PLACER DEVELOPMENT LIMITED 1968 FORTY-THIRD ANNUAL REPORT

PLACER

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ANNUAL GENERAL MEETING

The Annual General Meeting of Shareholders of the Company will be held on Monday, April 28, 1969, at 11:00 A.M. Daylight Saving Time in the Board Room of the Hotel Vancouver, Vancouver, British Columbia, Canada.

COVER PHOTO: *A view of Fraser Lake. This modern community houses many of the Endako Mines employees.*

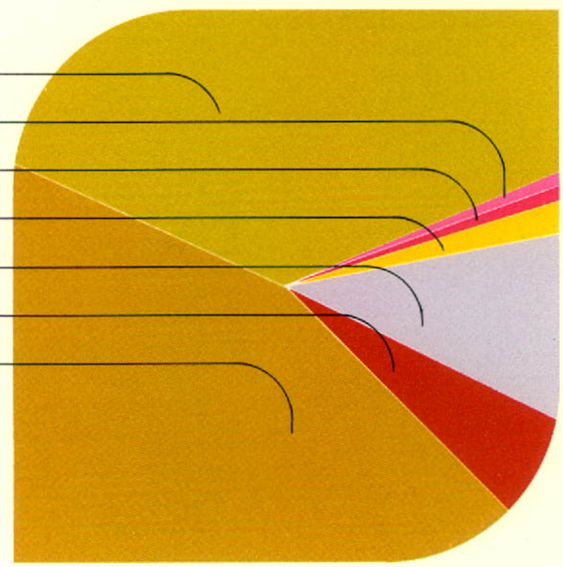
Your Directors are pleased to submit the Forty-third Annual Report of your Company for the year ended December 31, 1968, including the Financial Statements and Auditors' Report thereon.

comparative highlights

	1968	*1967*
Operating Revenue	$32,122,976	$40,512,715
Dividends and interest received	6,538,733	9,142,813
Net income	8,463,199	11,852,058
—per share	$1.59	$2.23
Common shares outstanding (net)	5,331,237	5,330,437
Working capital	20,286,712	15,830,835
Capital expenditures	2,745,948	8,566,285
Investment in shares	7,565,700	7,719,683
Number of shareholders	5,280	5,510
Number of employees	2,250	2,050

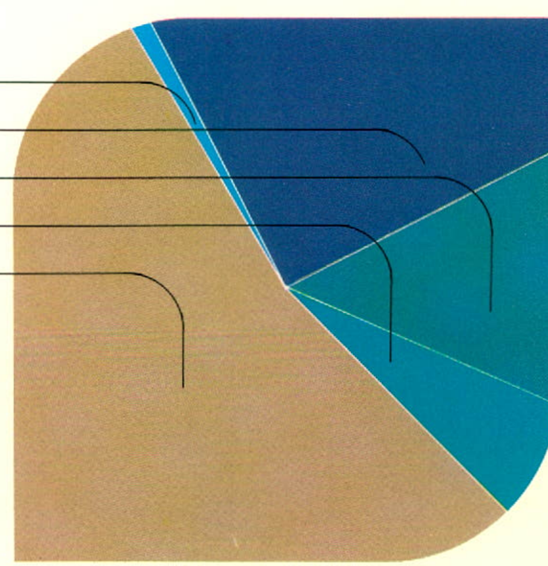
FUNDS MADE AVAILABLE FROM

Net income	40.19%
Sale of Common Shares	0.04%
Decrease in exploration in progress	0.62%
Refundable tax receivable	1.50%
Investments (net)	8.31%
Bank loan	6.12%
Working capital beginning of period	43.22%



FUNDS USED FOR

Increase in mortgages receivable	0.19%
Investments (net)	25.28%
Dividends	11.64%
Additions to fixed assets	7.50%
Working capital, end of period	55.39%



J. D. Simpson,
Chairman of the Board

T. H. McClelland,
President and
Chief Executive Officer

directors' report to the shareholders

lower earnings

The Directors are pleased to submit the 43rd Annual Report for your Company. The net profit from operations for the year was $6,957,254, or $1.30 per share. In addition, there were extraordinary items of income of $1,505,945, or $0.29 per share, making a total of $8,463,199, or $1.59 per share. The major factors in the reduction of operating profit from the previous year's record of $2.23 per share are the discontinuance of the extra dividend paid by Craigmont Mines Limited in 1967 and the 3½ month strike at Endako Mines Ltd. (N.P.L.).

Marcopper construction program on schedule

The major item of progress in 1968 was the start of the construction program for a 15,000 ton per day concentrator in the Philippines by Marcopper Mining Corporation. Marcopper, with the assistance of your Company, entered into a loan agreement with a consortium of U.S. banks to borrow $40 million. Under the terms of the loan agreement it was necessary that Placer guarantee the repayment by Marcopper Mining Corporation. The construction program of Marcopper is proceeding on schedule and to date is within the budget, with start-up operations anticipated by the end of 1969. Under Philippine law, Placer can only hold a 40% interest in this operation. Placer, through a wholly owned subsidiary, held an option on a further 25% and during the year this option was sold to a Philippine group for $10 million (U.S.) of which $1 million was paid and the balance is to be paid out of dividends paid on such shares. The gain from the sale of the options will be taken into earnings as received; thus the $1 million received in 1968 is reported as an extraordinary item in the income statement. Marcopper is expected to play a major role in Placer's future.

Cortez in production

The construction program at Cortez, Nevada, was operationally completed in January, 1969 with tune-up operations at that time. The property was in full production by the end of February. Placer's wholly owned subsidiary, American Exploration & Mining Co., has a 28.33% interest in this 1500 ton per day property and is the managing partner of the joint venture.

3½ month strike affects Endako's earnings

Operations at Endako Mines Ltd. continue at a satisfactory level. The 3½ month strike, which was not settled until November 15, 1968, reduced Endako's year-end earnings appreciably and delayed the anticipated implementation of a dividend policy. The bank loan was retired before the end of the year and it is anticipated that Endako will be in a position to consider a dividend in the first half of 1969. The bulk of Endako's long-term sales contracts expire in 1970 and 1971 and under current market conditions are not expected to be renewed on long term bases. However, this is not expected to pose a problem as Endako enjoys a favourable reputation with all users for the purity

of its product and its ability to supply all customers.
As there will be no labour contracts expiring in 1969 at those operations contributing the largest part of your Company's earnings, we look forward to a full year's production and profits.

Placer-Kaiser join forces in Australia

In June, 1968 arrangements were made to join with Kaiser Aluminum & Chemical Corporation of Oakland, California to increase the level of exploration activities in Australia and New Guinea. Prior to this time exploration activities in Australia and New Guinea had been limited to the revenue generated in that area of operations. By doubling the capitalization of Placer Exploration Limited and with Kaiser putting in cash in an amount equal to the value of Placer's investment in operating assets, the desired result was obtained. The transaction resulted in a credit to income of $416,000 which is reported as an extraordinary item in the income statement for the year. Your Directors feel that the affiliation with Kaiser will allow the Australian entity to expand its interest and become a more significant participant in Placer's areas of interest.

anticipated growth for large-scale ranching

The Australian entity will not be confined to mineral exploration and has in fact acquired a substantial acreage in pastoral lands with approximately 35,000 head of cattle. There is every indication of a continuing and vigorous growth in the northern part of Australia for large scale ranching.

oil and gas exploration continues

A planned and sustained program of oil and gas exploration in Alberta has been entered into on a modest basis. Currently the program has had some initial success with production wells being drilled. The reserves are not large but should be a welcome contribution to your Company's assets.

fishing potential investigated

Since the merger with Bulolo in 1966 your Company has been desirous of attempting further development in New Guinea. Indications are that the waters off New Guinea and northern Australia could be very productive of prawns and other shell fish. Accordingly, a partnership agreement was completed with experienced Norwegian interests for the acquisition and operation of two trawlers with self-contained processing equipment on board. Placer's interest is 51% and at this stage must be recognized as an experiment, although potentially a very viable one.

exploration policy continues

You will note in the financial statements that exploration expenditures again exceeded $5 million. The continued long-term growth of your Company is dependent on the finding of additional ore reserves, and a large portion of net income will continue to be expended in this pursuit. The competition for the discovery of new mineral deposits is increasingly competitive as the major oil companies have widened their search to include hard minerals, traditionally the field of the mining company. This is particularly true in developed countries with stable governments, such as Canada, Australia and the United States. As this situation continues it will become necessary to extend our search in those countries with high mineral potential but which lack the same qualities of stability or recognition of the great benefits that the development of natural resources can bring to a country.

