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PLACER DEVELOPMENT LIMITED

ANNUAL REPORT 1975

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1926-1976

Placer Development Limited

Directors

James C. Dudley, New York, U.S.A.,
Private Financial Consultant.

†*Ross G. Duthie, Vancouver, Canada,
President and Chief Executive Officer.

Albert E. Gazzard, Vancouver, Canada,
Director.

William James, Toronto, Canada,
Executive Vice-President, Noranda Mines Limited.

J. Douglas Little, Vancouver, Canada,
Executive Vice-President.

*Thomas H. McClelland, Vancouver, Canada,
Chairman of the Board.

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

†J. Ernest Richardson, Vancouver, Canada,
Chairman of the Board, B.C. Telephone Company.

†P. Ritchie Sandwell, Vancouver, Canada,
Chairman of the Board and Chief Executive Officer, #Sandwell & Company Limited.

John D. Simpson, Vancouver, Canada,
Director.

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

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

**Member of the Executive Committee*
†Member of the Audit Committee
#Consulting Engineers

Officers

Thomas H. McClelland, *Chairman of the Board*
Ross G. Duthie, *President and Chief Executive Officer*
J. Douglas Little, *Executive Vice-President*
James H. Eastman, *Vice-President, Project Developments*
E. Jack Eldridge, *Vice-President, Australasian Operations*
James L. McPherson, *Vice-President, Finance and Administration*
Anthony J. Petrina, *Vice-President, Operations*
Edgar A. Scholz, *Vice-President, Exploration*
John M. McConville, *Secretary and General Counsel*
John Racich, *Treasurer*
Howard F. Gougeon, *Comptroller*
Donald Hallam, *Assistant Secretary*
David Michaelis, *Sydney Secretary*

The Company

Placer is a Canadian company, incorporated in the Province of British Columbia, whose business is primarily mineral exploration, development and production through subsidiary and associated companies. Canadians hold 75.8% of the issued shares, 9.7% are held in the United States, 11.8% in Australasia and 2.7% in other countries.

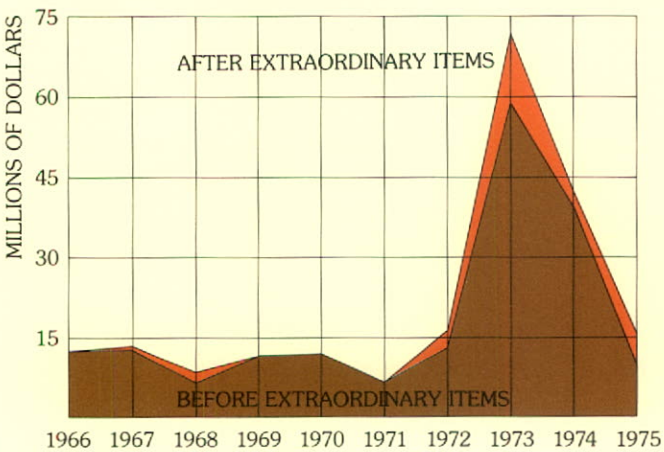
Contents

Placer will mark a half century in business during 1976. An important phase in the Company's growth commenced in 1947 when the Salmo mine, in British Columbia, was acquired. This mine is discussed in the historical outline beginning on page 13.

