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Executive Vice-President

†*Thomas H. McClelland,
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President and Chief Executive Officer

*Alfred Powis, Toronto, Canada,
*President and Chief Executive Officer,
Noranda Mines Limited*

†J. Ernest Richardson, Vancouver, Canada,
*Chairman, President and Chief Executive Officer,
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William S. Row, Toronto, Canada,
*Executive Vice-President,
Noranda Mines Limited*

†P. Ritchie Sandwell, Vancouver, Canada,
*Chairman of the Board and Chief Executive
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*John D. Simpson, Vancouver, Canada,
Chairman of the Board

Vernon F. Taylor, Jr., Denver, U.S.A.,
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†*H. Richard Whittall, Vancouver, Canada,
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*Member of the Executive Committee

†Member of the Audit Committee

Officers

John D. Simpson,
Chairman of the Board

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President and Chief Executive Officer

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John M. McConville,
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Robert A. Watts,
Treasurer

John Racich,
Comptroller

David Michaelis,
Sydney Secretary

The Company

Placer is a Canadian company whose business is primarily mineral exploration, development and production through subsidiary and associated companies. Canadians hold 74% of the issued shares; 12% are held in the United States, 13% in Australasia and 1% in other countries.

Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held on Thursday, May 2, 1974 at 12:00 Noon in the Board Room of the Hotel Vancouver, Vancouver, British Columbia, Canada.

Valuation Day

On December 22, 1971, established as valuation day by the Canadian Department of National Revenue, the price of the Company's Common Shares was \$12.75 per share (adjusted from \$25.50 following the share split in 1973).

Comparative Highlights

	1973	1972
Sales	\$130,968,000	\$56,062,000
Equity in earnings of associated companies	\$ 25,611,000	\$11,313,000
Net earnings before extraordinary items	\$ 59,070,000	\$12,547,000
— per share	\$ 4.92	\$ 1.05
Net earnings	\$ 71,812,000	\$16,649,000
— per share	\$ 5.98	\$ 1.39
Working capital	\$ 49,098,000	\$27,043,000
Copper produced—pounds per share	12.2	10.2
Exploration expenses	\$ 5,956,000	\$ 6,233,000
— per share	\$ 0.50	\$ 0.52
Property, plant and equipment additions (net)	\$ 3,443,000	\$16,605,000
Common shares outstanding (net)	12,015,230	11,967,630
Number of shareholders	5,700	5,200
Number of employees	1,688	1,842

Cover

The theme in Placer's Annual Report for 1973, "Administration in Mine Development" is the second in a series intended to provide readers with a fuller understanding of the mining industry. The cover design illustrates a few of the many areas in which decision-making and administration are key factors.



Directors' Report to the Shareholders

The Board of Directors herewith presents Placer's Forty-Eighth Annual Report for the year ended December 31, 1973. The Company experienced the most successful year in its history, primarily because of a significant increase in the price of copper and other metals. The improvement is reflected in the results of subsidiaries and associates which have made a strong contribution to Placer's performance in 1973. Gibraltar Mines Ltd. (N.P.L.) (71% owned) completed its first full year of operations and repaid its development loan by the end of 1973.

FINANCIAL

Consolidated net earnings for the year ended December 31, 1973 were \$71,812,000 including extraordinary items, or \$5.98 per share as compared to \$16,649,000 or \$1.39 per share in 1972. The earnings per share for 1972 have been restated to reflect the two-for-one share split authorized by shareholders in 1973. Dividends amounting to \$1.20 per share were paid during the year and consisted of 20c per share in the first two quarters, 30c per share in the last two quarters and an extra dividend of 20c in the fourth quarter.

The increased earnings of Gibraltar, from \$8,352,000 during the initial nine-month operating period in 1972 to \$52,509,000 in 1973, made the most significant contribution to Placer's earnings during the period. This performance enabled Gibraltar to retire the balance of its development loan by December, 1973. As a result, restrictions on the encumbrance or disposal of Placer's other mining assets, which were undertaken by Placer as a guarantee of the loan, have been eliminated. The tax-exempt period formerly granted to new mines has been withdrawn and Gibraltar's earnings after December 31, 1973 are subject to income taxes.

Net earnings for Marcopper Mining Corporation in 1973 were 215,000,000 pesos, translated to \$29,971,000, compared to \$16,111,000 in 1972. After provision for Philippine withholding tax, dividends of \$5,160,000 were paid to Placer during the

year. A ruling is being sought from the Philippine Government that the withholding tax on dividends paid by Marcopper to Placer will be reduced from 35% to 15%.

Mattagami Lake Mines Limited (N.P.L.) reported net earnings in 1973 of \$33,528,000 compared to \$14,340,000 in the previous year. The improvement resulted primarily from earnings of Mattabi Mines and high metal prices prevailing during the year. Dividends to Placer amounted to \$2,694,000 in 1973.

Craigmont Mines Limited reported net earnings for the fiscal year ended October 31, 1973 of \$10,024,000 as compared to \$2,531,000 in 1972. Dividends to Placer amounted to \$1,358,000 during the year. The substantial increase in earnings over the previous year was due to improved copper prices received through most of 1973.

A strike halted regular operations at the mine for a period of 20 weeks which included the last 6 weeks of Craigmont's fiscal year. A binding decision by a provincial Industrial Inquiry Commission in early February, 1974 enabled resumption of operations but at labour rates which make Craigmont one of the highest-paying mines in the world.

As a result of its sound financial position, this company was able to continue paying quarterly dividends of 15c per share through 1973.

Extraordinary items included in Placer's earnings totalled \$12,742,000 or \$1.06 per share. These items are detailed in the following four paragraphs.

In April, 1973 Placer's interests in New Guinea were sold for a total price of \$10,000,000 which resulted in an extraordinary item of \$2,964,000. The decision to terminate our position in New Guinea was taken with regret since Placer's first successful venture was in that country with the Bulolo Gold Dredging operations.

In May, 1973 Placer assigned its rights under an exploration and development agreement with Afton Mines Ltd. (N.P.L.) for \$4,000,000. This resulted in an extra-

ordinary net gain, after provision for income taxes, of \$2,700,000. Your Company has retained the 100,000 Afton shares acquired in its original agreement with that company.

Under the terms of a sale in 1968 to Philippine nationals of option rights to 25% of the Marcopper shares, Placer receives payment on the purchase price from dividends on those shares. During the year Placer received U.S. \$4,384,000, which is included as an extraordinary item in the financial statements. Of the original U.S. \$10,000,000 option price, U.S. \$1,526,000 remains to be paid. At the current level of Marcopper dividends, the balance should be paid by mid-1974.

Exploration and other expenses accumulated in prior years when no taxable income was recorded, have been applied against current taxable income. The resulting reduction in taxes is reported as an extraordinary item in the amount of \$2,677,000. At the end of 1973, approximately \$13,000,000 of such expenses was available for application against future taxable income.

Working capital at December 31, 1973 was \$49,098,000, an increase of \$22,055,000 from the previous year.

Operations at two mines were terminated during 1973. In July, Minas de Terramonte Lda., a lead/zinc mine in Portugal, was closed. This property, in which Placer held a 25% interest, had operated on marginal economics for a number of years. Mining at the Tungsten Division of Canex Placer Limited near Salmo, British Columbia was also completed and mill operations ceased in September, 1973. Placer's original mine in Canada, Canex was acquired in 1947 and was operated continuously as a producer of lead/zinc or tungsten concentrates.

It was a mainstay of your Company during the early years of growth in Canada.

Operations at the Cortez gold mine in Nevada, with the exception of leaching, are expected to cease in the third quarter of 1974. Exploration of other gold properties in the area is being carried out.

Funds Made Available From:

Working capital at beginning of year	23.00%
Earnings from operations	63.55%
Extraordinary items affecting working capital	9.43%
Sale of property, plant, equipment and other	4.02%

Funds Used For:

Reduction of long-term debt	38.37%
Dividends paid	12.25%
Additions to property, plant and equipment	6.27%
Others	1.35%
Working capital at end of year	41.76%

MARKETING

An overall improvement in metal prices took place in 1973 as growth in demand, which became evident late in the previous year, continued. Copper prices on the London Metal Exchange rose significantly from a fourth quarter average of U.S. 46.20c per pound in 1972 to U.S. 99.18c per pound in the fourth quarter of 1973. This high level may not hold through 1974 although a decrease to the low ranges of 1972 is not expected.

Nippon Mining Company Limited, the contractual buyer of concentrate from copper mines in the Placer group, cancelled its force majeure condition in October, 1973 and shipments by all three mines are now being made entirely to that company.

Steady demand for molybdenum has permitted prices to firm and the European price for molybdenum in roasted molybdenite concentrate increased in early February, 1974. Endako prices were increased in early March, 1974 to U.S. \$1.87 per pound in concentrate and to U.S. \$2.10 per pound in oxide.

EXPLORATION

Exploration for new mineral resources is essential, not only to the future of your Company and the mining industry, but also to assure world markets of needed materials. The costs of exploration are a necessary business expense and are recognized as such under Canadian income tax laws.

Exploration continued in 1973 with expenditures of \$5,956,000 compared to \$6,233,000 in 1972. These funds were directed to projects in many parts of the world, with approximately 63% expended in Canada. Projects in British Columbia during 1973 were limited generally to those already in progress. In Australia, stringent controls on foreign investment have caused reduced expenditures for exploration.

McDERMITT MERCURY MINE

In the United States, Placer Amex Inc. has defined a mercury deposit mineable by open

pit methods. The site is located near McDermitt, Nevada, in the northwest part of the state. Mineable reserves are approximately 3.5 million tons at a grade of 10 pounds of mercury per ton. Placer, with a 51% interest, is preparing a comprehensive feasibility study. Should the decision be made to proceed with development, Placer's share of the approximately \$9,000,000 cost of development would be provided from internal sources.