softening in molybdenum demand continues

Continued softenings in demand for molybdenum is expected to continue through 1969 caused by substantial excess production over consumption. A 10% increase in consumption is forecast for the year, up from the long range average forecast in the industry of 7% per annum. The price for molybdenum remained constant at the published Climax price and terms, and is expected to continue at this price for primary high purity concentrate as produced by Endako. Discounts which have appeared in the pricing structure have been confined to by-product material with impurities.

copper prices firm

Copper markets remain strong with good demand, although early indication for copper in 1969 suggests that overseas copper prices are likely to decline as a result of a freer copper supply.

lead-zinc markets stable

Lead and zinc markets are expected to remain firm in 1969 with stable prices at the present quotation of 14.0¢ (U.S.) for lead and 14.0¢ (U.S.) for zinc, which is up from the prices quoted in 1968.

increase in dividend rate

The Board at its regular meeting in January increased the quarterly dividend from 20 cents to 25 cents per share. These dividends are currently received free of tax to Canadian registered shareholders with no disadvantage to other shareholders. This distribution on a tax free basis is subject to the Company continuing to meet certain conditions of the Department of National Revenue for such distribution. It is expected that this tax-free distribution will not continue past 1969.

listing on American stock exchange

Approximately 22% of your Company's shares are owned in the United States, held by 25% of the total shareholders. Your Directors have recognized that these shareholders, being subject to the Interest Equalization Tax Act of the United States, have been without a market on which to trade their shares in your Company. Accordingly, the Directors made application to list your Company's shares on the American Stock Exchange in New York, which application was accepted and the shares of your Company were called for trading on March 19, 1969.

executive vice-president appointment

The growing activities of your Company required a widening of the executive management role and Mr. A. E. Gazzard, formerly Vice-President, was transferred from Australia to Vancouver and appointed Executive Vice-President.

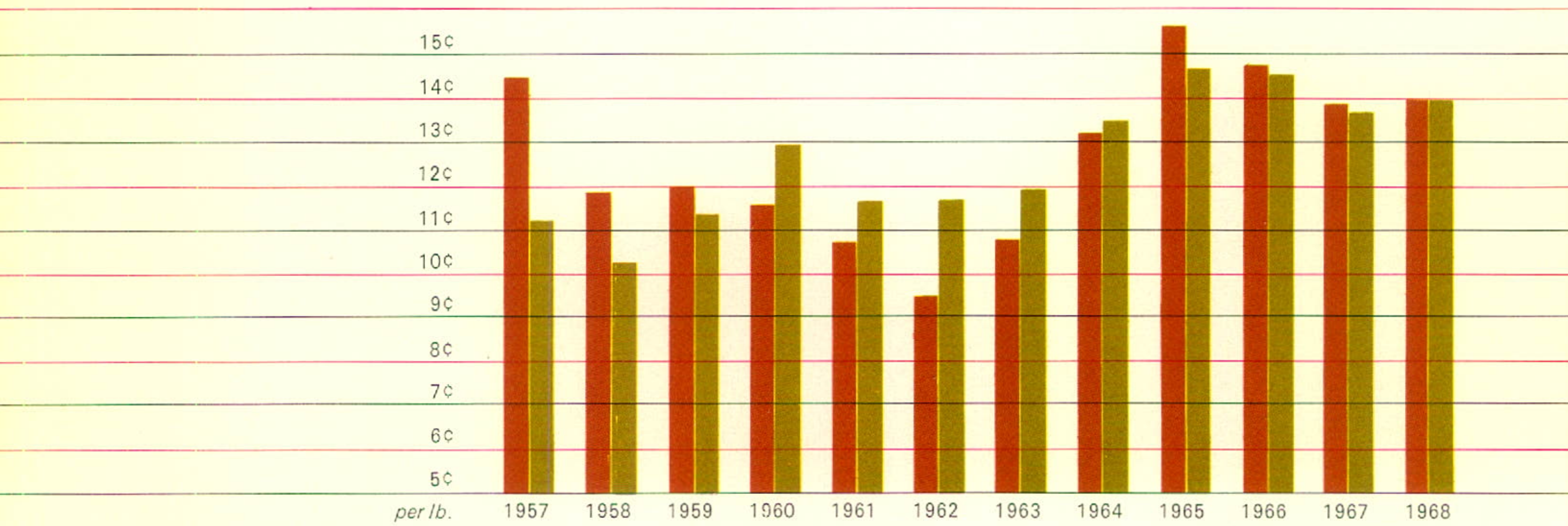
acknowledgment

The excellent position of your Company in terms of cash and physical assets would be of limited value without the people of Placer, and your Directors wish to record their appreciation of the role played by employees in the Placer group of Companies.

On behalf of the Board of Directors

Chairman *President*

operations



SOURCE: *American Bureau of Metal Statistics*

YEARLY AVERAGE LEAD AND ZINC PRICES PER LB.
East St. Louis (U.S. $)

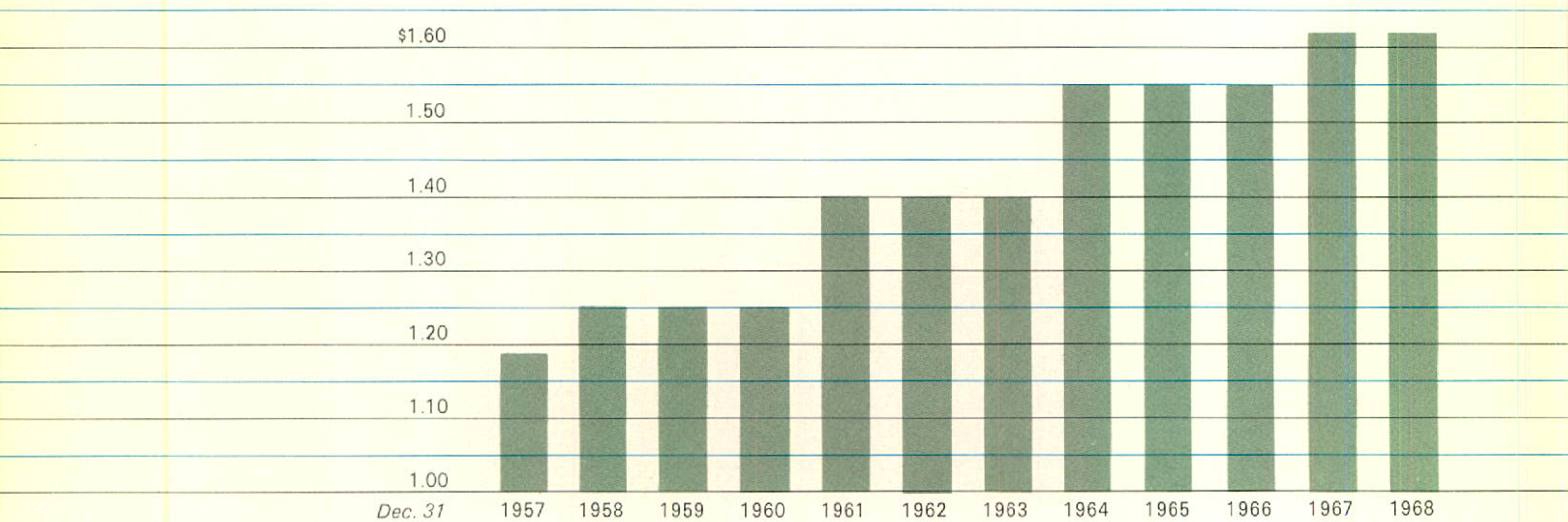
CANADA

Jersey Mine
(100% *interest*)

The Jersey Lead-Zinc mine is located near Salmo, British Columbia. During 1968 a total of 506,202 tons of ore grading 1.44% lead and 3.23% zinc was processed to produce 8,407 tons of lead concentrate and 25,576 tons of zinc concentrate. Production recorded a minor increase in tons treated over 1967 but, with increased grade, produced a substantial increase in concentrate for sale.
All lead concentrate was sold to the Bunker Hill Smelter at Kellogg, Idaho.
Zinc concentrate was contracted for sale to Anaconda Company for treatment at their Black Eagle Smelter. A strike of the Black Eagle Smelter and Force Majeure application allowed zinc concentrate inventory to increase from 6,500 tons at the end of 1967 to 15,000 tons until April. This inventory was ultimately sold under a toll arrangement to Anaconda with metal being sold by C. Tennant & Co. The remainder of the zinc concentrate inventory was sold to Philipp Brothers Ltd. All zinc concentrate production from May 1 to the end of the year was sold to Anaconda. Lead prices remained steady at 14.0¢ (U.S.) per pound and zinc at 13.5¢ (U.S.) per pound.
Proven and probable reserves at year-end were 631,818 tons at a grade of 1.0% lead and 3.8% zinc.
The ore reserves, after allowing for the ore tonnage treated during the year, increased by 615,000 tons. This additional ore was developed by an underground diamond drilling exploration program, testing possible reserve areas adjacent to known zones.