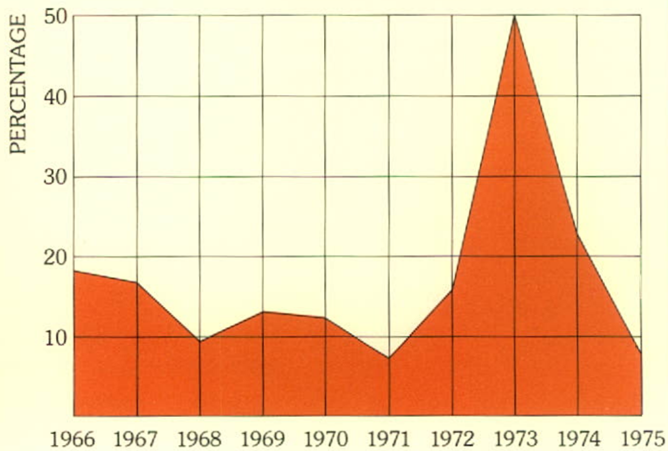
Comparative Highlights

	1975	1974
Sales	$110,386,000	$ 96,900,000
Equity in earnings of associated companies	$ 10,785,000	$ 29,634,000
Earnings before extraordinary items	$ 9,768,000	$ 39,609,000
— per share	$ 0.81	$ 3.30
Net earnings	$ 16,285,000	$ 43,143,000
— per share	$ 1.35	$ 3.59
Working capital	$ 59,564,000	$ 59,224,000
Exploration	$ 10,077,000	$ 10,780,000
— per share	$ 0.84	$ 0.90
Property additions	$ 8,903,000	$ 13,694,000
Common shares outstanding	12,036,822	12,019,630
Number of shareholders	5,574	5,778
Number of employees	2,794	2,813

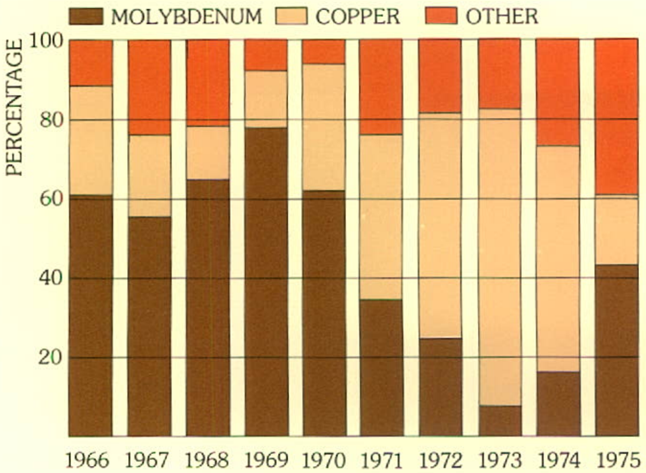
Net earnings



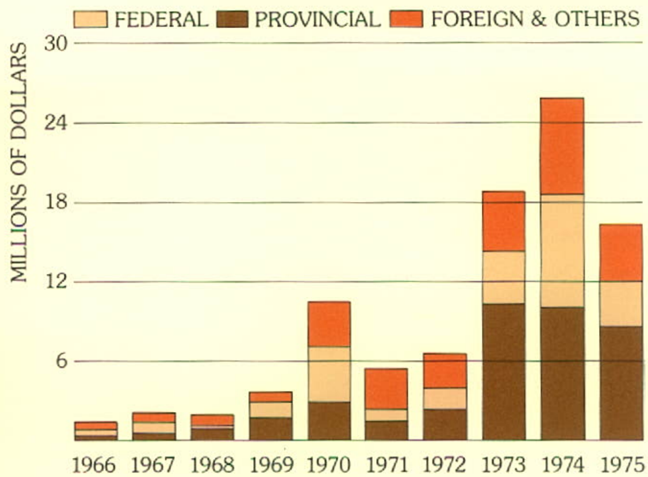
Return on shareholders' equity



Contribution to earnings — by product



Ten year tax expense *(Consolidated companies only)*



Directors' Report to the Shareholders

The Board of Directors is pleased to present the Annual Report for the year ended December 31, 1975. Earnings were significantly reduced in comparison to 1974, primarily because of low metal prices resulting from the worldwide economic recession. Copper, which accounts for a major portion of earnings, was particularly affected by declining prices and lower consumption.

The year 1976 marks Placer's 50th year in business, and a review of the Company's activities during these years is included in this report.