ROYALTY

A new mineral royalty of 2.5% in 1974, and 5% in 1975 and thereafter, has been proposed by the provincial government. It includes provision for an additional royalty of 50% to be applied when metal prices rise beyond a certain point. Although modification in detail is expected, the Bill's future impact on mining in British Columbia is quite clear. It will damage the industry at all levels. Following the pattern already established by declining exploration activity, the number of new mines under development and eventually the number of operating mines may be expected to decrease.

ENERGY AND INFLATION

The effects of the oil shortage have not been significant to operations in Western Canada or in the Philippines. Oil shortages and the resultant increase in fuel costs may have more significance to the Placer group through their impact on marine transport and copper smelter operations. To date, however, scheduled deliveries of concentrate have been met and smelters are continuing to accept their contractual tonnages of concentrates.

MANAGEMENT

Mr. William S. Row, a Director since 1971, is not standing for re-election as he has reached mandatory retirement age. His many years of experience in the mining industry have been invaluable to your Company and the Board takes this opportunity of expressing appreciation for his services.

PERSONNEL

A total of 1,688 persons were employed by Placer and its consolidated subsidiaries in 1973. The total payroll expense for this group, including the cost of benefit programmes, was \$17,806,000 compared to \$14,465,000 in the previous year. A share purchase plan for salaried employees of Placer and its associated companies was introduced in 1973 and by year-end, participation by eligible employees had reached 67%.

ACKNOWLEDGEMENT

Placer's success in the future, as in the past, depends to a large degree on the skills and dedication of its employees. Their

participation is noted with sincere appreciation by the Board of Directors.

On behalf of the Board,



Chairman



President

Vancouver, B.C.
March 6, 1974.

Members of the Board of Directors are, left to right, seated: Alfred Powis, John D. Simpson, Chairman of the Board, Thomas H. McClelland, President and Chief Executive Officer and J. Ernest Richardson. Standing: P. Ritchie Sandwell, Albert E. Gazzard, H. Richard Whittall, J. Douglas Little, James C. Dudley and William S. Row. Not shown: Vernon F. Taylor, Jr.



Metals and Markets

GENERAL

All major metals were in strong demand through 1973 as world economic activity continued to expand. Prices also increased substantially in contrast to 1972 when they changed relatively little despite growth in consumption. Copper, zinc, gold and silver approximately doubled in price during 1973, while discounts from molybdenum list prices were eliminated.

A reduction in economic activity may occur in industrialized areas in 1974 due to reduced consumer demand and the effects of energy shortages. This, in turn, could result in reduced demand for metals during the year.

COPPER

Prices for copper in world markets reached new high levels as demand outpaced suppliers' capacity. In 1973 the London Metal Exchange recorded an average price of U.S. 80.92c per pound as compared to the 1972 average of U.S. 48.79c per pound. Upward pressure on prices, caused by increased consumption in all industrialized countries, was compounded by disruptions in supplies from most producing areas. Smelter production was affected by the oil shortage and environmental restrictions, while stoppages caused by labour or political factors contributed to the shortfall at all producing levels.

MOLYBDENUM

Continued strong demand for molybdenum by the steel industry eliminated price discounting by year-end. In February, 1974 the European price for molybdenum in roasted molybdenite concentrate was increased from U.S. \$2.02 to U.S. \$2.20 per pound and this new price level will probably become general by the end of March, 1974.

Producer stocks accumulated during 1970 to 1972 have been sufficient to meet the growth in demand and the outlook is for continuation of the historical 7% annual growth rate although this will be affected by overall economic activity.

TUNGSTEN

Consumption improved through 1973 although portions of the large stocks which had accumulated in 1969 and 1970 were still available and tended to limit price response. Nevertheless, prices did improve from about U.S. \$34.00 per short ton unit at the 1972 year-end to U.S. \$44.00 per short ton unit in December, 1973. All tungsten produced at the Canex mine was sold at prices in effect when operations ceased.

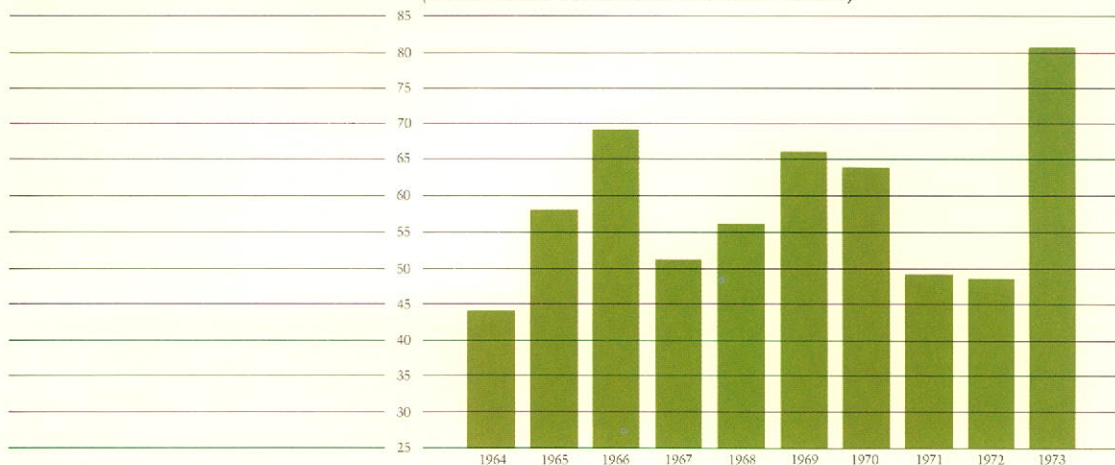
ZINC

The zinc market continued strong throughout the year with demand increasing 8% to 10%. The European producer price for Prime Western Grade increased from U.S. 18.5c per pound at the beginning of 1973 to U.S. 31.5c per pound at year-end. In the United States prices rose from U.S. 18c per pound to U.S. 31c during the period.

GOLD

Gold prices continued to improve in the wake of currency revaluations and reached a record 1973 level of about U.S. \$122.00 per ounce in June. The price eased down to about U.S. \$90.00 per ounce following abandonment of the two-tier gold agreement, but rose again to even higher levels early in 1974.

YEARLY AVERAGE COPPER PRICES PER LB.
(L.M.E. Cash Settlement Wirebars—U.S. c)



YEARLY AVERAGE ZINC PRICES PER LB.
(European Producer's Price—U.S. c)



YEARLY AVERAGE MOLYBDENUM PRICES PER LB.
Published Major Primary Producer's Price—
f.o.b. mine or f.o.b. roaster—U.S. c)



Operations

Canada

ENDAKO MINES DIVISION (100% interest)

A return to full production at a rate of 15,000,000 pounds per year of contained molybdenum was completed in July, 1973. Production had been decreased in 1971 and 1972 in order to reduce inventories which, by the end of 1973, were equal to 5,700,000 pounds of contained molybdenum compared to 7,900,000 pounds at the end of 1972.

The roaster operated at maximum capacity through the year. Modifications to increase total roaster capacity to 14,500,000 pounds of contained molybdenum per year were begun during 1973 and will be completed in 1974. A significant part of the estimated \$1,000,000 cost of this project will be devoted to meeting provincial environmental protection standards.

Additional ore production equipment was placed in service during the year to accommodate increasing strip ratios and haulage distances and more units are on order for delivery early in 1974.

Mineable ore reserves at December 31, 1973 were:

	Tons	MoS ₂
Endako Pit (0.08% cut-off)		
—proven and probable	153,000,000	0.143%
—possible	40,000,000	
Denak Pit (0.08% cut-off)		
—proven and probable	21,000,000	0.159%
—possible	4,000,000	

Geological interpretation of recent drill tests in the area between the Endako and Denak claims has resulted in adjustment and redistribution of ore reserve estimates which are reflected in the above table.

Following discussions with Local 959 of the United Steelworkers of America, wage rates were increased effective August 1, 1973 to maintain a competitive position with the

mining industry in the area. The collective agreement will expire in October, 1974.

A housing shortage developed in Fraser Lake with the return to full production at the mine. Steps to provide additional employee accommodation will be initiated during 1974.

REVIEW	Year Ended December 31,	
	1973	1972
<i>Operations</i>		
Open pit production, to crusher—tons	8,602,500	6,412,400
Open pit production, to stockpile—tons	1,676,500	2,421,400
Ore milled—tons	8,446,000	6,382,000
Average daily throughput—tons	26,980	24,144
Grade—% MoS ₂	0.146	0.149
Metallurgical recovery—%	80.03	81.22
Total contained molybdenum produced— pounds	11,878,000	9,237,000
in molydenite concentrate	3,383,000	1,674,000
in molybdic oxide	8,495,000	7,563,000
Inventory at beginning of year—pounds	7,947,000	10,038,000
Inventory at year-end— pounds	5,713,000	7,947,000
	<i>tons = short dry tons</i>	

TUNGSTEN DIVISION (100% interest)

Underground production decreased as the ore reserve was depleted and operations ceased in mid-September, 1973. The equipment and most of the buildings were sold at public auction.

Some employees were relocated to other properties and others elected to remain in the area to find employment in local industry. A termination allowance was provided by the Company to assist employees in the transition.

REVIEW	Period Ended mid-Sept., 1973	Year Ended Dec. 31, 1972
<i>Operations</i>		
Ore milled—tons	107,000	198,000
Average daily throughput— tons	494	543
Grade—% WO ₃	0.63	0.58
Scheelite concentrate produced—s.t.u.	56,300	94,000
Inventory at beginning of year—s.t.u.	53,275	22,920
Inventory at year-end—s.t.u. . .	nil	53,275
<i>tons = short dry tons s.t.u. = short ton units</i>		

GIBRALTAR MINES LTD. (N.P.L.)
(71.22% interest)

By the end of 1973 Gibraltar repaid the term loan of \$63,900,000 which had been provided by the Canadian Imperial Bank of Commerce and The Bank of Nova Scotia at an average interest rate of 7.75%. A \$5,000,000 line of credit, maintained with these same banks to balance intermittent receipts from the sale of concentrates, had no outstanding balance at year-end.