Endako Mines Ltd. (*N.P.L.*)
(82.48% *interest*)

Endako Mines property is an open pit molybdenum mining operation located 115 miles west of Prince George, British Columbia, near Fraser Lake. The net profit for the operation was reported at \$7,508,045 after provision of \$2,333,774 for depreciation and \$695,976 for amortization of preproduction expense. The 3-year tax-free period ended June 30, 1968 but for the period to the end of the year no income tax was payable because of accumulated write-offs for tax purposes. The balance of Endako's bank loan of \$7,850,000 was repaid in the last quarter.
During 1968 Endako processed 6,597,000 tons of ore at a grade of 0.178% MoS_2 to produce saleable concentrate of 8,668,087 pounds of molybdenum as molybdenite and 3,414,286 pounds of molybdenum as molybdic oxide. The average throughput was reported at 25,900 tons per day, excluding the strike period, at 86.30% metallurgical recovery.
Production for the year was seriously reduced by a strike from July 27 to November 15 following termination of the collective agreement and negotiations for a new agreement. The new collective agreement is effective through September 30, 1971, and represents a wage increase of approximately 8%.
Minor modifications, additions and replacements were made to the plant with resultant improvements in efficiency. Plans were implemented to construct a second Herreshoff roaster with a capacity of converting



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

8,000,000 pounds of molybdenum from molybdenite to molybdic oxide. It is expected that this roaster will be in operation May 1, 1969.
A block of 54 mineral claims owned by Denak Mines Limited, lying to the west and north of the Endako property, was purchased during the year for a price of \$904,040. Exploration by Denak indicated 5,400,000 tons of material at a grade of 0.232% MoS_2 using a cut-off grade of 0.10% MoS_2.
Although market conditions in 1968 were not good because of an imbalance between production and consumption, Endako was not seriously affected. As of the end of the year Endako had contracts for annual sales totalling 9,200,000 pounds of molybdenum. These contracts expire during 1970 and 1971. An additional 5,850,000 pounds are considered assured sales to regular customers for a total of 15,050,000 which can be considered firm sales for 1969.

Molybdenum is sold at the E & MJ published Climax price f.o.b. the mine \$1.62 U.S. (\$1.73 Cdn.) per pound for molybdenum in molybdenite and \$1.82 U.S. (\$1.97 Cdn.) per pound for molybdenum in molybdic oxide.
Ore reserves at December 31, 1968 are reported by Endako as:

Proven / Probable	209,625,000 tons at 0.148% MoS_2
Possible	22,778,000 tons

The area defined for calculation of reserves does not delimit the orebody. Additional drill data and geologic interpretation indicates extension to the west for at least 1,000 feet to the boundary of the claims purchased from Denak.

A Scooptram loads ore underground at Craigmont.

A miner, working from the platform of a Giraffe, scales a face after a blast. Jersey Mines.

lectric shovels load molybdenum ore at Endako.

A school classroom at Fraser Lake, Endako.

Craigmont Mines Limited
(44.6% *interest*)

Craigmont produced 61,986 tons of 25.67% copper in copper concentrate from the treatment of 1,763,123 tons of 0.97% copper ore at a metallugrical recovery of 93.4% for the fiscal year ended October 31, 1968.

The net profit for the operation was reported at $3,998,058, or $0.79 per common share, after provisions of $2,493,739 depletion and depreciation and $2,931,737 for taxes. A total of $5,077,275, or $1.00 per share, was paid in dividends. The cash position of Craigmont at the end of its fiscal year was $7,438,493 with a working capital of $9,441,062.

The net profit for the first quarter of the Craigmont 1969 fiscal year was $1,379,000 or $0.27 per share, with the regular quarterly dividend of 25¢ per share being declared in January, 1969.

During the year 45% of the ore supplied to the concentrator was drawn from underground, which was in the final stages of development for mining by a sub-level caving method. The balance of the mill feed was supplied from open pit stockpiles.

Operating conditions were considerably different than those in the record year of 1967 when a higher grade, softer ore was available for treatment. This accounts for the sharp reduction in profits. The development of the underground mine has proceeded in a satisfactory manner but has required more time to develop grade and dilution control than originally anticipated. Mill throughput and recovery should increase as the ratio of underground ore to stockpile ore increases.

Ore reserves have been reduced by approximately the tons milled, and are reported as 18,924,000 tons of 1.76% copper. It is noted these reserves are geologic and do not make allowance for mining dilution and ore loss expected in the mining process.

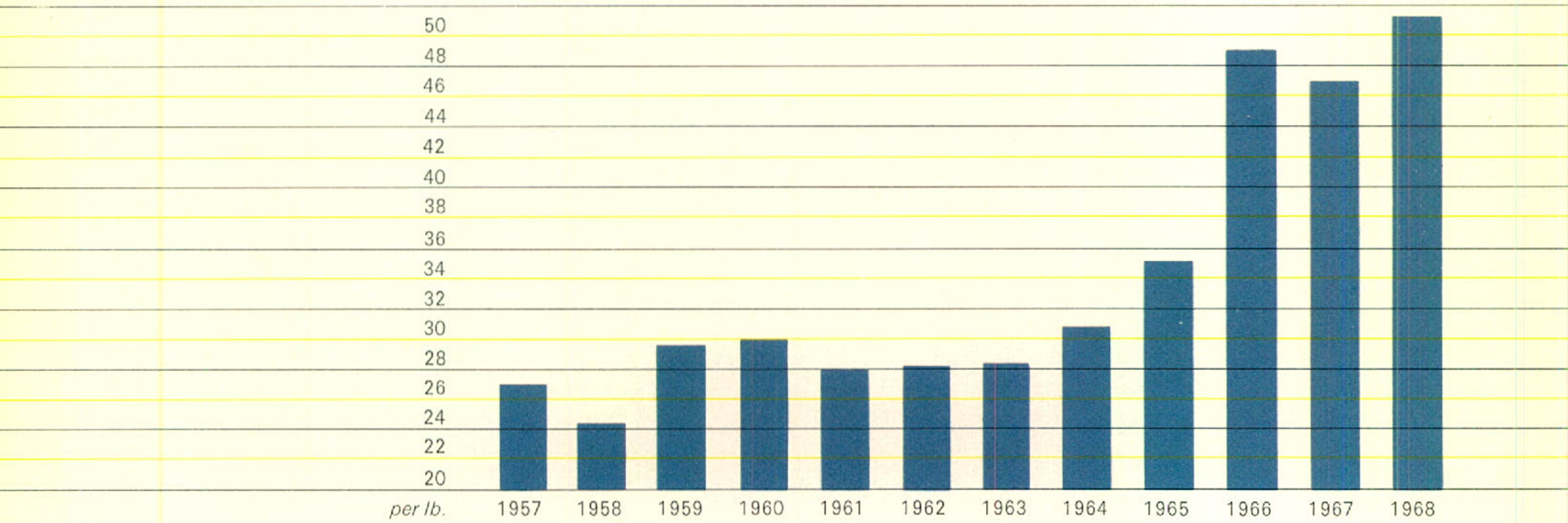
Copper markets were good during the year. All concentrate was sold to Japan at the E & MJ export refinery price which averaged 51.88¢ (U.S.) per pound, compared to 46.40¢ in 1967.

The labour agreement which expired during the year was renegotiated and signed after a ten-day strike to provide for a 56¢ per hour increase on hourly pay rates over a 27-month period, plus an increase in some of the fringe benefits.

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

Mattagami Lake Mines Ltd. operates a zinc-copper mine in the Galinee Township, Quebec, producing zinc and copper concentrates which are sold on Canadian and world markets. Daily concentrator throughput is in the order of 3,900 tons of ore grading approximately 10% zinc, 0.6% copper and containing significant amounts of gold and silver.

Revenue during 1968 was below that of 1967 due to a 51-day strike at the Canadian Electrolytic Zinc plant at Valleyfield, P.Q., which is 62½% owned by Mattagami. A 17-day strike at the mine, and the slightly lower grade of ore treated also accounted for a reduction in revenue. The net profit for the



YEARLY AVERAGE COPPER PRICES PER LB.

Metals week export refinery (*U.S. $*)

year ended December 31, 1968, after allowances for depreciation, amortization, Quebec mining dues and income tax was $7,000,000 or $1.06 per share as compared to $1.31 per share in 1967.