Financial

Consolidated net earnings for the year ended December 31, 1975 were $16,285,000 or $1.35 per share, including extraordinary items of $6,517,000 or $0.54 per share. This compares with consolidated net earnings in 1974 of $43,143,000 or $3.59 per share, including extraordinary items of $3,534,000 or $0.29 per share.

The most significant factor affecting earnings was the depressed copper price, and the consequent reduction in earnings by copper-producing mines in the Placer group. The British Columbia mineral royalty and high federal income taxes also had a negative influence.

As previously reported, Placer increased its interest in Placer Exploration Limited of Australia from 50% to 100% early in 1975. The financial results of that company are now fully consolidated, and account for a substantial portion of sales and expenses in the Placer statements. Proceeds from the sale of Placer Prospecting (Australia) Pty. Limited, a wholly-owned subsidiary, made the largest contribution to Placer's extraordinary earnings in 1975.

Despite lower earnings in 1975 the Company paid a dividend of $1.20 per share. The dividend policy followed by the Company takes into consideration the shareholders' requirement for an adequate rate of return on investment. It must also allow the maintenance of sufficient working capital and support an exploration programme substantial enough to ensure future developments for the Company. Under federal legislation to control inflation, Placer's dividend in 1976 cannot exceed $1.20 per share.

Government

The newly elected government of British Columbia has indicated that it intends to remove the mineral royalty which was imposed in 1974 and to replace it with a tax on profits. The federal government, which refused to allow the provincial royalty and mining taxes as deductible expenses, has not indicated that it will change its stand, and as a result, mining companies may well continue in the very unsatisfactory position of being liable for federal income taxes on royalties payable to the province.

The Placer group of companies in Canada is subject to the guidelines recently established by the federal government under the Anti-Inflation Act.

Operations

Gibraltar's earnings were severely affected by the worldwide decline in copper prices. Pre-tax earnings declined to $1,632,000, but after application of royalties and taxes a loss of $376,000 was suffered. As a result, a dividend was not paid by Gibraltar in 1975 so that the company was able to establish a sound cash position. Craigmont and Marcopper which are also primary copper producers did not suffer to the same extent but their earnings were much lower at $3,605,000 and $6,864,000 respectively (1974 — $7,410,000 and $50,336,000). The dividend paid by Craigmont (44.59% interest) to Placer in 1975 amounted to $1,811,000. Marcopper did not declare a cash dividend in 1975 although a cash dividend was declared by this company in the first quarter of 1976, and Placer will receive approximately $1,000,000, before withholding tax, as a result.

Earnings of Mattagami, a primary producer of zinc and copper, were also lower. Dividends of $4,670,000 were paid to Placer in 1975.

In the United States, the McDermitt mercury mine officially commenced operations on June 1, 1975, but as a result of poor market conditions and a low price for mercury, the venture experienced a small loss.

Ore reserves at Cortez Gold Mines were only sufficient for production to continue through 1975. Mill production ceased in February, 1976 although leaching operations on low-grade ore stockpiles will continue until mid-1976.

Marketing

International markets continued to reflect the general economic recession which has depressed most metal prices through the year. Copper, already in a low price range as the year began, averaged U.S. 56¢ per pound during the year and on December 31, 1975 was U.S. 53¢ per pound on the London Metal Exchange. Prices for lead, zinc, gold, and mercury also declined through the year. The exception was molybdenum, the price of which increased by approximately 8% on October 1, 1975. Of this price increase, the mine received only 25% or less, with the balance claimed by taxes.

Despite a production cutback of 15% instituted by most mines, Western Bloc copper inventories have increased to approximately three times what is considered a normal level, and will probably prevent the price of copper from rising significantly in 1976.

