additions for increasing the plant capacity in the amount of $7,268,373 and repayment of term bank loans of $4,288,242.

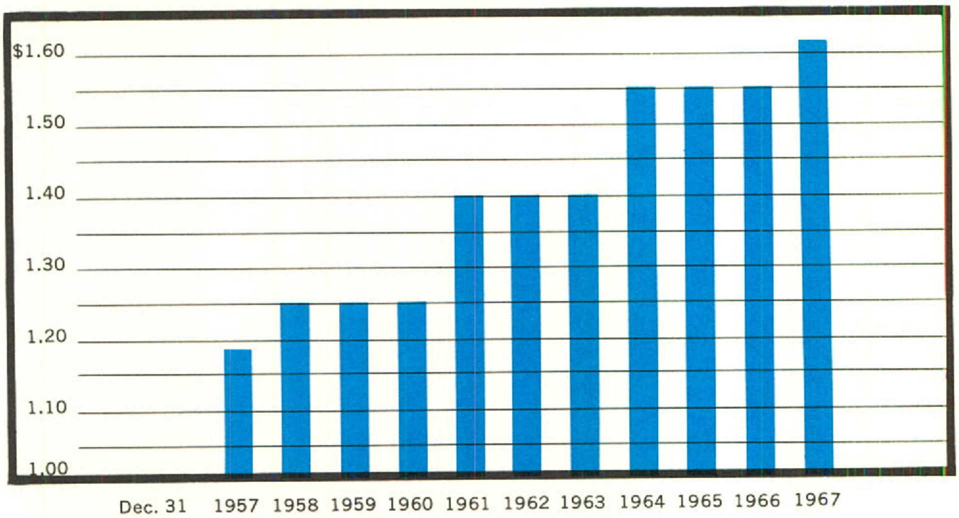
In June, $5,000,000 of 6% redeemable preference shares were redeemed with accrued dividends of $862,465 and the principal converted to a bank loan of $5,000,000 at more favourable terms. At December 31, 1967, the bank loan of $5,000,000 remained outstanding, together with a working capital demand loan of $2,850,000. The working capital improvement in the year of $1,664,360 was represented by an increase in accounts receivable for concentrate and concentrate inventories rather than cash. Endako forecasts retirement of all bank loans by the last quarter of 1968.

Expansion of the Endako plant was completed in early November, and during December mill throughput averaged 25,400 tons per day at a molybdenum recovery rate of 83.7%. Although minor improvements can be expected, this throughput and recovery are indicative of the plant performance on a long-range basis unless further major changes are made. The practice of mining, treating ore at cut-off grade of 0.12% MoS_2 and stockpiling low grade ore between 0.08% and 0.12% MoS_2 has been discontinued because of increasing strip ratios. At year end, all ore in excess of 0.08% MoS_2 was being treated in the mill with little change to the total tons being mined in the pit, and yet supplying all mill requirements. Market requirements of 12,000,000 pounds of molybdenum required for contract commitments, and approximately 2,000,000 pounds required for spot sales, can be supplied on a long-term basis treating ore reserve grade material.

During 1967 the Endako plant treated 6,778,000 tons of ore at a grade of 0.212% MoS_2, producing 14,288,357 pounds of saleable molybdenum.

Molybdenum was sold as molybdenite (69.84% of sales) and molybdic oxide (30.16% of sales) at a price of $1.72 (Canadian) per pound for molybdenum in molybdenite concentrate and $1.94 (Canadian) per pound for molybdenum in molybdic oxide.

MOLYBDENUM
Climax Price per lb.
90-95% MoS_2 Concentrate
contained Mo.
(U.S. $)



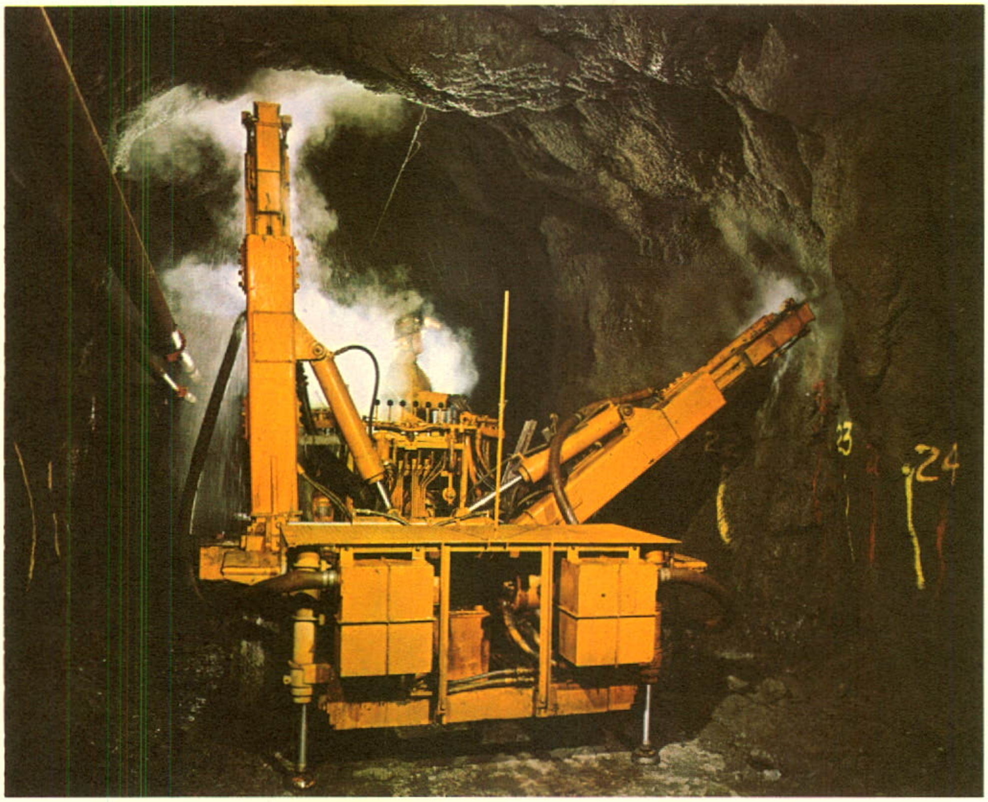
Craigmont Mines Limited
(44.59% Interest)

Craigmont operates a 5,000 ton per day copper mine, employing 450 men, in the Merritt area of British Columbia.