Despite the less profitable year, Mattagami's cash position remained strong and an extra dividend of 30 cents per share was declared in December, bringing the total dividends for the year to $1.50 per share, providing an income of approximately $2.56 million to Placer.

Throughout the year Mattagami maintained an active exploration program both on its own property and on new prospects. None of the latter show significant economic values at this time. Mine ore reserves have been adjusted to show medium grade ore added and the ore depleted by mining during the year. At year-end reserves were reported to be 18,338,000 tons grading 10.0% zinc, 0.70% copper, 0.012 oz. of gold and 1.08 oz. of silver per ton.

The Canadian Electrolytic Zinc plant operated at capacity, except for the period of the strike, producing 111,459 tons of slab zinc, 112,712 tons of sulphuric acid and 508,260 pounds of cadmium. Demand and prices were variable during the year but on the whole satisfactory. Inventories were kept to suitable levels.

Early in 1968 the Canadian Electrolytic Zinc Company acquired control of the St. Lawrence Fertilizer Company plant located adjacent to the Canadian Electrolytic Zinc property. The fertilizer plant, a producer of phosphate-base fertilizers, was the main purchaser of Canadian Electrolytic Zinc sulphuric acid. The new acquisition has required substantial capital investment but will provide increased operating flexibility and efficiency at both plants.

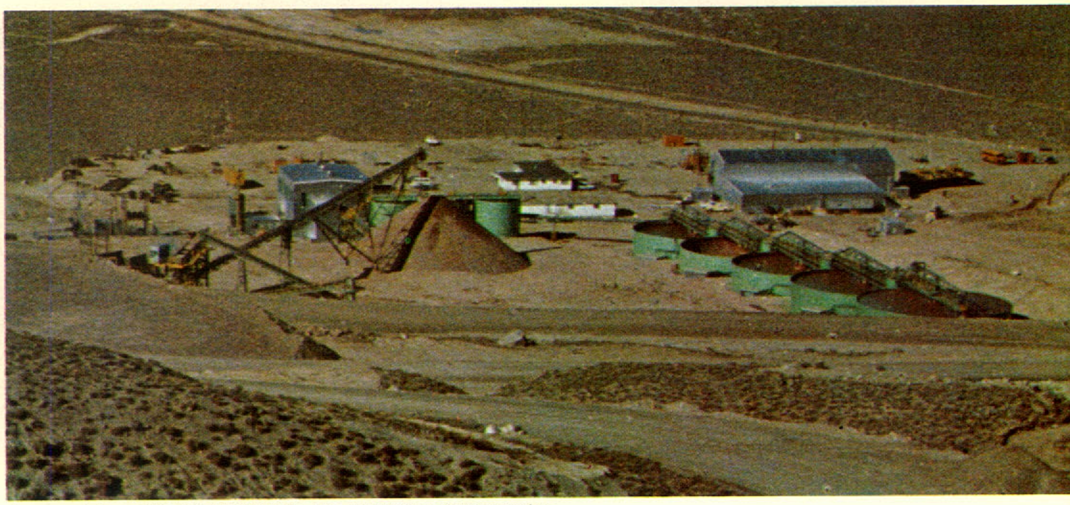
U.S.A.

Iron Age Mine
(100% *interest*)

The Iron Age Division of American Exploration & Mining Co. continued as a supplier of open hearth grade lump ore to Kaiser Steel Corporation's Fontana mill. As of January 1, 1969, Iron Age Mine had firm sales orders through September 30, 1969, totalling 90,000 tons against lump ore reserves of 160,000 tons.

During the year ended December 31, 1968, the Division sold 180,000 tons of ore at an average price of $8.19 (U.S.) per ton, f.o.b. mine. This compares to sales of 222,648 tons averaging $7.43 (U.S.) for the previous year. A 4½ cubic yard shovel was purchased in October and a modest exploration program was under way at the year's end. A recent Kaiser purchase of a test shipment of Brazilian ore would indicate the possibility of increased competition from imported ores.

A view of the conveyor belt at Cortez.



A general view of Cortez Gold Mines. Mill capacity 1,500 tons a day.

Evan Jones Coal Company
(48.33% *interest*)

On cessation of operations, Evan Jones held an auction sale to dispose of buildings and equipment, with a net of $585,000 (U.S.) realized on the sale. A one-man operation is handling domestic coal sales and performing caretaker duties. Final clean-up of scrap and disposal of remaining assets is scheduled for the summer months. The Joint Venture Agreement was modified to reflect the reduced scope of operations and the transfer of the Beluga coal leases to American Exploration & Mining Co.

Evaluation of these leases is currently under way.

Cortez Gold Mines
(28.33% *interest*)

During the year ended December 31, 1968, the Cortez property was equipped for production with a 1,500 ton per day mill. Concurrently the open pit was developed and tune-up operations commenced in January 1969, with full production being achieved by the end of February.

The operation will employ approximately 70 personnel. A staff housing project in Carlin, Nevada and a 34-unit trailer court have been completed, and a 4,000 foot airstrip is under construction.

Ore reserves are estimated at 3,562,100 tons, having a grade of 0.279 oz. gold per ton.

PORTUGAL

Minas De Terramonte LDA. (25% *interest*)

Operations during 1968 continued on the basis of 250 metric tons milled per operating day. A total of 81,503 metric tons grading 2.94% lead, 1.24% zinc and 149 gms. per metric ton of silver was treated.
Concentrate production amounted to 3,150 tons of lead concentrate and 100 metric tons of bulk sulphide concentrate.
Financial returns at the year-end show an estimated operating profit of $251,457 from which depreciation of $74,472 and amortization of exploration and development expense of $150,208 are deducted to leave a net profit of $26,773.
An initial repayment of advances to the partners in the amount of $210,000 (U.S.) was made early in 1969, of which Placer received $52,500.
Difficulties with oxide ore have now been overcome.

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¢ recoverable gold per ton on the Island of Marinduque, Republic of the Philippines.
Construction of the 15,000-ton per day plant commenced early in 1968 and during the year the following facilities were completed in the port area: causeway, deep sea pier, concentrate and receiving warehouse, power plant and a 24-unit townsite servicing the port area.
An 18 kilometre all-weather road was completed from the port to the plant area and in this area all site preparation and roads were completed, along with powerhouse and concentrate storage building foundations, office, shop and warehouse foundations, construction camp and office facilities. Work was started on the crushing plant foundations, open pit stripping, the process water system including the impoundment dam and the mine area townsite.
In January, 1969 steel fabrication and erection commenced and work was also started on the hospital and school in the townsite area.
The plant is scheduled for completion in late 1969 and all production will be sold under long-term contract to Nippon Mining Company.

NEW GUINEA

gold production

An extremely variable water source caused a decline in hydraulic mining in the Bulolo area and 1,430 fine ounces of gold were recovered from 490,000 cubic yards of gravel.
Gravel reserves in the Widubosh area at December 31, 1968, were 1,200,000 cubic yards of gravel, with possibilities of extension at an average grade of 9.5¢ (U.S.) per cubic yard.

timber

Production by South Pacific Timbers of logs, sawn timber and veneer increased over previous years and trading results were satisfactory.
With encouraging sales prospects resulting from improved plant facilities and continued effective utilization of the barge "Bauine" in transporting logs to Lae from the Kui and Pai Awa timber stands, returns are expected to be maintained during 1969.

Leron Plains

During the year a total of 760 head of cattle from the ranch was transported by road to Bulolo for slaughter and then flown over the Owen Stanley Ranges to the market at Port Morseby. Additional income was derived from the sale of a number of breeding cattle.
The purchase of two stud Aberdeen Angus bulls will ensure further improvement to the herd which is now stabilized at a level of 6,500 head.

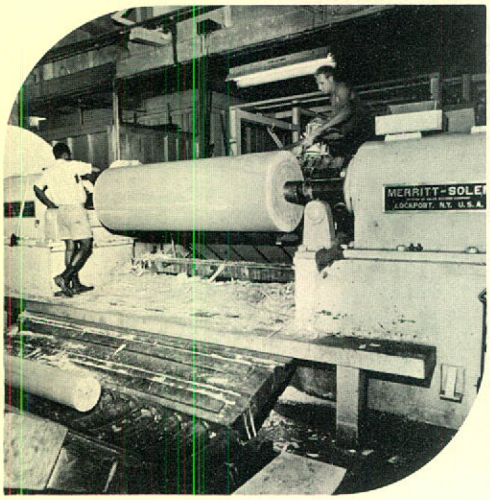
hydro power sales

Demand for power by the Electricity Commission at Lae kept the hydro electric power generating facilities at the Upper and Lower Bauine Power Stations operating at maximum efficiency, resulting in financial returns consistent with full demand.