Exploration

As future mineral production is dependent on the results of current exploration activity, it is Placer's policy to conduct a substantial programme in this area. In 1975, exploration expense amounted to $10,077,000 (1974 — $10,780,000). Projects were pursued in Canada's Yukon and in the Maritimes; in the United States, including Alaska; and in Mexico. Investigations were carried out in a number of South American countries, in South Africa and in the southwest Pacific. In central Mexico, feasibility studies have been completed on the Real de Angeles silver/lead/zinc property in which the Company has a 34% interest. Discussions are being held with the Mexican government to establish the taxes which would apply if the property were brought into production.

Personnel

The Placer group of companies employed a total of 2,794 persons in 1975 (1974 — 2,813). Of this total, 228 (1974 — 235) were employed directly by Placer Development Limited at a payroll cost, including benefits, of $4,760,000 (1974 — $4,359,000).

Officers

Thomas H. McClelland, Director and former President and Chief Executive Officer, was elected Chairman, while Ross G. Duthie, Director and former Vice-President, Project Developments, was elected President and Chief Executive Officer in April, 1975.

James H. Eastman, former Assistant Vice-President, Project Developments, was appointed Vice-President, Project Developments and Anthony J. Petrina was appointed Vice-President, Operations following the retirement of Charles L. Pillar.

John Racich, former Comptroller, was appointed Treasurer, while Howard F. Gougeon, former Assistant Treasurer, assumed the duties of Comptroller.

John D. Simpson

John D. Simpson is not standing for re-election to the Board of Directors. He joined Placer in 1939, and after assignments at operations in New Guinea and South America became President in 1957. After the Second World War he played a significant part in Placer's diversification into the production of minerals other than gold, and was largely responsible for the successful shift of the Company's base of operations to Canada. He became Chairman of the Board in 1964, and continued in that position until April, 1975.

General

Environmental protection programmes are an integral part of Placer's mine development procedure, and include land reclamation, buffering systems between mine water and natural drainage, and air emission control devices. Operating procedures at group mines conform with government requirements for protection of the environment.

A total of 13 engineering students received scholarships directly from Placer in 1975, while another group was assisted through a Placer-supported foundation. The Placer group of companies in British Columbia awarded scholarships to eight technical school students while nine students residing in communities near group mines and eight sons or daughters of employees also received scholarship assistance. Total cost of these programmes in 1975 was $33,000.

Anniversary

Your Company will mark its 50th anniversary in May, 1976 by sponsoring a Canadian tour by the Vancouver Symphony Orchestra. This internationally recognized orchestra will perform in Vancouver, Ottawa, Montreal, Toronto, Winnipeg, and Edmonton, as well as in British Columbia communities in areas where Placer group mines operate.

Acknowledgement

The success of your Company through 50 years of growth and change has been possible because of the efforts of a great many individual employees. The Directors would like to acknowledge all employees — those whose work today will help ensure the future — and those whose work in the past made today possible.