With expiration of the tax-exempt period for new mines, Gibraltar's earnings will be subject to income taxes from January 1, 1974. British Columbia mining taxes have been applicable since commencement of operations.

All ore production in 1973 was from the Gibraltar East Stage 1 Pit. Preparations for mining the Granite Lake Stage 1 Pit were continued with initial ore production scheduled for the second quarter of 1974. This programme includes removal of overburden by a contractor, draining of a small lake on the pit site and dredging of 900,000 cubic yards of silt.

Additional mining equipment was placed in service during the year to compensate for increasing strip ratios and haulage distances. The addition of automatic control systems on all three grinding circuits resulted in improved concentrator throughput.

The average price received in 1973 before smelter charges was U.S. 87.36c per pound of contained copper. Shipments of molybdenum were approximately equal to 1973 production of 493,500 pounds contained in concentrate.

REVIEW	Year Ended December 31,	
<i>Financial</i>	1973	1972
Gross revenue	\$96,918,000	\$29,425,000
Total expenses	\$44,409,000	\$21,073,000
Net earnings	\$52,509,000	\$ 8,352,000
per share	\$ 4.60	\$ 0.73
B.C. mining taxes	\$ 7,799,000	\$ 319,000
<i>Operations</i>		
Open pit ore production, to crusher—tons	14,295,000	11,019,000
Open pit ore production, to stockpile—tons	4,848,000	4,963,000
Ore milled—tons	15,082,000	10,861,500
Average daily throughput—tons	41,300	39,500
Grade—% copper	0.48	0.46
Concentrate produced— tons	212,400	132,100
Grade—% copper	28.67	30.28
Recovery of copper—%	83.40	80.42
Copper in concentrate— pounds	121,800,500	80,022,800
Molybdenum in concentrate—pounds	493,500	nil
Copper concentrate shipped—tons	217,700	122,800
Inventory at beginning of year—tons	12,400	nil
Inventory at year-end— tons	5,900	12,400
<i>tons = short dry tons</i>		

CRAIGMONT MINES LIMITED
(44.59% interest)

Craigmont's net earnings in the fiscal year ended October 31, 1973 increased over fiscal 1972 due primarily to higher world copper prices. Production was affected by a strike at the mine from September 16 up to and beyond October 31, 1973. During the year higher smelter charges became effective on a new, 12-month sales contract.

Markets in Western Canada continued strong for Craigmont's magnetite, production of which increased following expansion of the circuit to a capacity of 50,000 tons per year in late 1972.

To commencement of the strike, the concentrator operated 97.9% of available time. Salaried staff continued operations on a limited basis during the strike, treating approximately 37,000 tons of ore per month compared to normal throughput of 160,000 tons per month.

Mill throughput was improved approximately 5% following installation of

automatic controls on all grinding circuits. Limited on-property exploration was carried out during 1973 with no significant results. The off-property programme was continued with five properties being optioned during the year.

Normal underground mining was continued through the year with production from some previously uneconomic sections being resumed due to improved copper prices.

REVIEW	Year Ended	
	October 31,	
<i>Financial</i>	1973	1972
Gross revenues	\$31,803,000	\$17,090,000
Total expenses	\$21,779,000	\$14,559,000
Net earnings	\$10,024,000	\$ 2,531,000
per share	\$ 1.97	\$ 0.50
Taxes on income	\$ 7,379,000	\$ 1,719,000
Dividends paid	\$ 3,046,000	\$ 4,570,000
per share	\$ 0.60	\$ 0.90
<i>Operations</i>		
Ore production—tons	1,657,000	1,718,000
Drawn from stockpile—tons	28,000	160,000
Ore milled—tons	1,708,000	1,874,000
Average daily throughput—tons	5,400	5,100
Grade—% copper	1.38	1.34
Concentrate produced—tons	74,800	83,800
Grade—% copper	29.58	28.17
Recovery of copper—%	94.23	93.70
Copper in concentrate—pounds	44,271,000	47,182,000
Magnetite concentrate produced—tons	42,600	30,700
Copper concentrate shipped—tons	88,300	73,500
Inventory at beginning of year—tons	19,700	9,900
Inventory at year-end—tons	5,800	19,700

tons = short dry tons

MATTAGAMI LAKE MINES LIMITED (N.P.L.)
(27.14% interest)

Higher earnings of Mattagami Lake Mines in 1973 were attributable to the improved metal prices and a full year of production from the Mattabi mine.

The mine at Matagami, Quebec operated at full capacity through the year and carried

out an extensive exploration programme in Eastern Canada, especially in the Sturgeon Lake area of Ontario.

The expansion programme to bring the Canadian Electrolytic Zinc plant to a rated capacity of 600 tons of slab zinc per day is progressing satisfactorily. The major portion of the plant's production of sulphuric acid was sold to St. Lawrence Fertilizers, a subsidiary of Canadian Electrolytic Zinc.

Mattabi Mines Limited at Sturgeon Lake, Ontario, owned 60% by Mattagami, completed the first full year of operation. At December 31, 1973 Mattabi's ore reserves were recorded at 12,198,000 tons, grading 6.73% zinc, 0.76% copper, 0.67% lead and 2.60 ounces of silver.

REVIEW	Year Ended	
	December 31,	
<i>Financial</i>	1973	1972
Consolidated net earnings	\$33,528,000	\$14,340,000
per share	\$ 5.06	\$ 2.17
Dividends paid	\$ 9,927,000	\$ 7,935,000
per share	\$ 1.50	\$ 1.20
<i>Operations—Mattagami</i>		
Ore milled—tons	1,387,000	1,370,000
Average daily throughput—tons	3,801	3,744
Grade—% zinc	7.4	7.4
Grade—% copper	0.57	0.56
Zinc concentrate produced—tons	178,104	172,134
Grade—% zinc	52.2	52.2
Copper concentrate produced—tons	23,907	23,007
Grade—% copper	24.8	23.7
<i>Operations—Canadian Electrolytic Zinc</i>		
Zinc produced—tons	148,750	144,960
Cadmium produced—pounds	597,620	853,570
Sulphuric acid produced—tons	155,890	147,500
<i>Operations—Mattabi</i>		
Ore milled—tons	1,112,000	438,838
Zinc concentrate produced—tons	202,513	80,378
Grade—% zinc	55.4	55.1
Copper concentrate produced—tons	38,568	17,818
Grade—% copper	25.5	24.0

tons = short dry tons



United States

CORTEZ GOLD MINES (28.3% interest)

Milling of ore from the nearby Gold Acres property (33.33% interest) commenced at the Cortez concentrator in April and to year-end, 643,400 tons of ore, equivalent to 54% of the estimated reserves on this property, had been treated. Some silver values were recovered from this ore. In addition, 119,100 tons of ore from the Cortez Pit were milled.

It is anticipated that the concentrator will be shut down in the third quarter of 1974, although an exploration programme was continued in an effort to expand reserves on the Gold Acres, Cortez and neighbouring properties.

At year-end, 1,091,300 tons of low-grade ore were under leach treatment at the Gold Acres property.

REVIEW	Year Ended December 31,	
	1973	1972
<i>Financial</i>		
Net earnings	\$ 2,361,000	\$ 4,752,000
<i>Operations—Cortez/Gold Acres</i>		
Open pit production, to crusher—tons	698,600	806,400
Open pit production, to leaching—tons	1,159,900	822,200
Ore milled—tons	762,500	803,000
Average daily throughput—tons	2,100	2,200
Grade—oz. gold/ton109	.214
Recovery of gold—%	85.6	89.0
Gold produced by milling—oz.	65,400	153,000
Gold produced by leaching—oz.	10,300	37,600
Silver produced—oz.	110,100	nil
	<i>tons = short dry tons</i>	
	<i>oz. = troy ounces</i>	

Philippines

MARCOPPER MINING CORPORATION
(40% interest)

The concentrator treated 7,440,000 tons of ore, a decrease of 3% from the 1972 rate, attributable to higher ratios of hard sulphide ore. A reduction of 0.05% in grade from 0.70% copper in 1972 was attributed to mining in lower grade sections of the ore deposit. At December 31, 1973 mineable ore reserves at a cut-off grade of 0.40% copper were 113,200,000 tons at an average grade of 0.58% copper.

Capital expenditures amounting to

\$3,600,000 in 1973 were directed to expanding the townsite and maintenance facilities at the mine, as well as additions to the open pit drainage system. A river diversion project to increase the waste dump area was essentially completed by December, 1973. Installation of a sand/slime flotation circuit and an additional large generating unit for the power plant was commenced. Construction of tailing thickeners and of a new tailing disposal system were all initiated by year-end. Substantial expenditures on these projects are budgeted for 1974.

An engineering and economic study of mining and milling rates was carried out to assist in maintaining production levels of copper concentrate as lower grade ore is encountered.

REVIEW	Year Ended December 31,	
	1973	1972
<i>Financial</i>		
Net earnings	\$29,971,000	\$16,111,000
per share	\$ 0.189	\$ 0.102
Cash dividends paid	\$19,847,000	\$13,876,000
per share	\$ 0.125	\$ 0.087
<i>Operations</i>		
Open pit production, to crusher—tons	7,606,000	7,692,000
Open pit production, to stockpile—tons	3,944,000	3,722,000
Ore milled—tons	7,440,000	7,648,000
Average daily throughput—tons	20,400	20,900
Grade—% copper	0.65	0.70
Mill concentrate produced—tons	157,000	170,900
Grade—% copper	26.20	26.28
Recovery of copper—%	84.50	83.86
Copper in concentrate—pounds	82,259,600	89,828,500
Gold in concentrate—oz.	45,200	41,500
Silver in concentrate—oz.	205,000	203,800
Leach concentrate produced—tons	5,900	5,400
Copper in concentrate—pounds	9,406,200	7,945,900
Copper concentrate shipped—tons	151,800	177,100
Inventory at beginning of year—tons	7,000	7,800
Inventory at year-end—tons	18,100	7,000
	<i>tons = short dry tons</i>	
	<i>oz. = troy ounces</i>	

Australian Operations (50% Interest)

Placer Exploration Limited, the Australian company jointly owned by Placer Development Limited and Kaiser Aluminum & Chemical Corporation, has reported a net loss for the 12 months ended December 31, 1973 of \$1,022,000. This compares with a loss of \$2,169,000 in the previous year, after allowing for exploration expenditures of \$2,437,000 and \$2,061,000 in the respective periods. Placer's portion of this loss is reflected in the equity in earnings of associated companies.