Commonwealth-New Guinea Timbers Limited (49.9% *interest*)

Production at Bulolo of plywood from Klinkii pine stands in the Bulolo Valley in New Guinea continued at full capacity.
The major markets for Klinkii continue to be in Australia although competition remains strong due to imports from South East Asia.
A dividend of Cdn. $495,000 was received by Placer during the year.

At Marcopper the Balago pier takes shape. In the foreground steel is fabricated for the mill buildings at Tapian.



Klinkii Pine being peeled into veneer at Bulolo.

In anticipation of the start of Marcopper's production, apprentices receive instruction on the care and maintenance of 75 ton pit haulage trucks.

Territory Fisheries Pty. Limited
(51% interest)

In recent years the possible potential has been realized of the prawn fishing industry in Northern Australian waters. A New Guinea company, in which Placer has taken a 51% interest, has been formed to investigate the potential of prawn fishing in New Guinea waters.
Two vessels have been purchased and will commence initial survey work early in 1969 in Papuan and New Guinea waters. If encouraging results are achieved, a full scale operation will be developed.

Karlander Shipping Line
(20% interest)

Continued industrial development in the Islands of the Territory of Papua and New Guinea has resulted in buoyant shipping volumes and the Company's fleet was increased to six vessels during the year.
A dividend of Cdn. $12,720 was received by Placer.

AUSTRALIA

Placer Exploration Limited
(50% owned)

The re-location to a modern plant which permits consolidation of manufacturing facilities of Fox Manufacturing Company, Hi-Flow Fans and the Plywoods Division was completed early in 1969.

Fox Manufacturing Company and Hi-Flow Fans
(50% interest)

These engineering Divisions traded satisfactorily during the year although sales were slightly below figures for the previous year.
Conveyor products represented better than one-third of total production and six TorKar were sold during the year. Several new models of the TorKar have been introduced to the market and we anticipate increased sales of this product during 1969.

Rockdusting equipment and mobile drill sales improved during 1968 and other product lines remained constant.
Hi-Flow Fans entered the dust and fume control field and has engaged a number of engineers experienced in this work.
Negotiations have been started with Norberg of Sweden for manufacture in Australia of articulated underground mine dump trucks. The first unit of 30-ton capacity has been sold for delivery during the first half of 1969.
The forward order position is strong and a successful year in 1969 is anticipated.

Plywood Manufacturing (50% *interest*)

Sales for the year were the highest on record with a resultant increase in net trading profit. A rationalization of product lines and the installation of new equipment, together with a continuation of buoyant market conditions, should result in a continuation of favourable trading results for the current year.

Molybond Laboratories (25% *interest*)

Trading results were satisfactory for the year and it is anticipated that results will improve further during 1969 when the full potential of an increased product range will be realized.

Pastoral Activities (25% *interest*)

During the latter half of the year an interest in two pastoral properties was purchased. The two cattle stations are contiguous and located in the Kimberley area of North Western Australia. Their combined area is just under 1,700,000 acres and at present run approximately 35,000 head of cattle.
A five-year development program, providing for pasture and herd improvement, has been prepared and will be put into effect early in 1969.

exploration

Canada

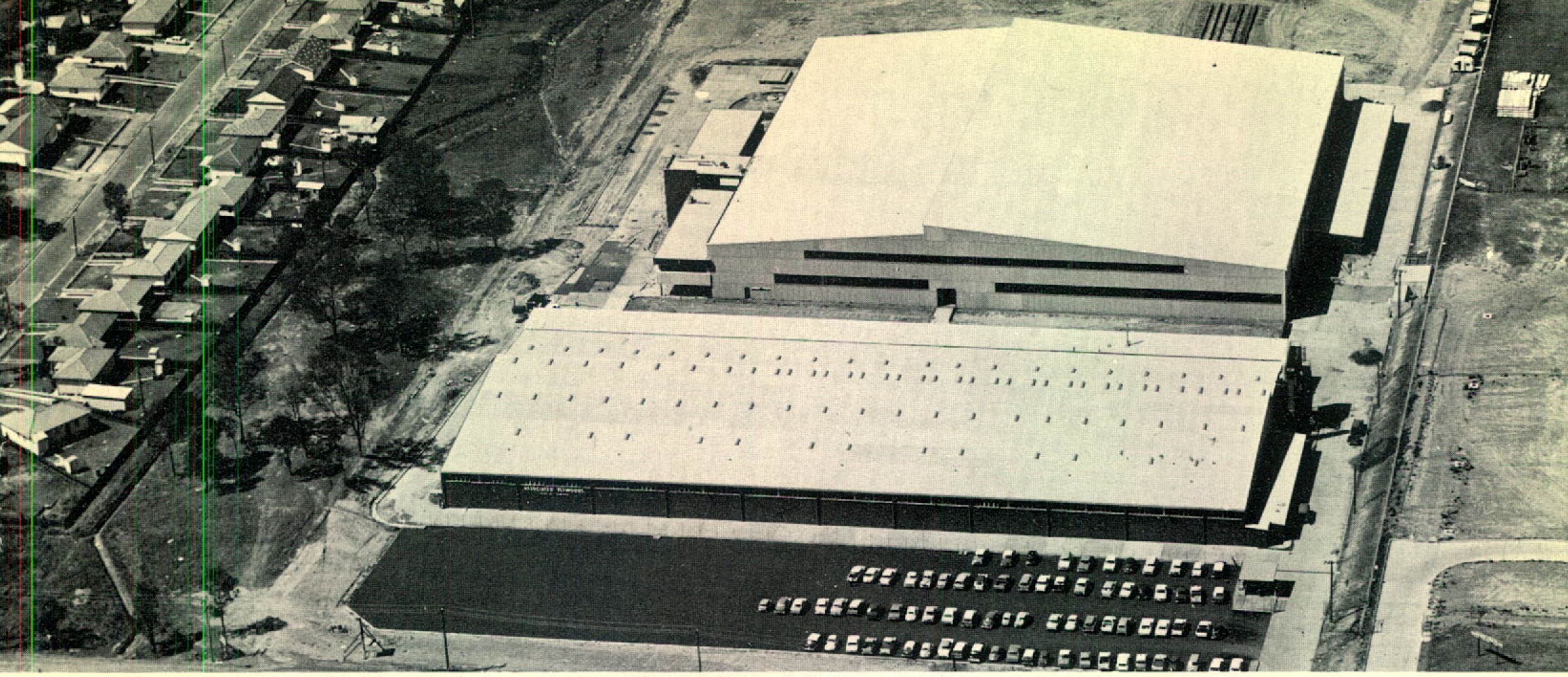
Your Company's major sphere of exploration activity continues to be in the West where numerous programs were directed from the Head Office in Vancouver. Exploration for precious and base metals failed to discover any deposits of economic interest. A joint oil and gas exploration program with Del Norte Oil Limited of Calgary, and others, resulted in three wildcat wells being drilled in the Province of Alberta. Two of the wells resulted in production; under the applicable government regulations, the details of these wells do not have to be released for a period of one year. A seismic exploration and drilling program is currently in progress for the further evaluation of the land in the area of the two discoveries.
In Eastern Canada an increasing number of projects are being carried out by exploration personnel based in Toronto. Several interesting properties justify follow-up programs but are in a high-risk stage.

U.S.A.

Activities of American Exploration & Mining Co. continued principally in the western states with lesser consideration being given to the other states.
At Cortez, Nevada, exploration was curtailed pending completion of the gold plant construction program.
Exploration and evaluation of the large area of low-grade copper mineralization in the Western United States was continued as was the uranium exploration program in Wyoming.
Other areas of promise containing principally copper, silver, gold and molybdenum mineralization were in various stages of exploration.

Australia/New Guinea

The activities of Placer Prospecting (Australia) Pty. Ltd. were concentrated on exploration throughout Australasia, with widespread prospecting in all States, the Northern Territory and New Guinea.
Detailed geological and geophysical surveys of a copper prospect in Queensland were followed by preliminary diamond and rotary drilling; additional work is planned for 1969.
Reconnaissance work in Papua and the New Guinea mainland and Bismarck Archipelago islands forming the Territory of New Guinea (copper) and in Western Australia (nickel, tantalum), Northern Territory (copper, rare earths) and South Australia (copper) located promising areas warranting further examination.



In Australia Placer's Smithfield complex is seen from the air. Associated Plywoods factory in front; Fox Manufacturing behind.

Exploration drilling on two locations in Australia. Prospecting is being conducted in all States.