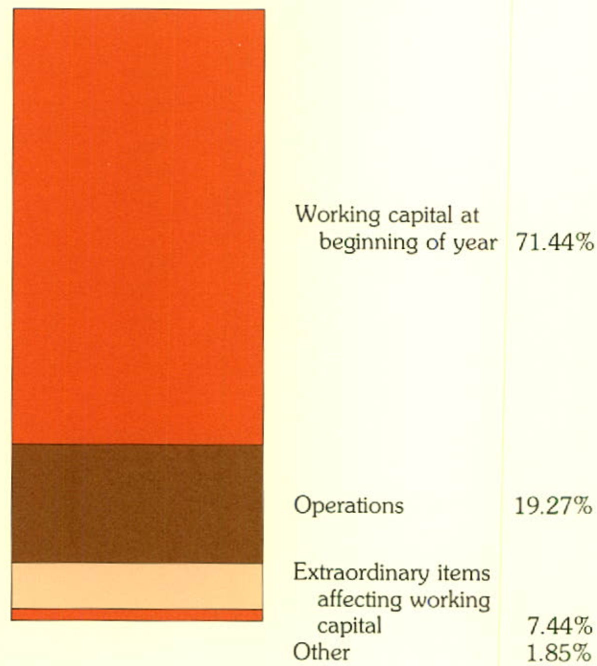
On behalf of the Board of Directors,

Chairman

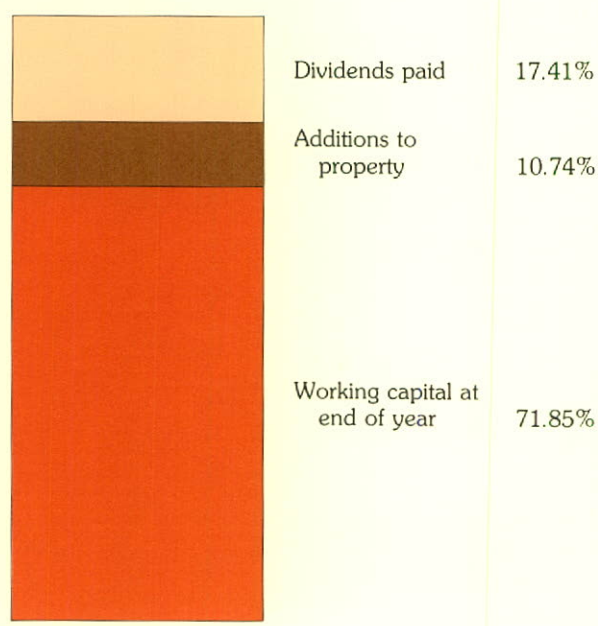
President

Vancouver, B.C.
March 8, 1976

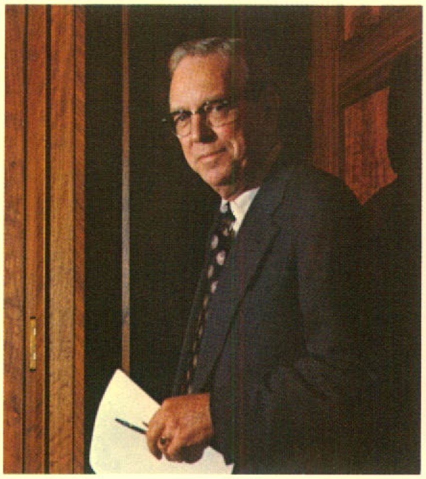
Funds made available from:



Funds used for:

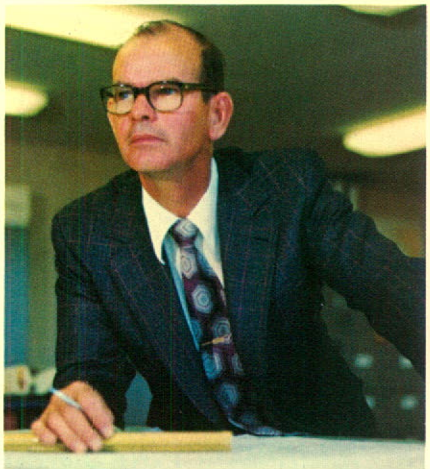


Senior Administrative Personnel



Thomas H. McClelland,
Chairman of the Board

Ross G. Duthie,
President and Chief Executive Officer



James H. Eastman,
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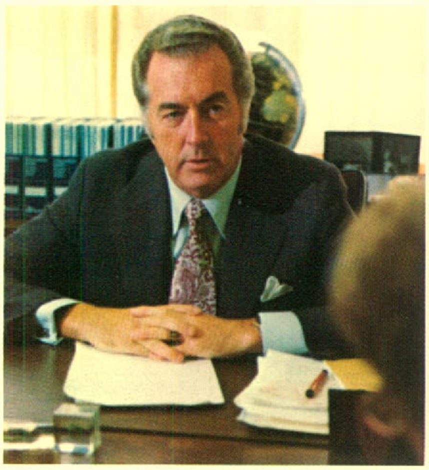
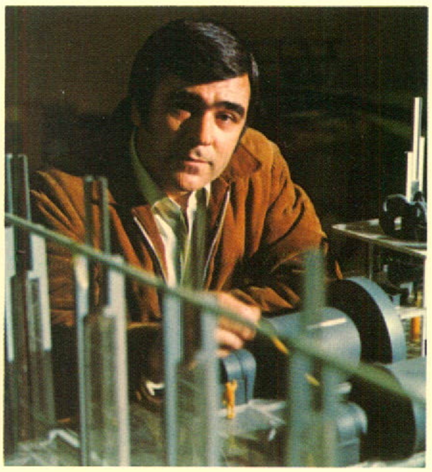
J. Douglas Little,
Executive Vice-President