Demand for capital equipment by the mining industry in Australia remained depressed through 1973 and as a consequence, sales of Fox Manufacturing Company were \$7,892,000, approximately the same as the previous year. Contracts for Fox equipment are being negotiated in Mexico and South Africa as a result of a programme initiated several years ago to develop markets outside Australia.

The improving trend for plywood and sawn timbers continued through 1973 and combined sales during the year totalled \$7,748,000 compared to \$4,833,000 in the previous year.

Sales of molybdenum-based lubricants during 1973 were \$714,000, compared to

the previous year's level of \$524,000. Special grease and molybdenum compound sales have shown an improving trend and have made the major contribution to the earnings of Molybond Laboratories.

Northern Cattle Company Pty. Limited, in which Placer Exploration Limited holds a 50% interest, recorded 1973 sales of \$2,908,000 compared to \$1,261,000 in 1972. The improvement was due mainly to increased cattle sales and greatly improved beef prices. Stock numbers decreased during the year from 74,659 to 70,397 due to greater numbers prepared for market and reduced natural increase caused by dry conditions on most of the properties in northwest Australia.

Portugal

MINAS DE TERRAMONTE LDA. (25% interest)

Operations at Mitel were terminated on August 1, 1973. Prior to closure, the mill produced 788 tons of lead concentrate and 1,317 tons of zinc concentrate. Average ore grades declined from the previous year and sampling indicated no possibility of improvement. The company was wound up in December, 1973 and the assets are being distributed to each partner.

Exploration

Exploration continued at a relatively high level during 1973, with expenditures of \$5,956,000 compared to \$6,233,000 in 1972.

HARD MINERALS

In Western Canada, the three major exploration projects were the Afton copper property near Kamloops, British Columbia, the Howard's Pass lead/zinc area on the Yukon-Northwest Territories border and the Berg porphyry copper/molybdenite property in central British Columbia.

In the first quarter of the year, diamond drilling was carried out on the Afton property prior to the sale of the Company's option.

Diamond drilling on the Howard's Pass project proved the presence of mineralization but showed the structure to be more complex and the grade to be lower than original surface indications suggested. A reduced exploration programme is planned during the coming field season.

Diamond drilling on the Berg porphyry copper/molybdenite deposit was continued in 1973 and additional work is planned in the coming field season.

In Eastern Canada, exploration activity was directed primarily towards the search for copper, nickel, zinc and gold deposits.

In the United States, exploration activity was carried out by Placer Amex Inc., a wholly-owned subsidiary, which concentrated its activities on the McDermitt mercury property in Nevada. A drilling programme and market studies were conducted on the Beluga coal property near Anchorage, Alaska.

In Australia, Placer Exploration Limited (50% owned) continued the exploration programme of the Lady Loretta lead/zinc prospect which is located on the Lady Annie property in northwest Queensland. Drill-indicated ore reserves are 8,700,000 metric tons at a probable grade of 6.7% lead, 18.1% zinc and 3.5 ounces silver per ton. Exploration in the area is continuing.

Negotiations are being held with an agency of the Peruvian Government concerning

the possible development and management of the Santa Rosa/Cerro-Verde copper concessions near Arequipa, Peru.

Marcopper Mining Corporation (40% owned) continued exploration for porphyry copper and other prospects throughout the Philippines.

In Honduras, an exploration programme is being continued. Negotiations with the Argentine government for the exploration of three porphyry copper concessions are in abeyance. Current projects in South Africa consist of examination and exploration for massive base metal sulphide deposits and gold properties. Placer participated in exploration in Mexico through Explomin, S.A. de C.V.

OIL AND GAS

Canex Placer participated in the drilling of 17 wells in Western Canada during 1973. Working interests varied from 20% to 50%. Two of the wells were drilled through farmout agreements at no cost to Canex.

A new pool discovery was made in the Eagle area, close to Fort St. John, British Columbia. Four wells, three oil and one gas, were successfully completed. Canex Placer's working interest in this venture is 50%.

Total reserves in Western Canada at December 31, 1973 were estimated at 2 million barrels of crude oil and 35 billion cubic feet of natural gas.

The Mine Development Process: Administration

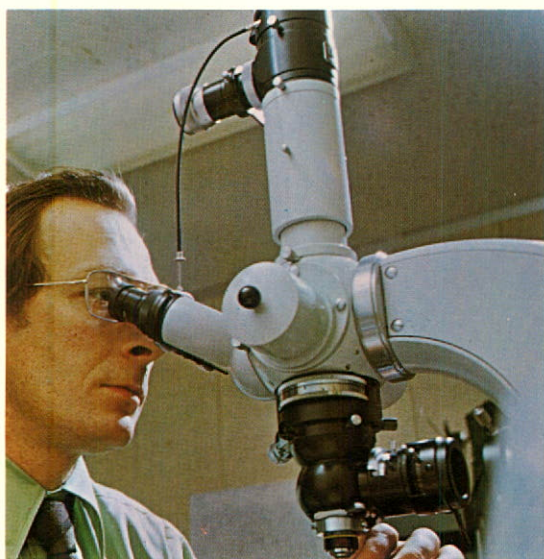


In Placer's Annual Report for 1972, the physical aspects of finding and developing a mine were described. In this Report, the role of administration and the art of decision-making in the mine development process are considered.

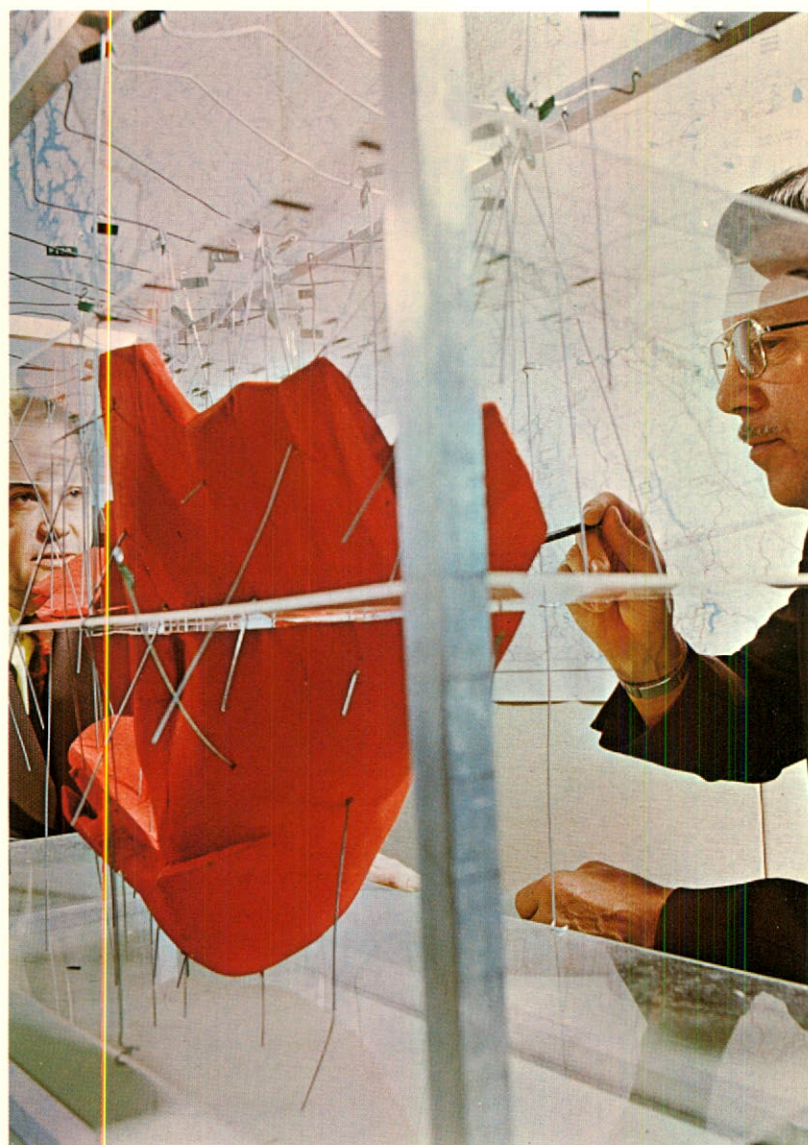
Like mortar which binds bricks together, the quality of decision in the development of a new mine will prove critical to the strength of the final structure. Poor decisions, like inferior mortar, will lead to unfortunate and expensive predicaments; while the better the quality of judgement, the less obvious is its role. This is especially so in mine development where long-term mine efficiency is often determined long before construction begins.

Recognition of mine evaluation and development as specialized skills has created a need for the mine development company. Such companies, after assessing many mineral prospects, will assume responsibility for making those with the more promising potential into operating mines. In exchange for their agreement to arrange financing, design, build operate and market the product, a development company will earn an equity participation in the mine. Thus its own best interests, as well as those of other shareholders, are served by ensuring that the project is developed rapidly and operated efficiently.

Data for the feasibility study comes from the field . . .



. . . and from the laboratory.



Although no one has seen it, the shape of the orebody can be duplicated in a model.

In this article, we will begin to consider the decision-making process at a point where all the information that can be gathered on a mineral occurrence has been gathered. Let us assume that, to this point, it looks promising. It is now the difficult task of experienced mining men to draw together and evaluate many threads of information in order to reach a logical decision on the economics of a potential mine.