The fiscal year ended October 31, 1967 was the most successful in the history of the company in both the operating and financial aspects. The net profit, after allowances for depreciation, depletion and taxes was $11,166,497 or $2.20 per share, as compared to $1.43 per share in the previous fiscal year. A total of $2.00 per share was distributed to shareholders through the payment of regular quarterly dividends and extra dividends. The high earnings reflect the mining of a high grade of ore, a high mill throughput and high metal prices.

Forecasts for fiscal 1968 indicate a drop in the grade of ore to be treated, and with lower copper prices, a decrease in profit. The profit for the first quarter of the current fiscal year was $1,400,000 or 28 cents per share. The regular quarterly dividend of 25 cents per share was paid in January, 1968.

The mill throughput during the fiscal year was 2,010,232 tons averaging 1.71%



Simba Underground long-hole drill jumbo

Scooptram loading ore

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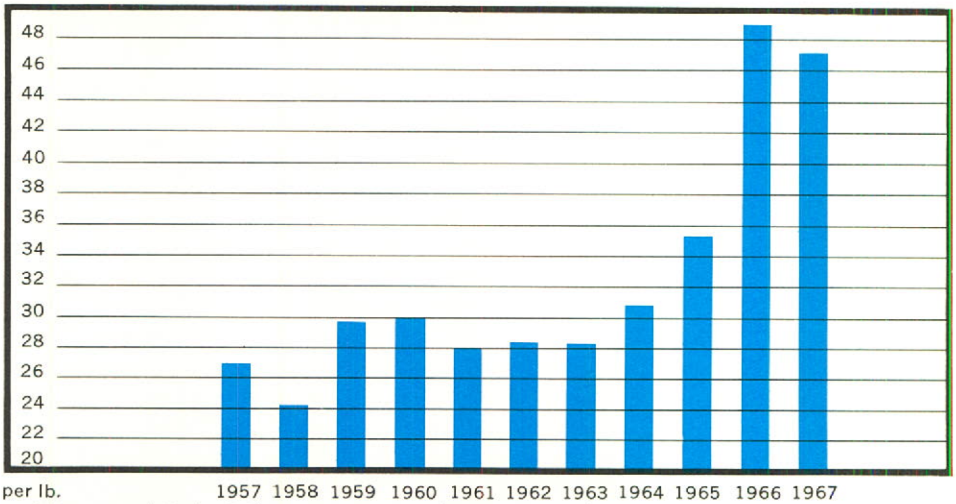
copper, producing 118,263 tons of copper concentrate, all of which was sold in Japan. An average price of 46.40 cents U.S. per pound of contained copper was received.

During the year mining in the open pit was completed and the underground mine started up. By February, 1968 about 50% of the planned 3,000 ton per day output of the mine had been reached and the full rate should be realized by mid-year. All mill tonnage in excess of that supplied by the underground mine has been and will continue to be supplied from open pit stockpiles.

Underground diamond drilling delineated small additional amounts of ore adjacent to the main orebodies, but no substantial tonnages were recorded. At year end ore reserves were 20,727,612 tons at 1.72% copper. Active exploration on outside properties has been initiated and will continue during 1968. A joint program of gas exploration was entered into with Westhoma Oil Company and Canex Aerial Exploration on a 5,440 acre farmout from Shell Canada Ltd. No gas was discovered but the expenditure earned the group an interest in the area.

YEARLY AVERAGE COPPER PRICES PER LB.
Metals week export refinery (U.S. $)



Mattagami Lake Mines Ltd.(N.P.L.)
(25.86% Interest)

Mattagami Lake Mines operates a zinc-copper mine in the Mattagami area of Quebec. The nominal throughput is 3,800 tons per day; the number of employees is approximately 450.

Operating results in 1967 were comparable to those of the previous fiscal year. The mill operated 98.01% of available time treating 1,414,136 tons (3,874 tons per day) averaging 10.0% zinc, 0.61% copper, 0.011 oz. of gold and 0.85 oz. of silver per ton. These grades are lower than previous years but reflect the average grade ore reserves.

The net profit for 1967, after allowances for depreciation, amortization and Quebec Mining dues was $10,926,000 or $1.65 per share, compared to $2.21 per share in 1966. The lower profit was due to the drop in ore grade and lower prices for zinc. During 1967 Mattagami commenced payment of dividends, paying four interim dividends of 25 cents per share plus an extra of 25 cents per share. An interim dividend of 30 cents per share has been declared, payable March 21, 1968.

Some additional ore proved adjacent to the orebody partially compensated for the ore mined. At year-end the ore reserves were 17,968,000 tons grading 10.4% zinc, 0.70% copper, 0.014 oz. gold and 1.13 oz. silver per ton.

An exploration department has been organized to examine outside prospects; this work will be concentrated in Eastern Canada.

The Canadian Electrolytic Zinc Plant, in which Mattagami maintains a 62.5% interest, operated at a satisfactory rate, producing 119,500 tons of slab zinc, 121,300 tons of sulphuric acid and 538,950 pounds of cadmium. Inventories were kept to a suitable level.

foreign

U.S.A.

Iron Age Mine
(100% Interest)

The Iron Age Mine, operated as a division of American Exploration and Mining Co., has continued to develop additional ore and has firm sales orders through 1968. Subject to a continuing market with Kaiser Steel Corporation, the operation should continue through 1969. As of January 1, 1968, Iron Age reserves of recoverable concentrate are estimated as follows:

Lump	162,000 tons
Fines	111,000 tons
Total	273,000 tons

During the year ended December 31, 1967, 222,648 tons of ore were sold for an average price of $7.43 per ton f.o.b. mine. This compares to sales of 140,500 tons averaging $7.00 per ton for the previous 12 months. A lease-purchase option was exercised for the purchase of four 35-ton rock trucks. The immediate outlook for the operation is good.