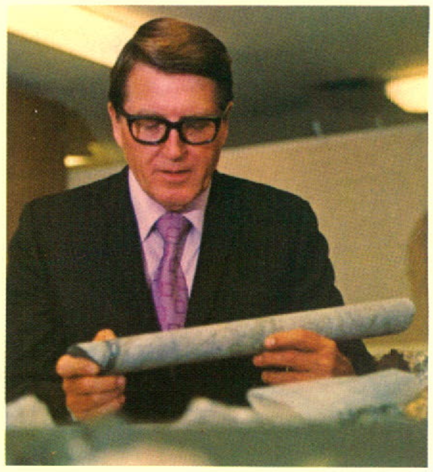
E. Jack Eldridge,
Vice-President, Australasian Operations



James L. McPherson,
Vice-President, Finance & Administration



Anthony J. Petrina,
Vice-President, Operations



Edgar A. Scholz,
Vice-President, Exploration

Metals and Markets

General

Demand for raw materials in 1975 was greatly reduced as a result of the most severe economic recession since the Second World War. With few exceptions metal prices were severely affected; copper and lead were at times selling below the cost of production.

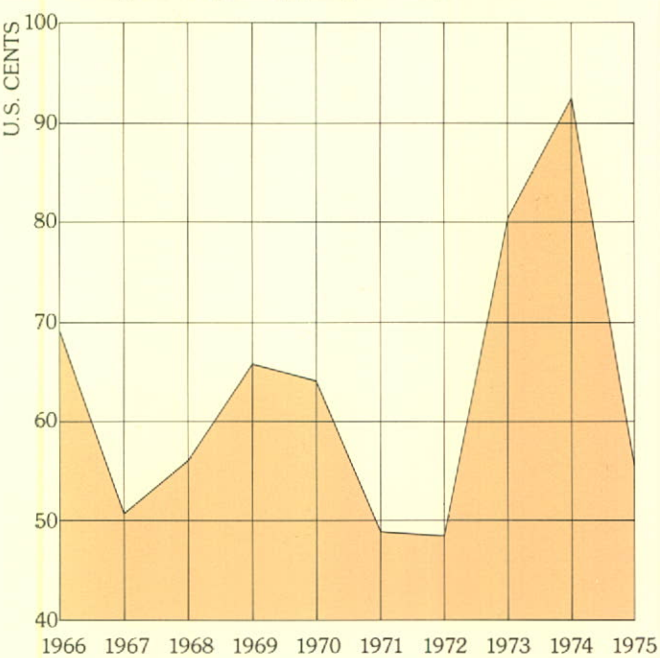
An economic recovery appears to be taking place in the United States, and Japan and Europe may soon follow. Improved demand for most industrial materials should result in 1976 although prices for several metals, notably copper, will probably be slow to recover in view of substantial surplus stocks accumulated in 1974 and 1975.

Copper

Demand for fabricated copper production in 1975 declined by about 15% but deliveries of refined copper wirebar and other shapes declined even more as fabricators reduced their inventories. As a result, stocks of refined copper on metal exchanges and in the hands of producers increased sharply, reaching about 1.3 million metric tons, or three times normal levels, by the end of 1975. Approximately 43% of these stocks were held in commodity exchange warehouses, including those associated with the London Metal Exchange which determines the price for almost all markets outside North America. The result was an average price of only U.S. 56.0¢ per pound for the year (1974 — U.S. 93.4¢). Barring major production stoppages, no reduction of the large copper inventories is expected in 1976 and the price will probably remain in a low range through most of the year.