Of course, the ultimate proof of commercial value for a mineral zone is to actually mine and concentrate the ore, but the cost of such proof, if the occurrence is uneconomical, makes this method impractical. Therefore, mine planners first build a theoretical mine on paper.

Time and effort are lavished on the study of a mine's feasibility, since the risks diminish in inverse ratio to the extent and quality of analysis. The question of whether or not a mineral occurrence can be made into a mine has three basic parts.

- Will the economics of mining, processing and marketing, justify the risk and if so, by how much?
- Will there be markets for the product?
- What form of financing should be used?

These apparently simple questions will be answered in analyses that will run to several thousand type-written pages, consume hundreds of manhours and cost many thousands of dollars.

THE FEASIBILITY REPORT

Essentially the study of the probable economics of a mine, the feasibility report will consider every aspect of development and operation. It confirms or rejects the preliminary estimates by expanding and detailing cost and revenue figures.

Data from many sources are used to create the theoretical mine. Ore reserves, grade and the type of mining best suited for the location are basic considerations. Three-dimensional plastic models of the ore zone are fabricated from data provided by drill tests; thousands of figures on computer print-outs will show an ideal pit configuration; lists, tables and charts will

provide schedules of production and estimates of income and costs.

Similarly, the effect of income taxes, royalties, sales taxes and legislation cannot be left to guesswork. Often, many hours of additional work are required in research before such information is ready for the feasibility report.

Eventually, everything that should be known about the project will be evaluated or estimated. The objective is to provide senior mining executives with all the information they require to reach a decision on whether the mineral or minerals can be extracted and marketed profitably.

Much of the data in the report is however, based on projection and can vary, sometimes drastically, from results obtained under actual working conditions. This is why the risk element in mining can never be eliminated. For instance, if capital cost estimates are low, a small percentage over-run can amount to millions of dollars. If market projections, which are subject to a great many variables, also change, then inaccuracies are compounded and the entire project jeopardized. The ideal situation for which mine developers and planners strive, is completion on time, on budget and at anticipated production rates. If they can improve on any of these objectives—so much the better.

The three basic questions on feasibility, markets and financing, are interrelated. The mine cannot be built without financing, which cannot be guaranteed without markets, which in turn need assurance that a mine will be built and a product produced.

Eventually, the solution to this triangular conundrum of "who should start?" is communication and patience. Financiers and buyers are made aware of the potential development at an early stage, possibly before the feasibility study has even begun. The developer maintains communications with these interested groups, supplying full progress reports as the project advances through the stages of theoretical, possible, probable and concrete. Thus discussion on

marketing and funding will be nearing conclusion at the same time as a decision to develop or not to develop is approached.

MARKETING

As part of the feasibility report, the marketing group will have provided estimates on future demand and prices for the mine's production. As indications for a production decision become more apparent, this group will seek contracts, at least on a conditional basis, with metal buyers around the world.

Marketing the production from a mine can be a relatively easy matter or it can be the biggest challenge of all, depending on demand, the type of mineral product, the reputation of the mining company, economic projections and many other factors.

Negotiations will often be conducted in foreign countries where different language and customs are only the most apparent of the difficulties. The marketing group's ability to find buyers for the mine's future output will favourably influence the financing. Yet production of the concentrate may be months away and there are only projected figures for production dates, quantities and grade. The smelter will require a great deal of information on these and other points, since its facilities must be able to process the concentrate and produce a saleable product. The smelter must also be able to handle impurities and by-products from the concentrate.

An agreement between a buyer and a seller will be formalized by a contract—an essential step since many millions of dollars' worth of concentrate, produced over months or years, is involved. Each point in the transaction—transfer of ownership, insurance, frequency and size of shipments, method of transport and terms of payment—will be the subject of lengthy discussion before final agreement.

FINANCING

Obtaining the funds to finance construction of a mine and concentrator is the third basic requirement. The financing of a mine can take many forms and the method

Opposite page:

Top left: Computers' speed in calculation supports engineers' ability to judge and evaluate.

Top right: The search for markets will take personnel to distant parts of the globe.

Bottom: Port and loading facilities to handle a new mine's output are often among the responsibilities of a mine developer.

A mine development company must be able to speak the language of high finance.

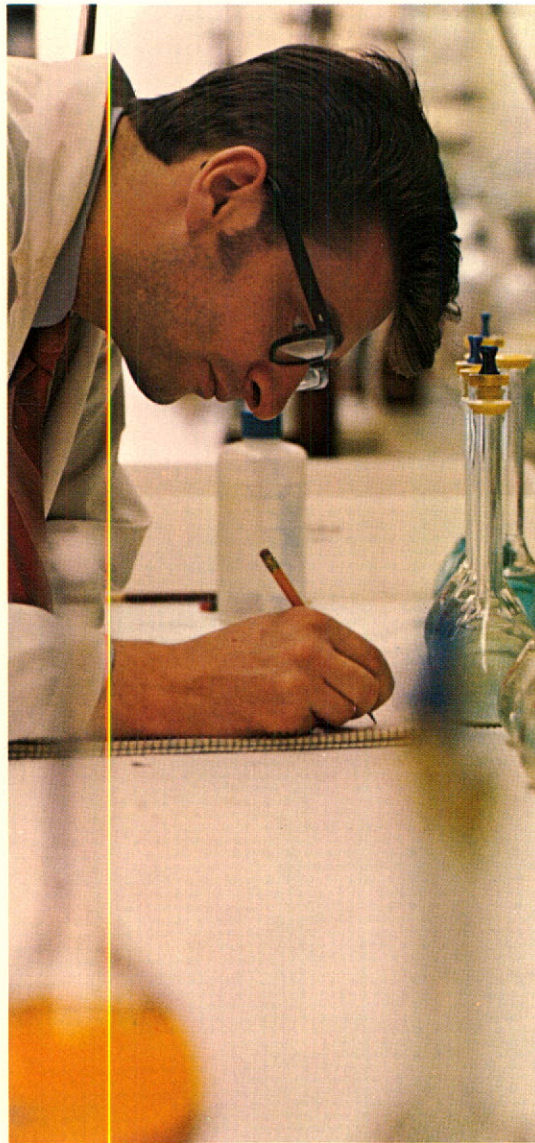
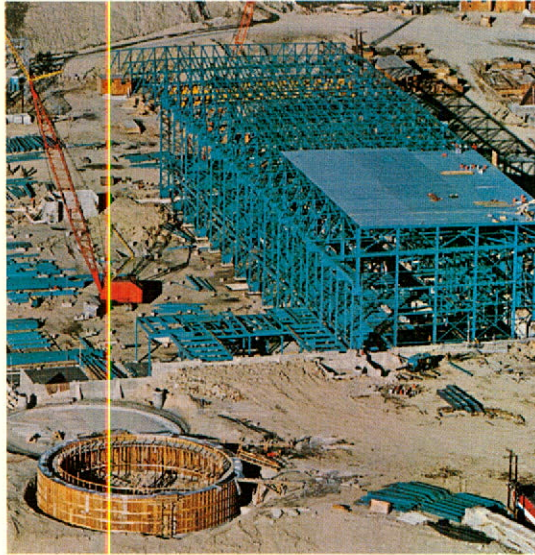




Right: Construction programme must be carried out on a precise schedule.

Bottom left: Familiarity with the mineral industry helps in purchasing for a mine.

Bottom right: Methods and procedures are established to maintain quality and improve mineral recovery.



finally chosen is governed by a number of considerations: the agreement with the claims holder who may not have had the technical expertise or ability to finance himself and thus arranged for participation by a developer; the time required to repay a loan if this route is taken; the risk factor and the political climate of the country where the mine is to be located.

Planning must foresee the need to make funds available to match the rate of spending throughout the construction period and to provide working capital until the mine's own revenues are sufficient.

In Canada recently, the most favoured way of financing a mine to production has been through loans, generally arranged with Canadian chartered banks which have thereby contributed to the expansion of the mining industry and to its successful record.

Bank financing is favoured as it does not dilute the shareholders' position, loans can be repaid before the due date without premium and are not subject to credit limitations which characterize alternate methods such as a public bond issue.

The terms of a bank loan are negotiated with the bank looking for maximum security and the mining company for as much freedom of action as possible. Repayments are usually geared to anticipated production revenue, with the major portion of initial revenues devoted to repayment of the loan. The mine development company will normally be called upon to guarantee the mine's loan and the interest payments.

Other considerations may arise if the mine is to be located abroad. Many countries have some form of monetary or export controls. Understandably, banks will seek assurance that funds for repayment of their loans will be available in the same currency as the loan. Because of this and other uncertainties, such as monetary devaluation, this type of venture needs extremely careful planning and may also require greater security and faster payback schedules.

By the time a mine is financed to production, it will have undertaken such

commitments as payments to banks, or to bond holders, obligatory payments to governments and original claims holders, amortization payments on power and transport services, and provision of townsite and social services. It is indeed an indication of optimism, as well as professional confidence, when the decision-makers accept such commitments in the belief that future revenues will be adequate to meet them.

THE PRODUCTION DECISION

To this point, the potential buyers and financiers have been kept informed of the feasibility study's progress. If indications are favourable for development, the purchasers and banks will be simultaneously informed and requested to confirm their positions. Now with assurance of both markets and funding, plus a complete and detailed feasibility report, the developer's senior executives will consider whether to proceed.

The feasibility report will have outlined the extent of their risk—an amount which can approach hundreds of millions of dollars. With such stakes, senior executives who must actually make the decision bear a heavy responsibility. Remember, the feasibility report is still essentially a prediction of the future based on past experience. Is the data reliable? Are all the assumptions sound? Has everything been taken into account?

Many aspects of the problem have been considered and new factors will constantly occur. Nevertheless, at some time the decision has to be made, for as Samuel Johnson aptly put it, "Nothing would ever be attempted if all possible objections are first removed."