Greece

Financial and engineering studies by possible European associates are continuing as to arrangements considered satisfactory for putting the Skouries copper/gold property into production. Updated feasibility studies have established that reserves meet requirements for an open pit operation at a milling rate of 3,000 tons per day. Minimum known reserves are established at 10.7 million metric tons of open pit sulphide ore with an average grade of 0.72% copper and 0.034 ounces of gold per metric ton. Additionally, approximately 7 million metric tons of deeper underground mineralized material, grading 1.05% copper may be mineable.

Italy/Sicily

In January 1969, Placer and the company with whom it has been associated, concluded jointly that the oil and gas exploration work being conducted in Italy/Sicily should be terminated. Exploration in both areas has been unsuccessful. Two offshore permits in the Adriatic have been retained.

Spain

During the first quarter of 1968 an exploration program was commenced in the Carratraca/Ojen area for nickel and associated minerals. The program is in partnership with the Spanish National Institute of Industries on an exclusive permit basis. Drilling results, to date, indicate nickel values that are marginal. More work in the area is planned.

Other Areas

Examination of prospects in other areas is continuing primarily on the American continents although other geographical areas are not being disregarded.

7-year summary of operating results

	1968	1967	*8 months to December 31* 1966	1966	*year ended April 30* 1965	1964	1963
Net operating income	$13,288,900	14,982,600	10,592,300	12,078,400	6,164,900	6,292,500	5,854,400
Investment income	6,538,700	9,142,800	2,078,100	1,302,500	3,142,700	2,783,300	1,154,900
	19,827,600	24,125,400	12,670,400	13,380,900	9,307,600	9,075,800	7,009,300
Depreciation and depletion	3,579,200	3,404,400	1,973,900	2,270,200	2,144,900	2,236,200	2,145,600
Preproduction and development expenses	696,000	1,194,100	795,000	896,600	—	—	—
Exploration expenses	5,348,000	5,131,300	2,285,500	2,255,400	1,100,400	936,200	803,000
Taxes on income	434,300	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.)	1,306,900	1,950,600	1,322,100	1,796,400	—	—	—
	11,364,400	12,223,300	6,449,200	7,386,600	4,463,700	4,400,600	4,090,800
Net Profit	$ 8,463,200	11,902,100	6,221,200	5,994,300	4,843,900	4,675,200	2,918,500
Per share	$1.59	2.23	1.17	1.15	0.93	0.89	0.56
Shares outstanding (net)	5,331,237	5,330,437	5,301,537	5,228,137	5,217,437	5,229,019	5,204,859

consolidated statement of profit and loss and earned surplus *for the year ended December 31 1968*

	1968 (Note 12)	1967
Revenue:		
Sales (Note 2)	$32,122,976	$40,512,715
Income from investments in other companies	5,740,610	7,552,976
Interest earned and other income	798,123	1,589,837
	38,661,709	49,655,528
Expense:		
Cost of sales	17,373,330	21,172,793
Administration, selling and general expenses	2,717,772	3,662,994
Interest on term bank loan	73,023	85,642
Interest on demand bank loans	175,909	338,022
Depreciation	3,308,430	3,122,968
Depletion	270,757	281,425
Preproduction and development expenses written off (excluding $676,438 write-off of deferred pit overburden stripping included in cost of sales; $225,000 in 1967)	695,976	1,194,059
Exploration expenses (Note 7)	5,348,032	5,131,304
Taxes on income (Note 8)	434,293	542,958
Minority interest in earnings of subsidiary companies	1,306,933	1,950,606
	31,704,455	37,482,771
Profit for the year before extraordinary items— $1.30 per share (1967—$2.28)	6,957,254	12,172,757
Extraordinary items:		
Gain on sale of option rights (Note 4)	1,058,845	—
Credit arising from increase in capitalization of a former subsidiary company (Note 6)	447,100	—
Write-off of townsite assets sold to the Village of Fraser Lake for a nominal value	—	320,699
Net profit for the year—$1.59 per share (1967—$2.23)	8,463,199	11,852,058
Balance at beginning of year	49,788,549	42,186,629
	58,251,748	54,038,687
Deduct—		
Stock dividends (Note 8)	4,264,670	4,250,138
Balance at end of year	$53,987,078	$49,788,549

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

consolidated balance sheet *as at December 31 1968*

ASSETS	*1968*	*1967*
Current Assets:		
Cash, including time deposits	$11,795,477	$11,263,698
Marketable securities, at cost (quoted market value $826,422)	829,633	331,257
Special refundable tax—current portion	550,944	—
Accounts receivable	5,679,738	7,506,097
Amount due from affiliated companies	601,058	626,539
Amount receivable from sale of subsidiary companies in prior years	—	2,410,000
Inventories (Note 2)	4,157,454	7,769,865
Prepaid expenses	185,611	108,084
	23,799,915	30,015,540
Amount Receivable from Sale of Option Rights:		
(U.S. $9,000,000) (Note 4)	9,655,312	—
Less—Deferred credit arising therefrom	9,655,312	—
	—	—
Investments and Other Assets:		
Investment in shares, at cost (Note 3)	7,565,700	7,719,683
Other investment, at equity in underlying net assets (Note 6)	6,107,464	—
Interest in joint ventures, at equity in underlying net assets (Note 5)	3,246,181	814,967
Advances to associated mining companies, at cost plus accrued interest	2,875,346	2,796,189
Special refundable tax	124,175	675,119
Mortgages receivable	358,964	288,145
	20,277,830	12,294,103
Fixed Assets:		
Plant, buildings and equipment, at cost	46,309,411	47,950,279
Less—accumulated depreciation	19,601,610	17,645,820
	26,707,801	30,304,459
Mining and other properties, at cost less accumulated depletion of $2,398,861 (1967—$2,119,984)	4,633,444	3,909,358
	31,341,245	34,213,817
Deferred Charges:		
Exploration in progress, at cost (Note 7)	4,032,274	4,259,571
Preproduction and development expenses, at cost less amounts written off	—	1,372,414
	4,032,274	5,631,985
	$79,451,264	$82,155,445

Approved on behalf of the Board:

J. D. SIMPSON, *Director*

T. H. McCLELLAND, *Director*

LIABILITIES AND SHAREHOLDERS' EQUITY

	1968	*1967*
Current Liabilities:		
Demand bank loans	$ —	$ 7,958,094
Current amount of long-term debt	557,863	—
Accounts payable and accrued liabilities	2,564,767	3,446,716
Amount owing by Australian subsidiary in respect of acquisition of fixed assets in prior years	—	2,410,000
Income taxes payable—estimated (Note 8)	390,573	369,895
	3,513,203	14,184,705
Long-Term Debt:		
Term bank loan due in twenty equal quarterly instalments commencing March 31 1969	2,799,063	—
Less payments due within one year	557,863	—
	2,241,200	—
Minority Interests in Consolidated Subsidiaries	6,027,018	4,504,490
Unrealized Gain on Foreign Exchange (Note 1)	257,004	267,312
Shareholders' Equity:		
Share capital (Note 9)—		
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:		
5,390,376 common shares (1967—5,389,576) less 59,139 ($789,246) common shares held by subsidiary company	6,025,799	6,010,427
Contributed surplus	7,399,962	7,399,962
Earned surplus (Note 8)—per accompanying statement	53,987,078	49,788,549
	67,412,839	63,198,938
Contingent Liabilities and Commitments (Note 11)		
	$79,451,264	$82,155,445

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

notes to consolidated financial statements *as at December 31 1968*

Note 1— Principles of consolidation:

The consolidated financial statements include the financial statements of the company 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 translated at year-end rates, 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 consolidated statement of profit and loss at average rates of exchange for the year.
The unrealized foreign exchange gain has been carried forward on the consolidated balance sheet.