Evan Jones Coal Company
(43.33% Interest)

The Evan Jones Coal Company supplied approximately 315,000 tons of washed coal during the calendar year 1967. A contract was made with the U.S. Government for 220,000 tons, to be delivered by May 31, 1968. At the end of 1967 approximately 55,000 tons remained to be delivered.

The U.S. Government has awarded contracts for the conversion of the Anchorage military bases from coal to natural gas. Accordingly, no further military coal contracts will be forthcoming. The Government business constituted over 95% of Evan Jones sales and loss of this market has forced termination of the Jonesville operation. A remaining work force of approximately 80 men will be laid off and all assets will be liquidated.

Approximately 30 million tons of underground bituminous reserves remain in the Wishbone Hill leases and will be held for the immediate future. The Company has obtained substantial sub-bituminous coal reserves in the Beluga Coal Field about 80 miles west of Anchorage and 15 miles from tidewater. Preliminary evaluation of these reserves is now being conducted.

Cortez Gold Mines
(28.33% Interest)

A decision has been reached by American Exploration & Mining Co. and its partners to place the Cortez Gold Mine property at Cortez, Nevada, into production at a rate of 1,500 tons per day. American Exploration & Mining Co. will manage both plant construction and the production operation on behalf of the partners.

To date an orebody of 3.4 million tons averaging 0.291 oz. of gold per ton has been confirmed. An engineering study by Bechtel Corporation, Colorado School of Mines Research Foundation and the Engineering department of Placer Development Limited has produced the concept for developing the mine and constructing a gold cyanide plant. Production is scheduled for late 1968.

Placer Development Limited

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AUSTRALIA

Fox Manufacturing Company
(100% Interest)

Plans were finalized to move the manufacturing facilities of Fox to a new 18 acre site some 19 miles west of Sydney and construction commenced during December, 1967. The Hi-Flow Fans and Associated Plywoods divisions will be re-located on the same site and common administration facilities provided to cover both engineering and plywood. Construction is scheduled for completion during December, 1968.

Manufacturing sales by Fox increased during 1967 as compared with the previous year and the product range was expanded to include coal cutting machines and face conveyors of British design as used in longwall coal mining.

Prototypes of several new products designed by Fox are presently being field tested. These include a flameproof mine tractor and bulk stone dusting machines.

Twelve "Torkar" shuttle cars were manufactured and sold during 1967 in both diesel and electric models. Mobile drill sales improved during 1967 and a total of 14 units was produced and distributed throughout south east Asia.

Belt conveyor equipment still comprises a large proportion of Fox business and recent improvements in design and manufacturing will enable the company to maintain its position as the foremost Australian producer of this equipment.

A number of large mine ventilating fans were manufactured and installed by the Hi-Flow Fans division during the year and sales continue to improve.

The satisfactory trading results for 1967 are expected to be maintained during 1968.

Molybond Laboratories
(50% Interest)

Sales increased and trading results were satisfactory.

The move to new factory premises in Melbourne and Sydney was successfully carried out during the year.

It is anticipated that trading results will continue to improve during 1968 based on normal growth of the present range of products as well as the sale of refined concentrates and associated new products.

Plywood Manufacturing
(100% Interest)

Sales of plywood showed a marked increase during 1967 and trading results improved accordingly. The buoyant market is expected to continue for all plywood products.

NEW GUINEA

Gold Production

During the period 2,465 fine ounces of gold were recovered from the hydraulic mining of 900,400 cubic yards of gravel.

At December 31, 1967, gravel reserves in the area totalled 1,620,000 cubic yards with an average grade of 9.5 cents (U.S.) per cubic yard.

Timber

The operations of South Pacific Timbers based at Lae improved in 1967 due to an adequate log supply and increased veneer requirements of Commonwealth-New Guinea Timbers Limited. The Australian operations were fully supplied with logs.

Leron Plains

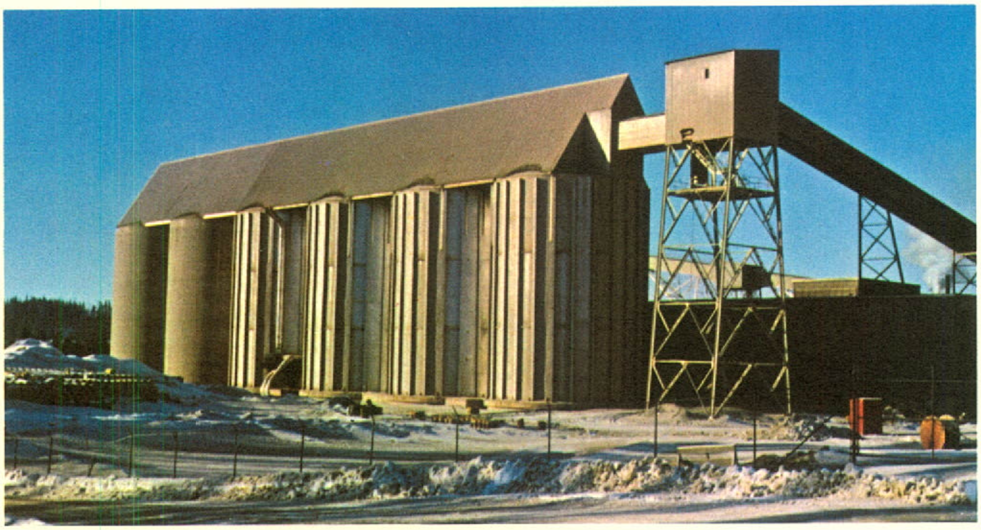
The cattle herd has further increased to a total of 6,150 head, which, under existing pastoral conditions, is the carrying capacity of this area and will be stabilized at this level. There is an adequate market for the beef production proposed for the present and immediate future.