For the administrators, the best guarantee that their judgement will be correct and that the gamble will not be lost is the experience and know-how of those who contributed to the feasibility report.

If the report does not provide a clear and reasonable expectation of a return on the investment, the decision must be not to proceed, even if several million dollars have already been spent on the project. On the

other hand, if the chance of a fair return is indicated and the project is authorized, a great many things will start to happen at once as the feasibility report—to now a theoretical study—becomes the blueprint for action. The first and perhaps the most critical phase of a new mine has now been passed. Instead of work performed to create and support theory, henceforth theory will be transformed through work into the hard facts of concrete, steel, activity and production.

The resulting mine will convert material of little value into needed metals. It will create payrolls, taxes, export credits and dividends. It will provide the means, through continued exploration, of finding future supplies of metal.

In short, the varied skills of the developer will have created an asset of long-lasting value to the society. The system through which a mine is created is complicated, yet given the opportunity to function as intended—it works very well.



Programmes for personnel, including housing, benefits and training, are an important part of mine development.

As it is completed each unit is tested prior to integration with the total mill system.



Consolidated Statement of Earnings

	Year ended December 31,	
	1973	1972
	<i>(in thousands)</i>	
REVENUE:		
Sales	\$130,968	\$ 56,062
Interest and other income	4,367	2,829
	<u>135,335</u>	<u>58,891</u>
EXPENSES:		
Cost of sales	49,015	28,825
Depreciation	8,159	6,729
Depletion	508	435
Amortization	1,327	1,461
Selling, general and administrative	4,729	4,229
Exploration	5,956	6,233
Interest on long-term debt	3,400	3,235
Foreign exchange losses (gains)	(831)	23
Minority interests	15,307	2,623
	<u>87,570</u>	<u>53,793</u>
Earnings before the following	47,765	5,098
Equity in earnings of associated companies <i>(Note 5)</i>	25,611	11,313
Earnings before taxes and extraordinary items	<u>73,376</u>	<u>16,411</u>
Income and mining taxes <i>(Note 7)</i> :		
Current	11,231	2,954
Deferred	3,075	910
	<u>14,306</u>	<u>3,864</u>
Earnings before extraordinary items	59,070	12,547
Extraordinary items <i>(Note 9)</i>	12,742	4,102
Net earnings	<u>\$ 71,812</u>	<u>\$ 16,649</u>
EARNINGS PER SHARE:		
Earnings before extraordinary items	\$ 4.92	\$ 1.05
Extraordinary items	1.06	.34
Net earnings	<u>\$ 5.98</u>	<u>\$ 1.39</u>

Consolidated Statement of Retained Earnings

	Year ended December 31,	
	1973	1972
	<i>(in thousands)</i>	
Retained earnings, beginning of year	\$ 96,207	\$ 85,241
Net earnings	71,812	16,649
	<u>168,019</u>	<u>101,890</u>
Dividends paid—\$1.20 per share (1972—\$0.475)	14,398	5,683
Retained earnings, end of year	<u>\$153,621</u>	<u>\$ 96,207</u>

Consolidated Balance Sheet

Assets	December 31,	
	1973	1972
	(in thousands)	
CURRENT ASSETS:		
Cash and time deposits	\$ 36,297	\$ 10,966
Marketable securities, at cost which approximates market value	5,381	5,089
Accounts receivable	9,280	10,323
Inventories (Note 3)	12,543	20,390
	<u>63,501</u>	<u>46,768</u>
AMOUNT RECEIVABLE FROM SALE OF OPTION RIGHTS:		
(U.S. \$1,526,000; 1972—U.S. \$5,910,000)	1,637	6,341
Less: Deferred credit arising therefrom (Note 4)	1,637	6,341
	<u>—</u>	<u>—</u>
INVESTMENTS AND OTHER ASSETS:		
Investments in associated companies (Note 5)	49,374	37,451
Other investments and recoverable deposits, at cost	2,162	2,330
	<u>51,536</u>	<u>39,781</u>
PROPERTY, PLANT AND EQUIPMENT:		
Plant, buildings and equipment (Note 6)	74,149	80,331
Mining and other properties, at cost less accumulated depletion of \$1,968,000 (1972—\$1,460,000)	10,415	10,766
Deferred exploration, development and preproduction costs, less accumulated amortization of \$693,000 (1972—\$297,000)	8,508	9,138
	<u>93,072</u>	<u>100,235</u>
	<u>\$208,109</u>	<u>\$186,784</u>

Placer Development Limited

	December 31,	
	1973	1972
	<i>(in thousands)</i>	
Liabilities and Shareholders' Equity		
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 10,185	\$ 6,373
Income and mining taxes payable <i>(Note 7)</i>	4,218	1,109
Long-term debt due within one year	—	12,243
	<u>14,403</u>	<u>19,725</u>
LONG-TERM DEBT	—	45,119
DEFERRED INCOME AND MINING TAXES <i>(Note 7)</i>	4,396	4,553
MINORITY INTERESTS IN SUBSIDIARIES	19,099	5,387
SHAREHOLDERS' EQUITY:		
Share capital <i>(Note 8)</i> —		
Authorized:		
20,000,000 common shares without nominal		
or par value		
184,000 exchangeable common shares		
without nominal or par value		
Issued:		
12,027,508 common shares (1972—11,979,908),		
less 12,278 held by a subsidiary	7,817	7,020
Contributed surplus	8,773	8,773
Retained earnings	<u>153,621</u>	<u>96,207</u>
	170,211	112,000
 <i>Approved by the Board:</i>		
J. D. SIMPSON, <i>Director</i>		
T. H. McCLELLAND, <i>Director</i>		
	<u>\$208,109</u>	<u>\$186,784</u>

Consolidated Statement of Changes in Financial Position

	Year ended December 31,	
	1973	1972
	<i>(in thousands)</i>	
Financial resources were provided by:		
Earnings before extraordinary items	\$ 59,070	\$12,547
Add (deduct)—		
Depreciation, depletion and amortization	9,994	8,625
Minority interests in net earnings	15,307	2,623
Equity in earnings of associated companies, less dividends received	(13,339)	1,042
Deferred income and mining taxes	3,075	910
Other items	611	1,048
Total from operations before extraordinary items ..	74,718	26,795
Extraordinary items affecting working capital	11,084	3,053
Long-term debt	—	14,765
Sale of property, plant and equipment	3,924	2,404
Other items	809	1,000
	<u>90,535</u>	<u>48,017</u>
Financial resources were used for:		
Reduction of long-term debt	45,119	14,679
Dividends paid	14,398	5,683
Additions to—		
Plant, buildings and equipment	5,535	14,399
Mining and other properties	552	444
Deferred exploration, development, and preproduction costs	1,280	4,166
Decrease (increase) in minority interests in subsidiaries	1,596	(1,188)
	<u>68,480</u>	<u>38,183</u>
Increase in working capital	22,055	9,834
Working capital, beginning of year	27,043	17,209
Working capital, end of year	<u>\$ 49,098</u>	<u>\$ 27,043</u>
Analysis of changes in working capital:		
Increase (decrease) in current assets—		
Cash and time deposits	\$ 25,331	\$ 6,325
Marketable securities	292	(256)
Accounts receivable	(1,043)	3,408
Inventories	(7,847)	6,103
	<u>16,733</u>	<u>15,580</u>
Increase (decrease) in current liabilities—		
Accounts payable and accrued liabilities	3,812	(1,735)
Income and mining taxes payable	3,109	428
Long-term debt due within one year	(12,243)	7,053
	<u>(5,322)</u>	<u>5,746</u>
Increase in working capital	<u>\$ 22,055</u>	<u>\$ 9,834</u>

Notes to Consolidated Financial Statements

December 31, 1973

NOTE 1 Accounting policies:

Principles of consolidation—

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries.

Foreign currency translations—

For purposes of inclusion in the financial statements, accounts prepared in foreign currencies are restated in Canadian dollars. Current assets and current liabilities are translated at year-end rates. Non-current assets, related depreciation, amortization and depletion, and non-current liabilities are translated at the rates applicable at the time of the relevant transactions. Amounts in the consolidated statement of earnings, other than depreciation, amortization, depletion and extraordinary items, are at average rates of exchange for the year. Exchange adjustments are included in the determination of net earnings.

Investments in associated companies—

The equity method of accounting is followed for investments in associated companies in which the Company owns from 20% to 50%. Under this method, the Company records as earnings its share of the earnings or losses of these companies, rather than dividends received. The excess of the cost of investments over the underlying equity in the net assets at the date of acquisition is being amortized on a straight line basis over the lesser of the estimated lives of the operations or twenty years.

Depreciation—

Depreciation is provided over the estimated useful lives of assets on the following bases:

- (a) buildings and machinery on a straight line basis,
- (b) mobile equipment at rates on a diminishing balance basis, and
- (c) other assets at varying rates and methods.

Exploration—

Current exploration costs are charged against earnings for the year, except where the costs relate to an indicated presence of economically recoverable reserves, when the costs are deferred.

Depletion and amortization—

Deferred exploration, development and preproduction costs of properties equipped for production are amortized on a straight line basis over the lesser of the estimated life of the mine or twenty years. Depletion of the cost of mining and other properties is on the same basis.

Deferred taxes—

Income taxes are recorded on the tax allocation basis recommended by the Canadian Institute of Chartered Accountants. Deferred income taxes on the balance sheet primarily result from the difference between depreciation recorded for accounting purposes and capital cost allowances claimed for income tax purposes. Withholding tax calculated on the Company's equity in the undistributed earnings of Marcopper Mining Corporation is provided for and deducted from the investments in associated companies.

Earnings per share—

Earnings per share are determined using the weighted average number of common shares outstanding. There would be no material dilution of earnings per share if the outstanding share options had been exercised during the year.

Comparative figures—

Certain 1972 figures have been reclassified to conform with the 1973 presentation.