Note 2— Inventories:

Concentrates for which firm sales contracts have been made, bullion and livestock inventory are valued at net realizable value. The net increase or decrease of such inventories valued at net realizable value during each year has been reflected in sales.
Raw materials, work in progress, and operating materials and supplies are valued at the lower of cost or replacement cost. Concentrates for which sales contracts have not been made and manufactured products are valued at the lower of cost or net realizable value.
The companies' inventories as at December 31 1968 and December 31 1967 comprise the following:

	December 31	
	1968	*1967*
Inventories, at net realizable value	$ 692,364	$ 2,370,094
Inventories, at the lower of cost or replacement cost	2,313,864	3,627,262
Inventories, at the lower of cost or net realizable value	1,151,226	1,772,509
	$ 4,157,454	$ 7,769,865

Note 3— Investment in shares:

Investments in shares at December 31 1968 comprise the following:

	Cost	*Quoted market value*
With quoted market value—		
Craigmont Mines Limited— 2,264,050 common shares of 50¢ each	$ 1,413,432	$22,640,500
Mattagami Lake Mines Limited (N.P.L.)— 1,706,526 shares of $1 each	3,145,359	25,811,206
Miscellaneous	205,510	87,113
	4,764,301	$48,538,819
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	112,846	
	2,801,399	
	$ 7,565,700	

Note 4— Marcopper options:

A wholly-owned subsidiary held option rights to acquire 25% of the outstanding and issued shares of Marcopper Mining Corporation for a nominal price per share. Because Philippine law prohibits foreign ownership of more than 40% of the issued shares of a Philippine mining company, these option rights were sold by the subsidiary in 1968 to certain Philippine nationals for a total price of U.S. $10,000,000. U.S. $1,000,000 of such purchase price was paid by the purchasers in December 1968 and the balance of the purchase price or U.S. $9,000,000, is required to be paid in amounts equal to 90% of the dividends received by such purchasers on the shares of Marcopper obtained by them pursuant to their exercise of the option rights. The shares so acquired by the purchasers with respect to which the purchase price has not been paid are held in escrow and are released to the purchasers in amounts corresponding to payments of the price. In the event the purchasers elect at any time not to continue payments on such purchase price, their obligations to make further payments on such price will terminate, and, at that time, the escrow agent will be permitted to sell the balance of the shares then remaining in escrow to other qualified purchasers for a total amount of not less than the amount of the unpaid purchase price.

In the accompanying financial statements the gain resulting from the U.S. $1,000,000 received in December is recorded as an extraordinary item in the statement of profit and loss and the remaining U.S. $9,000,000 is carried forward on the balance sheet as a deferred credit arising from sale of options and will be taken into income in future years as the cash is received from the purchasers.

Note 5— Interest in joint venture: In January 1969 the Cortez Gold Mine property at Cortez, Nevada, in which a wholly-owned subsidiary holds a 28.33% interest, was brought into production. At December 31 1968 the company's investment in this venture amounted to $3,153,200.

Note 6— Other investment: By an agreement dated July 23 1968 and effective July 1 1968, Kaiser Aluminum & Chemical Corporation acquired, by the contribution of additional capital, a 50% interest in Placer Exploration Limited, formerly a wholly-owned subsidiary and holding company for certain of the company's Australian operations. This transaction resulted in a credit to income of $447,100. The net loss of Placer Exploration during the year ended December 31 1968 (after deducting exploration expenses of $1,011,746) amounted to $465,930.

Note 7— Exploration in progress: The company presently follows the practice in its consolidated financial statements of charging current exploration expenditures against income of the year, except where the expenditures relate to an indicated presence of economically recoverable reserves, although such expenditures may be deferred in the financial statements of subsidiaries.

Note 8— Income taxes: 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 six months ended June 30 1968, being the end of its tax-free period. As a result of applying preproduction expenses and capital cost allowances against its income during the period July 1 1968 to December 31 1968, no federal income tax provision or liability is required in respect of the 1968 year.

For the year ended December 31 1968 the company has paid a total of $4,264,670 in dividends to shareholders free of Canadian income taxes. These distributions were not subject to Canadian income tax by shareholders as essentially they were paid by means of redeemable stock dividends at a time when the company had a deficiency of undistributed income on hand (surplus as computed for Canadian income tax purposes). These dividends were paid out of earned surplus which arose principally from net capital profits realized over the years on the sale of assets and properties.

Note 9— Stock option plan: Under the employee stock option plan, options to purchase 2,060 common shares and 15,500 exchangeable common shares are outstanding as at December 31 1968 (after the exercise of options for 800 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 10— Pension plans: The company and its subsidiaries have five active contributory plans for salaried employees at December 31 1968. All salaried employees are eligible for participation in the plans subject to a period of continuous service for one year. The plans are funded, and company contributions are determined by periodic actuarial computations. Current contributions are based upon 120% of employee contributions, and unfunded past service costs at December 31 1968, amounted to $290,000. The company also maintains a trusteed non-contributory pension plan covering presently employed senior personnel. Contributions are made to the trustees of the plan based upon actuarial calculations of the amounts necessary to carry out the purposes of the plan. The unfunded past service cost of this plan was approximately $630,000 at December 31 1968 which is being paid by equal quarterly instalments to December 31 1976. The cost of all pension plans for the year ended December 31 1968 amounted to $250,781.

Note 11—
Contingent liabilities:

(1) Under the terms of a loan agreement dated April 15 1968, Placer Development Limited and certain of its subsidiaries have guaranteed a bank loan of Marcopper Mining Corporation in an amount up to U.S. $40,000,000, of which U.S. $18,000,000 is outstanding at December 31 1968. In addition, Placer Development Limited is subject to certain limitations on the payment of dividends, the acquisition of its stock, the creation of additional debt, the merger with other corporations, and the acquisition or sale of its assets. The payment of dividends is limited to the aggregate net profits of the company and its subsidiaries from December 31 1967. Accordingly, at December 31 1968 earned surplus of $4,198,529 was not restricted as to the payment of dividends. The loan agreement further provides that the company must maintain, as collateral, securities having a value equal to at least 200% of the unpaid principal amount of the loan outstanding. The company's holdings in the securities of Canadian Exploration Limited, Placer Management Limited, Endako Mines Ltd. (N.P.L.), Craigmont Mines Limited, Mattagami Lake Mines Limited (N.P.L.) and Marcopper Mining Corporation are pledged as collateral under the loan agreement.
(2) Other commitments and guarantees in respect of capital expenditures, etc. of the company and its subsidiaries amounted to approximately $500,000 at December 31 1968.
(3) An action has been brought against Placer and one of its subsidiaries claiming damages of U.S. $7,000,000 for alleged violation of United States anti-trust laws. In the opinion of counsel for Placer such action is without merit.

Note 12—
Endako strike:

The Endako mine was closed by a labour strike as of July 27 1968. The strike was settled on November 14 1968 with the signing of a new labour agreement for thirty-nine months from July 1 1968.

Note 13—
Remuneration of directors and senior officers:

Aggregate direct remuneration paid during the year ended December 31 1968 by the company and its subsidiaries to directors and senior officers of the company amounted to $334,983.

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 1968 and the consolidated statements of profit and loss, earned surplus and source and application of working capital for the year then ended. Our examination of the financial statements 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 subsidiaries and of the Sydney and New Guinea branches of the company.
In our opinion these consolidated financial statements present fairly the financial position of Placer Development Limited and subsidiary companies as at December 31 1968 and the results of their operations and the source and application of their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

March 14, 1969
Vancouver, B.C.