Hydro Power Sales

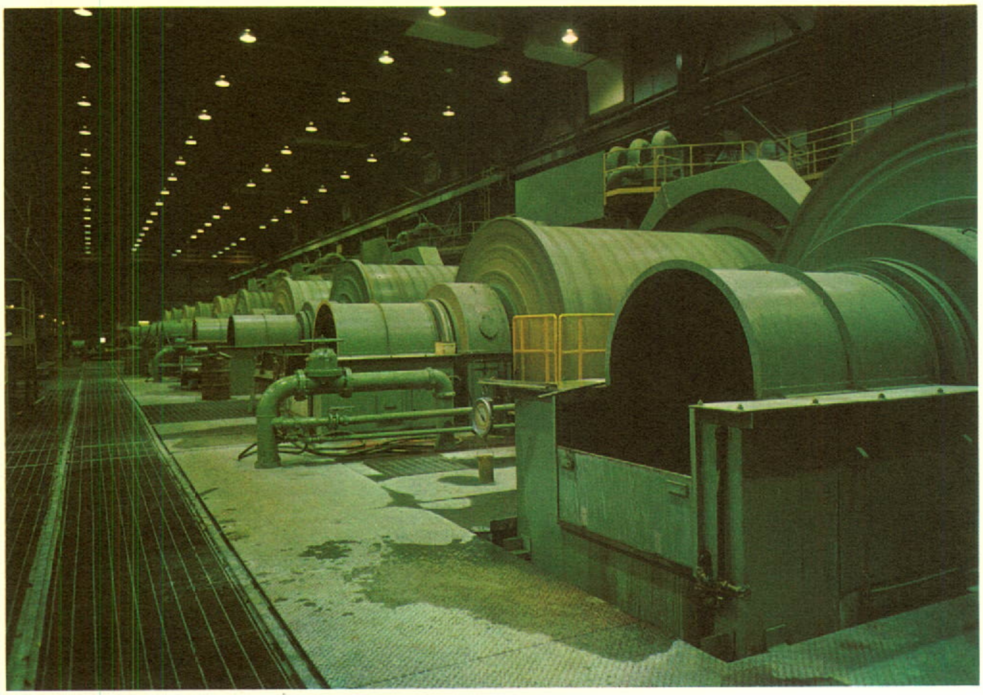
Delivery of surplus hydro electric power to the Electricity Commission at Lae commenced during the year. Satisfactory terms of sale had been previously agreed to by the Commission.

Commonwealth-New Guinea Timbers Limited
(49.9% Interest)

Plywood demand and production increased during the year and a dividend of Can. $270,000 was received by Placer. New production facilities were installed to improve the efficiency of the operations and enable peak production to meet the demand for "Klinkii" plywood.



The fine ore storage bins showing the two new concrete bins at Endako



Grinding bay area showing 4 additional rod and ball mills at Endako

Cortez Gold Mine Area looking S.E. Crescent Valley, Elevation 4,800 ft. in foreground — Mt. Tenabo, elevation 9,162 ft. in background
Photo courtesy Jack Oberbillig

Karlander Shipping Line
(20% Interest)

A dividend of Can. $4,800 was received during 1967 by Placer. Development in the Pacific Islands, including New Guinea, has increased the volume of shipping to and from Australia, and the Company's four vessels continue to maintain their share of this traffic.

PHILIPPINES

Marcopper Mining Corporation
(40% Interest)

Marcopper Mining Corporation owns mineral claims covering a 90,500,000 ton orebody averaging 0.76% copper and 25 cents recoverable gold on the island of Marinduque, Republic of the Philippines.

The Marcopper Mining Corporation plans to bring the mine into production at the rate of 15,000 tons per day and has arranged to borrow $40 million in the United States to finance the project.

The design of plant, mine, townsite, roads and dock is in progress. Construction at the plant site was started in January, 1968 with a completion target of early 1970.

A contract for sale of the concentrate to be produced from the operation has been made with the Nippon Mining Company.

PORTUGAL

Terramonte
(25% Interest)

Continuous operations were maintained throughout the year at a rate of 250 metric tons per operating day. A total of 81,699 metric tons grading 3.53% lead, 1.40% zinc and 209 gms. per metric ton silver was treated, producing 2,460 tons of lead concentrate, 475 tons of zinc concentrate and 430 tons of bulk sulphide concentrate.

Oxide in the ore became a serious problem early in the year, affecting grade of concentrate, recovery and net return. This problem was lessened by more careful mining and adjusting the milling process.

exploration

CANADA

Wide-spread exploration of western and eastern Canada continued on the same scale as in 1966, under direction from offices in Vancouver and Toronto. The search for ore was, as in the past, oriented toward large tonnage deposits amenable to surface mining. An active program of geochemical prospecting in favourable areas was maintained with particular attention paid to the areas around presently producing properties in British Columbia.

Further definition of reserves on the Company's potash holdings near Saskatoon indicates this property to be one of the better in Saskatchewan as regards grade and amenability to mining. The reserves are considered an important asset to be developed when conditions warrant.

Attempts to consolidate sour gas reserves in the Wildhorse-Hunter Valley area of the Alberta foothills sufficient to warrant installation of a sulphur recovery gas plant in the area have so far made little progress. Your Company holds a minority interest in these reserves.

The Company is planning to participate in a program of oil exploration in the Rainbow Lake area of Northern Alberta.

U.S.A.

Activities of American Exploration & Mining Co. were centered in the western states but with more consideration being given to the central and eastern states than formerly.

The Cortez, Nevada, exploration program, a joint venture with three other mining groups, involved extensive drilling and resulted in delimiting 3,400,000 tons of open pit gold ore averaging 0.291 oz. gold per ton. The joint venture group plans to place the property in production at a nominal mill capacity of 1,500 tons per day, with production scheduled for late 1968. Exploration in the area is continuing.

Exploration and evaluation of a large area of low grade copper mineralization in the western United States is continuing with encouraging results. Appraisal of the economic potential of the property may be possible before mid-year.