NOTE 2 Consolidation of accounts:

Gibraltar Mines Ltd. (N.P.L.), a 71% owned subsidiary, commenced production on April 1, 1972. Placer's New Guinea operations, 65% owned, were sold on

April 27, 1973. The resulting gain on sale is included in extraordinary items (Note 9). Subsidiaries of the Company at December 31, 1973 are as follows:

Amex Communications Inc.
 Canadian Exploration Limited
 Canex Aerial Exploration Limited
 Canex Placer Limited
 Cuisson Lake Mines Ltd.
 Denak Mines Ltd.
 Endako Mines Limited (in Voluntary Liquidation)
 Fraser Lake Development Ltd.
 Gibraltar Mines Ltd. (N.P.L.)
 Honduras Minera Placer, S. de R.L.
 International Resources Limited
 Minera Placer Argentina (S.A. M.I.C.T.yF.)
 Minera Placer S.A.
 Placer Amex Inc.
 Placer Development (South Africa) (Proprietary) Limited
 Placer Holdings Pty. Limited
 Placer Internationaal, B.V.
 Placer Mineraria, S.p.A.

is being taken into earnings as the cash is received from the purchasers.

NOTE 5 Investments in associated companies:

	% Ownership	Quoted Market Price	Underlying equity in net assets		Equity in earnings	
			December 31, 1973	1972	Year ended December 31, 1973	1972
(in thousands)						
Craigmont Mines Limited	45	\$ 14,490	\$ 7,875	\$ 4,900	\$ 4,304	\$ 1,323
Marcopper Mining Corporation	40	109,172	14,898	12,265	11,988	6,444
Mattagami Lake Mines Limited (N.P.L.)	27	55,678	19,991	13,501	9,034	3,121*
Others	28-50	not quoted	5,105	5,100	285	425
			47,869	35,766		
Excess of cost over underlying equity in net assets, less accumulated amortization of \$1,772,000 (1972—\$1,592,000)			1,505	1,685		
			<u>\$49,374</u>	<u>\$37,451</u>	<u>\$25,611</u>	<u>\$11,313</u>

*Equity in earnings is stated before extraordinary items.

NOTE 3 Inventories:

	December 31, 1973	1972
Lower of cost and net realizable value—	(in thousands)	
Concentrates	\$ 7,911	\$12,505
Manufactured products	—	1,307
	<u>7,911</u>	<u>13,812</u>
Lower of cost or replacement cost—		
Materials and supplies	4,632	5,763
Net realizable value—		
Livestock	—	815
	<u>\$12,543</u>	<u>\$20,390</u>

NOTE 4 Amount receivable from sale of option rights:

This amount arose from the sale of option rights in a prior year and is now being paid to the Company in amounts equivalent to 85% of dividends received by the purchasers on the shares acquired. The deferred credit arising from the sale of the option rights

Summarized below are the combined assets, liabilities and net earnings of all the above-mentioned companies:

	December 31,	
	1973	1972
(in thousands)		
Combined assets and liabilities:		
Assets—		
Current assets	\$137,772	\$ 79,845
Investments and other assets	15,278	15,243
Property, plant and equipment—net	101,479	106,117
	<u>\$254,529</u>	<u>\$201,205</u>
Liabilities—		
Current liabilities	\$ 40,898	\$ 35,484
Long-term debt	31,400	43,905
	<u>\$ 72,298</u>	<u>\$ 79,389</u>
Combined net earnings for the year	<u>\$ 74,987</u>	<u>\$ 36,087</u>

NOTE 6 Plant, buildings and equipment:

Cost—	December 31,	
	1973	1972
	(in thousands)	
Buildings and machinery	\$ 81,499	\$ 95,330
Mobile equipment . . .	19,112	19,480
Other	740	2,506
	<u>101,351</u>	<u>117,316</u>
Less accumulated depreciation—		
Buildings and machinery	18,462	28,138
Mobile equipment . . .	8,409	7,115
Other	331	1,732
	<u>27,202</u>	<u>36,985</u>
	<u>\$ 74,149</u>	<u>\$ 80,331</u>

NOTE 7 Income and mining taxes and contingent liability:**(a) Income and mining taxes—**

The income tax exempt period of Gibraltar Mines Ltd. (N.P.L.), a 71% owned subsidiary, expired on December 31, 1973 and in accordance with the present interpretation of the Income Tax Act, no provision for income taxes is required on its earnings to December 31, 1973 (see paragraph(b)).

The Company and certain of the Company's subsidiaries have exploration and other costs of approximately \$13,000,000 which have been written off against earnings in the current and prior years but are available to reduce taxable income in future years. For the year ending December 31, 1973, a portion is to be claimed for income tax purposes and the resulting tax reduction is recorded as an extraordinary item (Note 9).

The standard percentage depletion of 33 $\frac{1}{3}$ % of mining income currently allowed under the Income Tax Act will terminate at December 31, 1976. Instead, corporations in the extractive industries will be allowed to claim a deduction ("earned depletion") in calculating taxable income which will be based on \$1 for every \$3 of eligible capital and exploration expenditures made after November 7, 1969. At December 31, 1973 the "earned depletion" available to the

Company and its subsidiaries after 1976 is approximately \$25,000,000.

(b) Contingent liability—

The decision of the Federal Court of Appeal in the case of the Minister of National Revenue v. Bethlehem Copper Corporation Ltd., which was delivered on May 25, 1973 and is presently under appeal in the Supreme Court of Canada, raises the possibility that, should the decision be upheld, the Department of National Revenue may change certain of its assessing practices for mining companies. If such a change was applied to Gibraltar Mines Ltd. (N.P.L.), a portion of the earnings reported as being exempt may be subject to tax. There is no satisfactory precedent on which to base an estimate of the amount of tax, if any, which might be involved.

NOTE 8 Share capital and share option plan:

The Company's common and exchangeable common shares were split on a two-for-one basis as of May 11, 1973. This split has been reflected retroactively in these statements.

The Company's share option plan provides options over a ten-year term which are exercisable one year from the dates the options are granted at prices currently ranging from \$12.72 to \$34.29 per exchangeable common share. The option prices are set at 110% of the market value of the common share at the dates the options are granted. Exchangeable common shares are exchanged for common shares on a one-for-one basis. At December 31, 1973 6,000 exchangeable common shares were reserved for the granting of future options.

Under the employee share option plan, the following transactions in exchangeable common shares took place during 1973:

	Number of Options
Outstanding, December 31, 1972 . . .	128,600
Granted	6,300
Cancelled	(2,400)
Exercised for cash consideration	
of \$797,000	(47,600)
Outstanding, December 31, 1973	<u>84,900</u>

NOTE 9 Extraordinary items:

	Year ended December 31, 1973 1972 (in thousands)	
Amount received from the sale of option rights, U.S. \$4,384,000 (1972—U.S. \$3,090,000) (Note 4)	\$ 4,704	\$3,314
Less: Exchange loss thereon	312	261
	<u>4,392</u>	<u>3,053</u>
Income tax reduction arising from the application of prior years' exploration and other costs (Note 7)	2,677	623
Gain on the sale of New Guinea operations and rights to acquire Afton shares, net of applicable income taxes of \$1,020,000	5,673	—
Other items—net	—	426
	<u>\$12,742</u>	<u>\$4,102</u>

NOTE 10 Pension plans:

The Company and its subsidiaries have seven employee contributory pension plans at December 31, 1973. The plans are funded and Company contributions are determined by periodic actuarial computations. The cost of all pension plans for the year ended December 31, 1973 amounted to \$424,000 (1972—\$252,000).

NOTE 11 Remuneration of directors and senior officers:

Aggregate direct remuneration paid during the year ended December 31, 1973 by the Company and its subsidiaries to its directors and senior officers amounted to \$484,000 (1972—\$472,000).

NOTE 12 Commitments:

At December 31, 1973, the Company and its subsidiaries have commitments for capital expenditures of approximately \$8,600,000.

10-Year Summary of Operating Results**(in thousands)*

	1973	1972	1971
Net operating income	\$ 87,397	\$ 23,852	\$ 9,192
Equity in earnings of associated companies	25,611	11,313	9,587
Interest and other income	4,367	2,829	2,474
	<u>117,375</u>	<u>37,994</u>	<u>21,253</u>
Depreciation	8,159	6,729	3,627
Depletion and amortization	1,835	1,896	796
Exploration	5,956	6,233	4,377
Minority interest	15,307	2,623	—
Income taxes	14,306	3,864	5,358
	<u>45,563</u>	<u>21,345</u>	<u>14,158</u>
Net Earnings	\$ 71,812	\$ 16,649	\$ 7,095
Per Share	\$ 5.98	\$ 1.39	\$ 0.59
Dividends paid	\$14,397,636	\$ 5,683,065	\$ 5,470,559
Per Share	\$ 1.20	\$ 0.47	\$ 0.46
Shares Outstanding (net)	12,015,230	11,967,630	11,959,910

*Restated for comparative purposes.

Auditors' Report

TO THE SHAREHOLDERS OF PLACER DEVELOPMENT LIMITED:

We have examined the consolidated balance sheet of Placer Development Limited as at December 31, 1973 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. For Placer Development Limited and for those other companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination 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. For other companies accounted for by the equity method we have relied on the reports of the auditors who have examined their financial statements.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with Section 212 of the British Columbia Companies Act, we report that in our opinion due provision has been made for minority interests in subsidiaries.

Vancouver, B.C.
February 8, 1974.