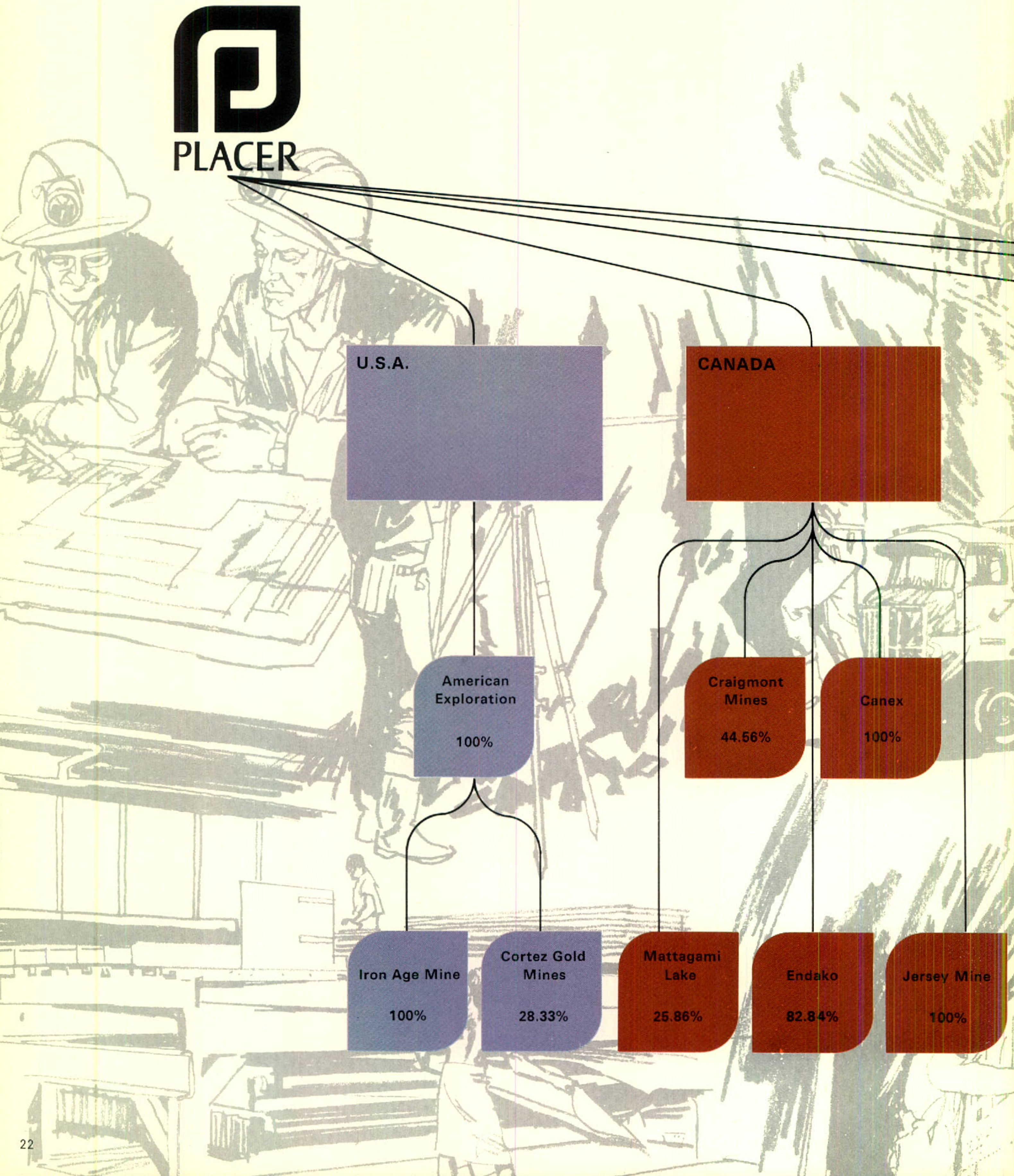
PRICE WATERHOUSE & CO.,
Chartered Accountants.

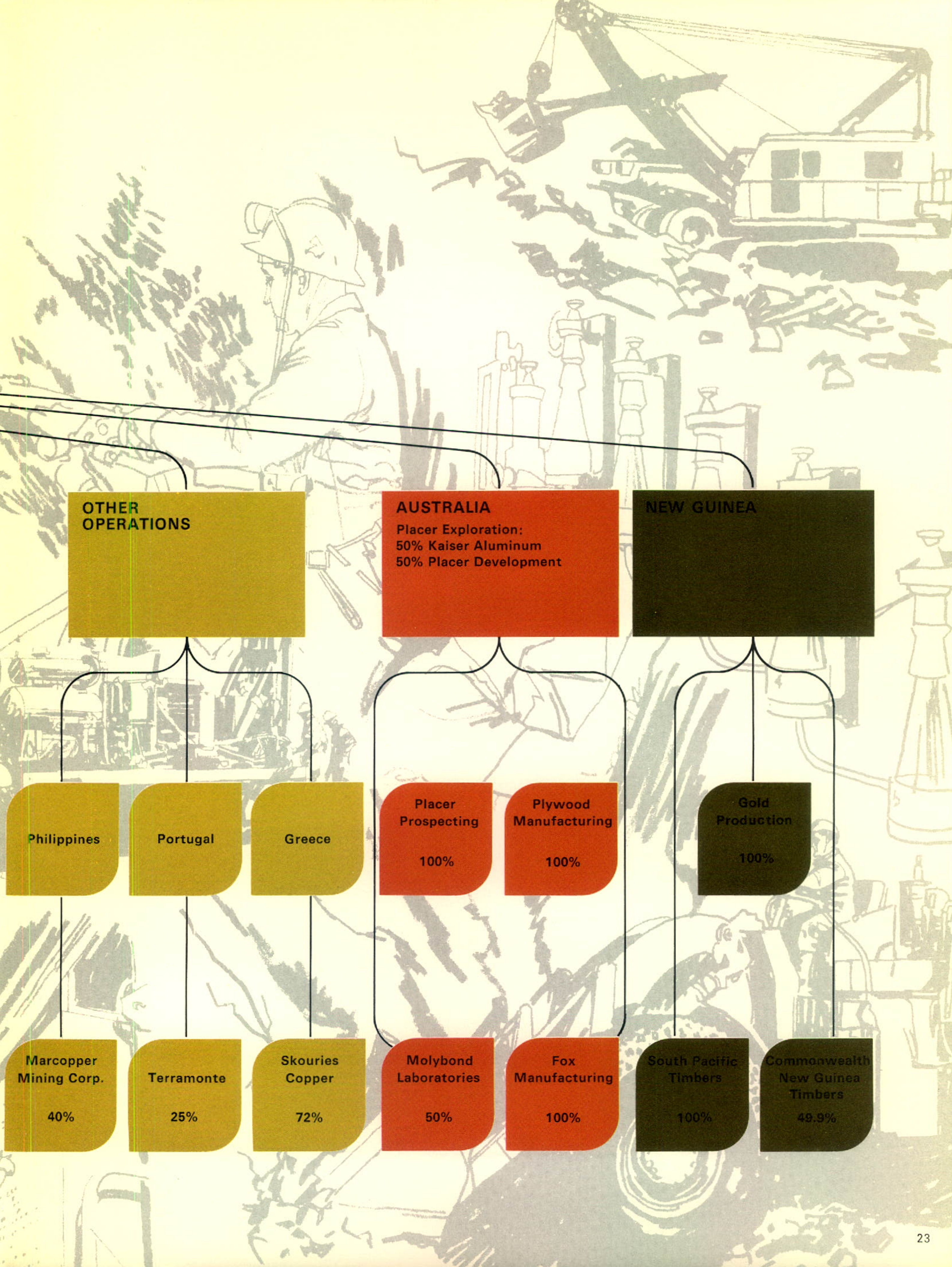
consolidated statement of source and application of working capital

for the year ended December 31 1968

	1968	*1967*
Working capital, beginning of year	$15,830,835	$ 9,595,536
Source:		
Net profit for the year	8,463,199	11,852,058
Add—		
Charges which did not involve an outlay of working capital—		
Depreciation and depletion	3,579,187	3,404,393
Minority interest in earnings of subsidiary companies	1,306,933	1,950,606
Preproduction and development expenses written off	695,976	1,194,059
Deferred pit overburden stripping written off	676,438	225,000
Write-off of townsite assets sold to the Village of Fraser Lake for a nominal value	—	320,699
	14,721,733	18,946,815
Long term portion of term bank loan	2,241,200	—
Adjustment arising on consolidation with respect to fixed assets of former subsidiary (Note 6)	2,244,620	—
Reclassification of special refundable tax receivable within a year	550,944	—
Sale of treasury shares (options exercised)	15,372	610,121
Decrease in exploration in progress	227,297	361,362
Investments and other assets—net	796,812	327,861
	20,797,978	20,246,159
Application:		
Dividends	4,264,670	4,250,138
Other investment, at equity in underlying net assets	6,107,464	—
Additions to fixed assets—net	2,745,948	8,566,285
Investment in joint venture—Cortez Gold Mine	3,153,200	—
Special refundable tax	—	245,119
Net increase (decrease) in mortgages receivable	70,819	(59,237)
Purchase of shares in Marcopper Mining Corporation	—	1,008,555
	16,342,101	14,010,860
Increase in working capital	4,455,877	6,235,299
Working capital, end of year	$20,286,712	$15,830,835

worldwide interests




OTHER OPERATIONS
AUSTRALIA
Placer Exploration:
50% Kaiser Aluminum
50% Placer Development
NEW GUINEA
Philippines
Portugal
Greece
Placer Prospecting 100%
Plywood Manufacturing 100%
Gold Production 100%
Marcopper Mining Corp. 40%
Terramonte 25%
Skouries Copper 72%
Molybond Laboratories 50%
Fox Manufacturing 100%
South Pacific Timbers 100%
Commonwealth New Guinea Timbers 49.9%

PLACER DEVELOPMENT LIMITED

Incorporated in British Columbia, Canada

directors

John R. Bradfield, Toronto, Canada,
Chairman, Noranda Mines Limited

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

Albert E. Gazzard, Vancouver, Canada,
Executive Vice-President

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

*Richard V. Porritt, Toronto, Canada,
Vice-Chairman, 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, *Executive 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

Central Share Registry of Australia Pty. Limited, *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 Stock Exchange, Toronto Stock Exchange, Montreal Stock Exchange, Sydney Stock Exchange, American Stock Exchange.

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