An extensive uranium exploration program is in progress in Wyoming, but early definitive results are not expected. A major position in large acreages of strategically located lands was acquired by American Exploration & Mining Co. and a strong mining group, which will share equally in the project under a joint venture agreement.

Amex has exercised its option of eight years standing to purchase a large, low-grade gold property in Montana which at the present time is uneconomic. Additional properties with large areas of low-grade gold-silver mineralization are also held.

Exploration activities continue in several other areas of promise.

AUSTRALIA NEW GUINEA

Exploration by Placer Prospecting (Australia) Pty. Limited covered a wide range of foreign and domestic programs. Major regional prospecting efforts were in Queensland, New South Wales, Western Australia, Northern Territory and New Guinea with minor investigations in Tasmania and South Australia. Local reconnaissance together with observations of the political environment were conducted in Indonesia, Sabah, Philippines, Thailand and Fiji.

Initial work in New Guinea and Queensland yielded encouraging copper anomalies, and a favourably situated area with anomalous nickel has been optioned in Western Australia. Substantial drilling on several copper, tin and phosphate projects failed to develop anything of mine potential.

Leases in northwestern Queensland held by Ausminda Pty. Limited (50% Placer) have been retained. Extensive submarginal oxide copper mineralization has been established and further testing of primary lead-zinc-copper potential is planned.

GREECE

The exploration program at the Skouries copper-gold property has been completed. Feasibility studies have established that reserves are adequate for a marginally economic open pit operation. Known reserves include 10.3 million metric tons of open pit sulphide ore with an average grade of 0.72% copper and 0.034 oz. gold per metric ton, and a minimum of 7 million metric tons of marginally economic ore containing 1.05% copper available to underground mining methods. Association with an experienced and responsible European mining/smelting company is considered desirable and is being investigated.

Placer has exercised its option to purchase the property with the balance of the purchase price to be recovered only out of production.

ITALY / SICILY

Oil and gas exploration in Italy and Sicily is being continued; there were four specific areas of activity during the past year:

In the Marche Basin area of Italy seismic and geochemical reconnaissance has given favourable results. Current studies will probably result in your Company participating in further seismic work and possibly some drilling.

Six applications have been placed on acreage in the Adriatic Sea area, based upon geological studies and available seismic data.

The Belliscala No. 1, a wildcat well, South Noto Prospect, Sicily, was completed as a dry hole.

In peninsular Italy, the Larino Permit has been farmed out for a well to be drilled and completed free of cost to Placer.

OTHER AREAS

Consideration is being given to a variety of interesting mineral properties in widely separated geographic areas. Most current general foreign exploration activity is being directed toward a study of the political and economic stability and ways of doing business in those geographical areas where outstanding mineral prospects are known to occur.