PRICE WATERHOUSE & CO.
Chartered Accountants

1970	1969	1968	1967	8 Months to December 31 1966	Year Ended April 30 1966	1965
\$ 16,084	\$ 19,583	\$ 13,632	\$ 14,447	\$ 10,607	\$ 11,139	\$ 6,165
12,073	5,916	3,597	6,808	7,050	4,128	4,290
3,084	1,810	1,219	2,212	110	467	699
<u>31,241</u>	<u>27,309</u>	<u>18,448</u>	<u>23,467</u>	<u>17,767</u>	<u>15,734</u>	<u>11,154</u>
3,766	3,342	3,308	3,123	1,865	1,997	1,973
209	240	967	1,476	904	1,170	172
5,539	6,290	5,268	5,131	2,285	2,255	1,101
—	—	—	—	—	—	—
9,965	5,683	434	543	73	168	1,218
<u>19,479</u>	<u>15,555</u>	<u>9,977</u>	<u>10,273</u>	<u>5,127</u>	<u>5,590</u>	<u>4,464</u>
<u>\$ 11,762</u>	<u>\$ 11,754</u>	<u>\$ 8,471</u>	<u>\$ 13,194</u>	<u>\$ 12,640</u>	<u>\$ 10,144</u>	<u>\$ 6,690</u>
\$ 0.98	\$ 0.99	\$ 0.71	\$ 1.11	\$ 1.07	\$ 0.88	\$ 0.64
\$ 8,088,759	\$ 7,030,390	\$ 4,264,670	\$ 4,250,138	\$ 3,151,483	\$ 2,849,845	\$ 3,008,138
\$ 0.68	\$ 0.59	\$ 0.36	\$ 0.36	\$ 0.27	\$ 0.25	\$ 0.29
11,959,910	11,876,742	11,869,142	11,867,542	11,809,742	11,522,756	10,434,874

Offices

Head office:

700 Burrard Building, Vancouver, Canada
V6E 3A8

Sydney office:

Gold Fields House, Sydney Cove, Australia

Auditors

Price Waterhouse & Co.,
Chartered Accountants
Vancouver, Canada

Stock Exchange Listings

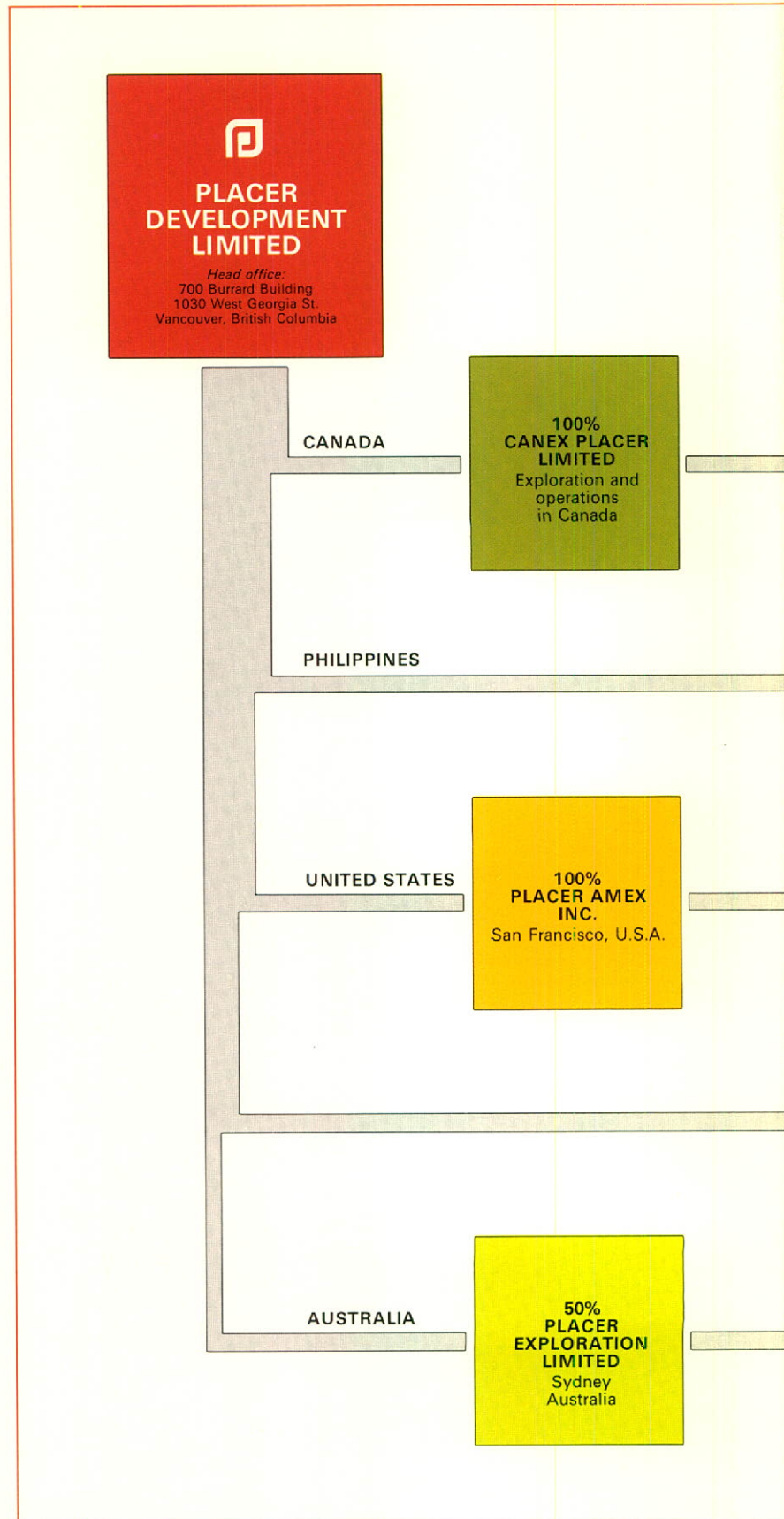
Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange
Sydney Stock Exchange
American Stock Exchange

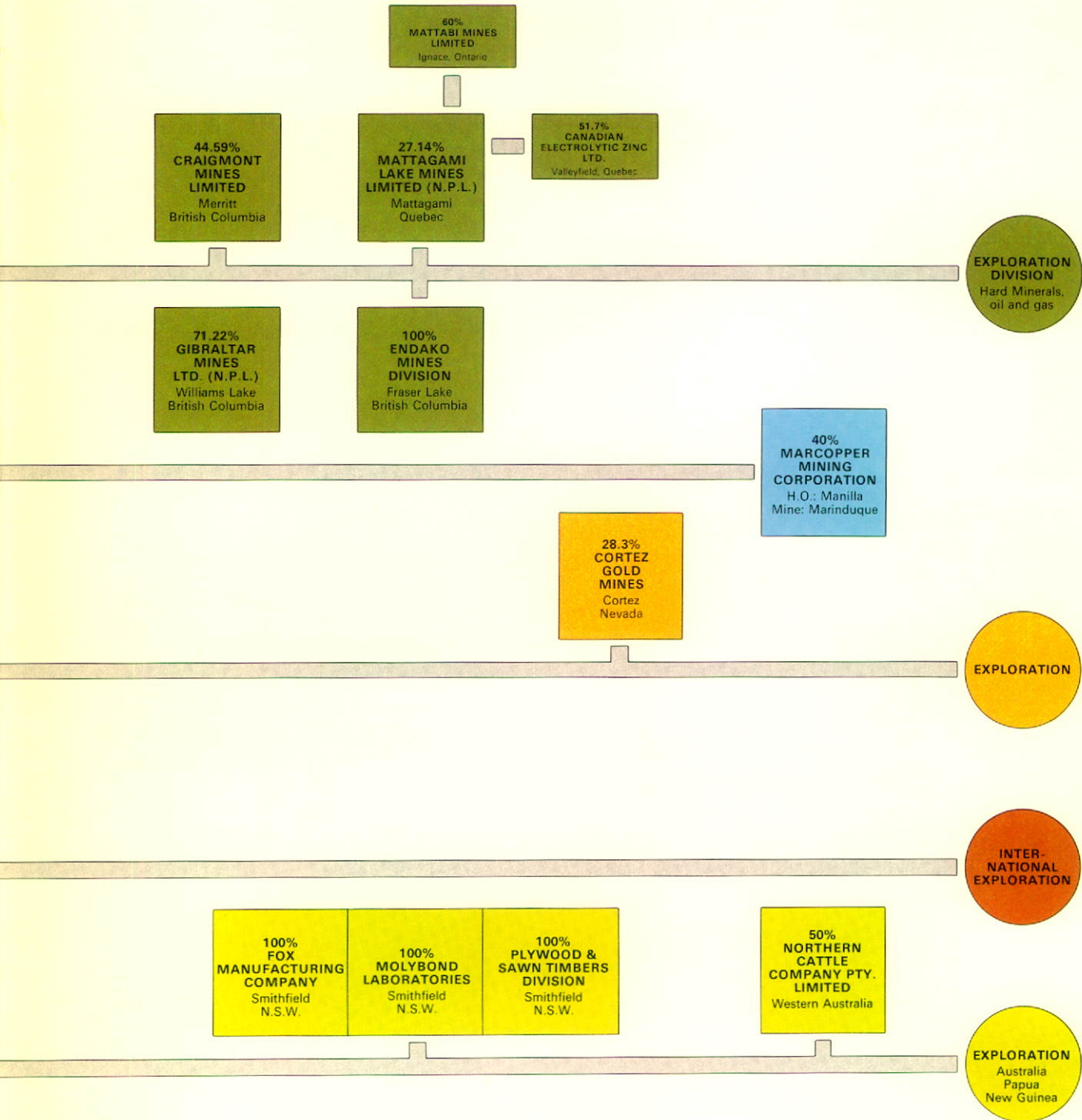
Bankers

Canadian Imperial Bank of Commerce
The Bank of Nova Scotia
Bank of New South Wales
Brown Brothers Harriman & Co.
Bank of America
First National City Bank
Bankers Trust Company
The Chase Manhattan Bank

Transfer Agents and Registrars

National Trust Company, Limited,
Vancouver and Calgary, Canada
Canada Permanent Trust Company,
Toronto and Montreal, Canada
Central Share Registry of
Australia Pty. Limited,
Sydney, Australia
Registrar and Transfer Company,
Jersey City, N.J., U.S.A.







Placer Development Limited

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