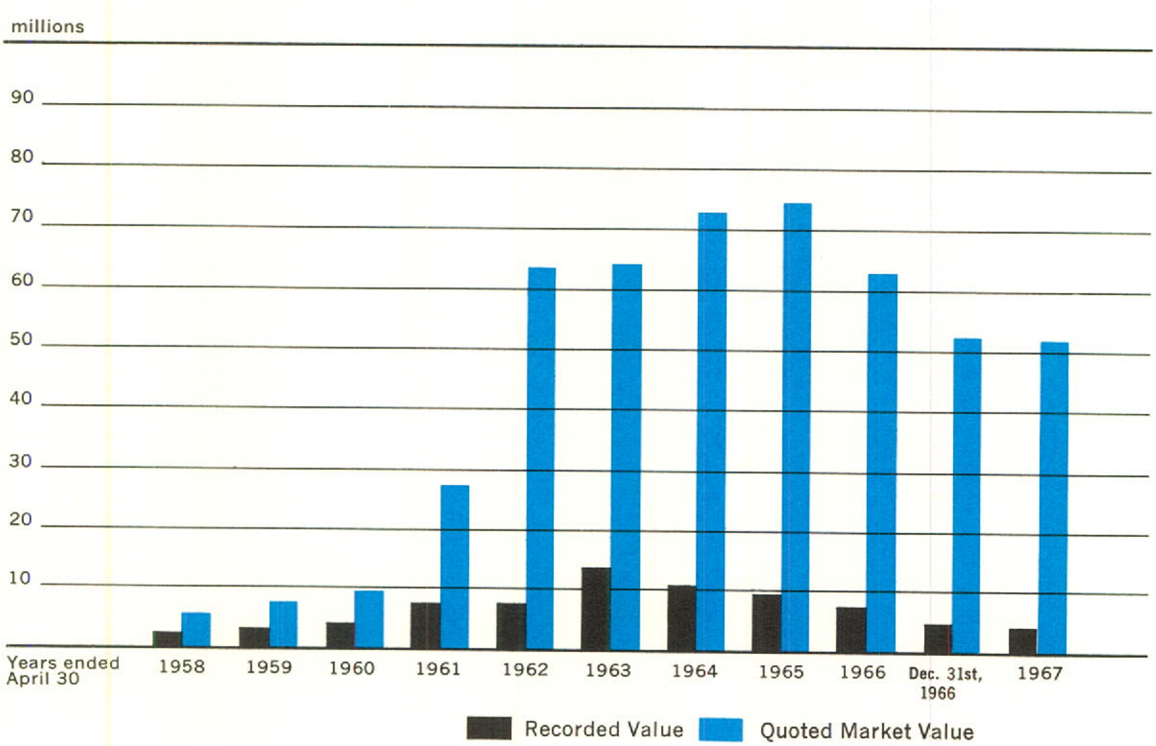
Placer Development Limited

Incorporated in British Columbia, Canada

6-year summary of operating results

		8 months to Dec. 31,	YEAR ENDED APRIL 30			
	1967	*1966*	*1966*	*1965*	*1964*	*1963*
Net operating income	$14,982,600	10,592,300	12,078,400	6,164,900	6,292,500	5,854,400
Investment income	9,142,800	2,078,100	1,302,500	3,142,700	2,783,300	1,154,900
	24,125,400	12,670,400	13,380,900	9,307,600	9,075,800	7,009,300
Depreciation and depletion	3,404,400	1,973,900	2,270,200	2,144,900	2,236,200	2,145,600
Preproduction and development expenses	1,194,100	795,000	896,600	—	—	—
Exploration expenses	5,131,300	2,285,500	2,255,400	1,100,400	936,200	803,000
Taxes on income	542,900	72,700	168,000	1,218,400	1,228,200	1,142,200
Minority interest in earnings of Endako Mines Ltd. (N.P.L.)	1,950,600	1,322,100	1,796,400	—	—	—
	12,223,300	6,449,200	7,386,600	4,463,700	4,400,600	4,090,800
Net Profit	$11,902,100	6,221,200	5,994,300	4,843,900	4,675,200	2,918,500
Per share	$2.23	1.17	1.15	0.93	0.89	0.56
Shares outstanding	5,330,437	5,301,537	5,228,137	5,217,437	5,229,019	5,204,859

VALUE OF INVESTMENTS



statement of consolidated profit and loss and earned surplus *for the year ended December 31 1967*

(with corresponding unaudited figures for the twelve months ended December 31 1966)

	1967	*(Unaudited)* 1966
Revenue:		
From concentrates and other products	$40,512,715	$35,336,711
Income from investments in other companies	7,552,976	2,312,237
Interest earned and other income	1,589,837	1,162,899
	49,655,528	38,811,847
Expense:		
Cost of concentrate production and other products sold (including $225,000 write-off of deferred pit overburden stripping in 1967)	21,172,793	17,738,034
Administration, selling and general expenses	3,662,994	3,168,554
Interest on term bank loan	85,642	653,773
Interest on demand bank loans	338,022	117,455
Depreciation	3,122,968	2,774,975
Depletion	281,425	123,756
Preproduction and development expenses written off	1,194,059	753,993
Exploration expenses	5,131,304	3,232,846
Taxes on income (Note 4)	542,958	100,971
Minority interest in earnings of Endako Mines Ltd. (N.P.L.)	1,950,606	1,984,166
	37,482,771	30,648,523
Profit for the year before extraordinary item	12,172,757	8,163,324
Write-off of townsite assets sold to the Village of Fraser Lake for a nominal value	320,699	—
Net profit for the year — $2.23 per share (1966 — $1.53)	11,852,058	8,163,324
Balance at beginning of year	42,186,629	38,158,046
	54,038,687	46,321,370
Deduct —		
Stock dividends	4,250,138	4,134,741
Balance at end of year	$49,788,549	$42,186,629

The attached notes form an integral part of these statements and should be read in conjunction therewith.

Placer Development Limited

Incorporated in British Columbia, Canada

consolidated balance sheet

as at December 31 1967
(with corresponding figures as at December 31 1966)

ASSETS

	1967	1966
Current Assets:		
Cash, including time deposits	$11,263,698	$ 7,729,216
Government guaranteed parity bonds, at cost plus accrued interest	331,257	331,105
Accounts receivable	7,506,097	7,381,522
Due from affiliated company	626,539	—
Amount receivable from sale of subsidiary companies in prior years	2,410,000	—
Concentrate and bullion inventories, at net realizable value	1,890,091	901,214
Other product inventories, at the lower of cost or net realizable value	3,568,154	2,972,937
Inventories of materials and supplies, at the lower of cost or replacement cost	2,311,620	2,358,192
Prepaid expenses	108,084	139,423
	30,015,540	21,813,609
Investments and Other Assets:		
Investment in shares, at cost (Note 2):	7,719,683	6,961,653
Other investments, at underlying book value	814,967	759,566
Advances to mining companies, at cost	2,796,189	2,928,926
Deferred amount receivable from sale of subsidiary companies	—	2,410,000
Special refundable tax	675,119	430,000
Mortgages receivable	288,145	347,382
	12,294,103	13,837,527
Fixed Assets:		
Mining and other properties, at cost less accumulated depletion of $2,119,984 (1966 — $1,838,559)	3,909,358	4,169,125
Plant, buildings and equipment, at cost less accummulated depreciation of $17,645,820 (1966 — $14,822,821)	30,304,459	25,347,007
	34,213,817	29,516,132
Exploration in Progress, at cost	4,259,571	4,620,933
Preproduction and Development Expenses, at cost less amounts written off	1,372,414	2,792,031
	$82,155,445	$72,580,232

Approved on Behalf of the Board:

J. D. Simpson, *Director.*

T. H. McClelland, *Director.*

LIABILITIES AND SHAREHOLDERS' EQUITY

	1967	1966
Current Liabilities:		
Demand bank loans	$ 7,958,094	$ 8,887,675
Accounts payable and accrued liabilities	3,446,716	3,211,819
Amount owing by Australian subsidiary in respect of acquisition of fixed assets in prior years	2,410,000	—
Income taxes payable — estimated (Note 4)	369,895	118,579
	14,184,705	12,218,073
Deferred Account Payable of Australian Subsidiary:		
Non-interest bearing, payable on or before May 3 1968 ($A 2,000,000)	—	2,410,000
Minority Interest in Endako Mines Ltd. (N.P.L.)	4,504,490	2,739,825
Unrealized Gain on Foreign Exchange (Note 1)	267,312	225,437
Shareholders' Equity:		
Share capital (Note 5) —		
Authorized: 7,908,000 common shares without nominal or par value; 92,000 exchangeable common shares without nominal or par value; 3,000,000 redeemable preference shares with a nominal or par value of $1 each		
Issued: 5,389,576 common shares (1966 — 5,360,676)	6,799,673	6,189,552
Less: 59,139 common shares held by subsidiary company	789,246	789,246
5,330,437 common shares (1966 — 5,301,537)	6,010,427	5,400,306
Contributed surplus	7,399,962	7,399,962
Earned surplus (Note 7) — per statement attached	49,788,549	42,186,629
	63,198,938	54,986,897
Contingent Liabilities (Note 6)		
	$82,155,445	$72,580,232

The attached notes form an integral part of these statements and should be read in conjunction therewith.

Placer Development Limited

Incorporated in British Columbia, Canada

notes to consolidated financial statements

as at December 31 1967

Note 1:

The consolidated financial statements include the financial statements of Placer Development Limited and all of its subsidiaries.

For purposes of inclusion in the financial statements, accounts prepared in foreign currencies have been restated in Canadian dollars. Current assets and current liabilities have been converted at the rates prevailing on December 31 1967, other assets and liabilities substantially at the rates at the dates of the relevant transactions and amounts (other than depreciation and depletion) appearing in the statement of consolidated profit and loss at average rates.

The unrealized foreign exchange gain has been carried forward on the consolidated balance sheet.

Note 2:

Investment in shares as at December 31 1967 comprise the following:

	Cost	*Quoted market value*
With quoted market value –		
Craigmont Mines Limited — 2,264,050 common shares of 50 cents each	$1,413,432	$27,048,600
Mattagami Lake Mines Limited (N.P.L.) — 1,706,526 shares of $1 each	3,145,359	24,957,943
Miscellaneous	205,510	73,806
	4,764,301	$52,080,349
Without quoted market value –		
Marcopper Mining Corporation — 5,028,571 shares	1,008,555	
Commonwealth-New Guinea Timbers Limited — 749,999 shares of $A.2 each	1,679,998	
Miscellaneous	266,829	
	2,955,382	
	$7,719,683	

Note 3:

A subsidiary company holds options on 3,142,858 shares of Marcopper Mining Corporation; negotiations are under way for the sale of such options.

Note 4:

Under the special provisions of the Income Tax Act applicable to mining corporations, the company's subsidiary Endako Mines Ltd. (N.P.L.) had no income as computed for income tax purposes for the year ended December 31 1967, and has, therefore, no income tax liability in respect of the year.

Note 5:

Under the employee stock option plan, options to purchase 2,460 common shares and 15,900 exchangeable common shares are outstanding as at December 31 1967 (after the exercise of options for 28,900 shares during the year). Options are exercisable at any time during their ten-year term at prices ranging from $12.995 to $35.54 per share.

Note 6:

(1) The company has guaranteed a U.S. $40,000,000 bank loan of Marcopper Mining Corporation, which monies are to be used to equip Marcopper's copper property for production.

(2) Other commitments and guarantees in respect of capital expenditures, etc. at December 31 1967 amounted to approximately $6,000,000.

Note 7:

The earned surplus of Placer Development Limited as at December 31 1967 included an amount of approximately $14,000,000, which, under certain conditions, may be distributed to the shareholders free of Canadian income taxes. The foregoing amount arises principally from net capital profits realized over the years on the sale of assets and properties.

Note 8:

Aggregate direct remuneration paid during the year ended December 31 1967 by the company and its subsidiaries to directors and senior officers of the company amounted to $298,516.

auditors' report

**To the Shareholders,
Placer Development Limited:**

We have examined the consolidated balance sheet of Placer Development Limited and subsidiary companies as at December 31 1967 and the statements of consolidated profit and loss, earned surplus and source and application of funds for the year then ended. Our examination of Placer Development Limited and those subsidiaries of which we are the auditors included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of the Australian and United States subsidiaries and of the Sydney and New Guinea branches of the company.

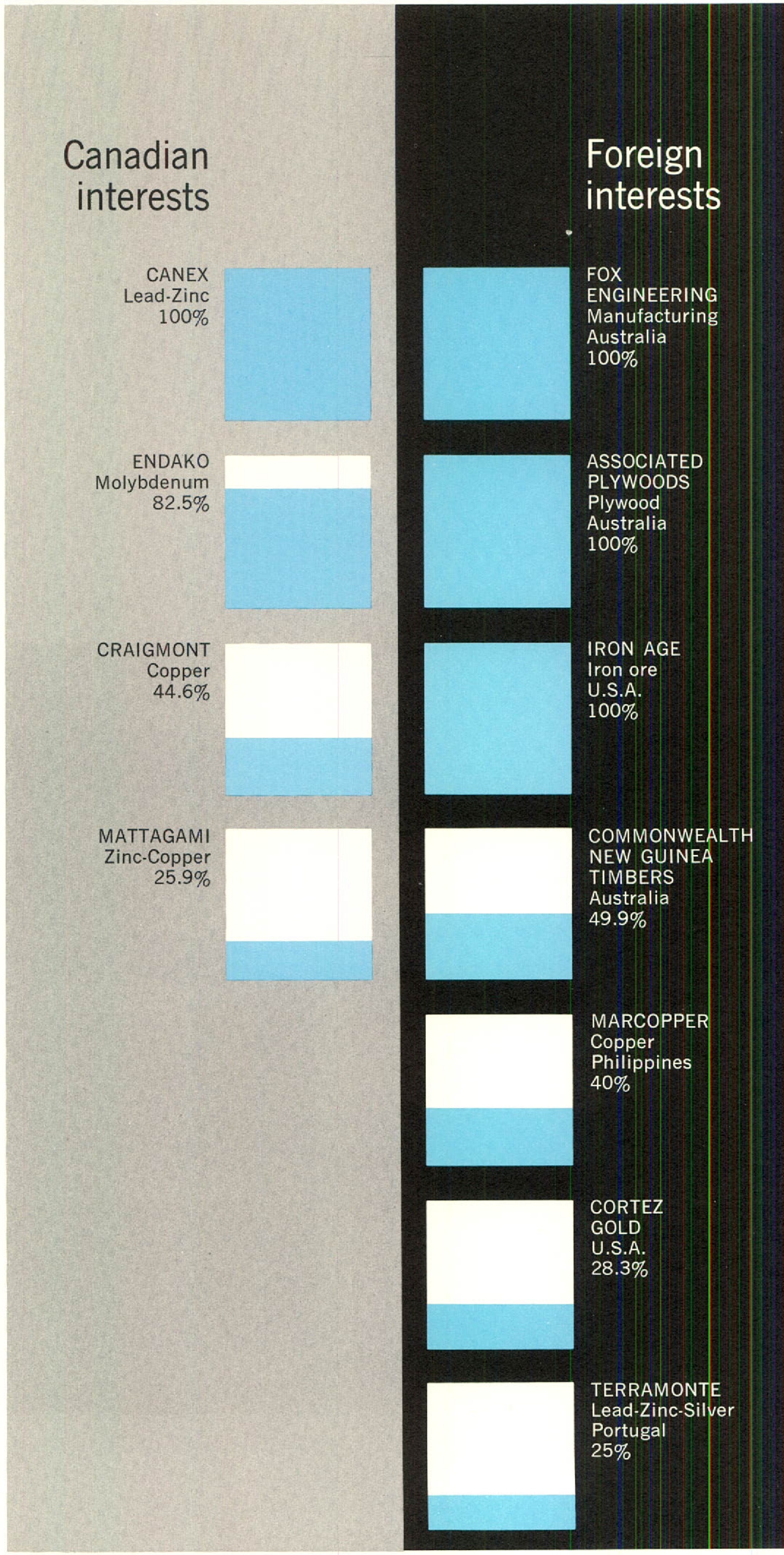
In our opinion the accompanying financial statements present fairly the financial position of Placer Development Limited and subsidiary companies as at December 31 1967 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal period.

March 13 1968.
Vancouver, B.C.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

Placer Development Limited

Incorporated in British Columbia, Canada



statement of consolidated source and application of funds

for the year ended December 31 1967

(*with corresponding unaudited figures for the twelve months ended December 31 1966*)

	1967	(*Unaudited*) *1966*
Working capital, beginning of year	$ 9,595,536	$17,287,833
Source:		
Net profit for the year	11,852,058	8,163,324
Add —		
Charges which did not involve an outlay of working capital —		
Depreciation and depletion	3,404,393	2,898,731
Minority interest in earnings of Endako Mines Ltd. (N.P.L.)	1,950,606	1,984,166
Preproduction and development expenses written off	1,194,059	753,993
Deferred pit overburden stripping written off	225,000	—
Write-off of townsite assets sold to the Village of Fraser Lake for a nominal value	320,699	—
	18,946,815	13,800,214
Redemption of Mattagami Lake Mines Limited debentures	—	2,059,008
Sale of common shares held by subsidiary company	—	939,081
Sale of treasury shares (options exercised)	610,121	69,521
Net decrease (increase) in mortgages receivable	59,237	(347,382)
Investments and other assets — net	327,861	472,505
	19,944,034	16,992,947
Application:		
Dividends	4,250,138	4,134,741
Repayment of long-term portion of term bank loans	—	10,495,526
Additions to fixed assets — net	8,566,285	7,736,988
Increase (decrease) in exploration in progress	(361,362)	1,880,914
Special refundable tax	245,119	430,000
Deferred development expenditure — net	—	7,075
Purchase of shares in Marcopper Mining Corporation	1,008,555	—
	13,708,735	24,685,244
Increase (decrease) in working capital	6,235,299	(7,692,297)
Working capital, end of year	$15,830,835	$ 9,595,536

DIRECTORS

John R. Bradfield, Toronto, Canada,
Chairman and Chief Executive Officer, Noranda Mines Limited

James C. Dudley, New York, U.S.A.,
Partner, Cyrus J. Lawrence & Sons

Albert E. Gazzard, Sydney, Australia,
Vice-President

*Thomas H. McClelland, Vancouver, Canada,
President and Chief Executive Officer

*Richard V. Porritt, Toronto, Canada,
President, Noranda Mines Limited

J. Ernest Richardson, Vancouver, Canada,
President and Chief Executive Officer, B.C. Telephone Company

Robert G. Rogers, Vancouver, Canada
President and Chief Executive Officer, Crown Zellerbach Canada Ltd.

*John D. Simpson, Vancouver, Canada,
Chairman of the Board

Vernon F. Taylor, Jr., Denver, U.S.A.,
President, Westhoma Oil Company

*H. Richard Whittall, Vancouver, Canada,
Partner, Richardson Securities of Canada

**Member of Executive Committee*

OFFICERS

John D. Simpson, *Chairman of the Board*
Thomas H. McClelland, *President and Chief Executive Officer*
Albert E. Gazzard, *Vice-President*
J. Douglas Little, *Vice-President, Operations*
Charles L. Pillar, *Assistant Vice-President, Operations*
Edgar A. Scholz, *Vice-President, Exploration*
James C. Tarbuck, *Comptroller*
James L. McPherson, *Secretary*
John R. Croll, Treasurer
John M. McConville, *Assistant Secretary*
Garth S. Jones, *Assistant Treasurer*
Allan R. Edwards, *Sydney Secretary*

OFFICES

Head Office: 700 Burrard Building, Vancouver, Canada
Sydney Office: Gold Fields House, Sydney Cove, Australia

AUDITORS
Price Waterhouse & Co.,
Chartered Accountants, Vancouver, Canada
Routley & Routley,
Public Accountants, Sydney, Australia

SOLICITORS
Cowan & Co., Vancouver, Canada

BANKERS
Canadian Imperial Bank of Commerce
Bank of New South Wales
Brown Brothers Harriman & Co.
First National City Bank
Bankers Trust Company
The Chase Manhattan Bank
The Mercantile Bank of Canada

TRANSFER AGENTS
Company's Office at Sydney, Australia
National Trust Company, Limited,
Vancouver and Calgary, Canada
Canada Permanent Trust Company,
Toronto and Montreal, Canada

REGISTRARS
National Trust Company, Limited,
Vancouver and Calgary, Canada
Canada Permanent Trust Company,
Toronto and Montreal, Canada

STOCK EXCHANGE LISTINGS
Vancouver, Toronto, Montreal, Canada
and Sydney, Australia

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