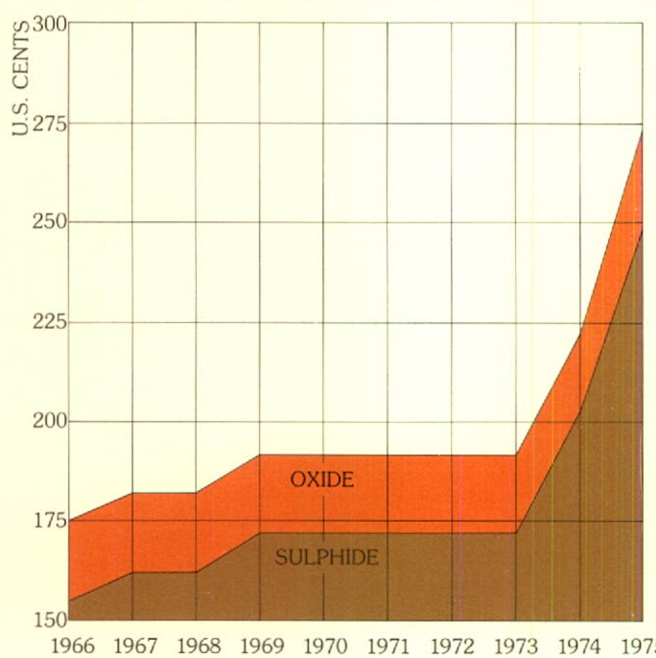
The question of stabilizing copper prices on an international basis has been considered frequently by both industry and governments. Such schemes appear to be impracticable for copper owing to the large number of producers, their wide global dispersion, and the large investment required to make any price stabilization plan work.

Yearly average copper prices per lb.*



**L.M.E. cash settlement wirebar*

Yearly average molybdenum prices per lb.*



**Published major primary producer price f.o.b. mine*

Molybdenum

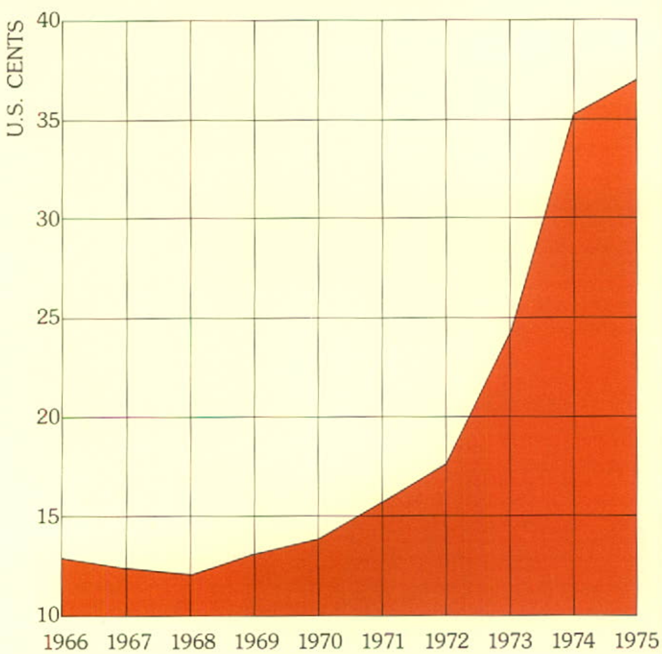
Although demand declined by approximately 15% from the 1974 level, only a marginal surplus developed since world production of molybdenum also declined. Deliveries from Endako proceeded routinely with more than 86% of production converted to molybdic oxide or related products from the primary form of molybdenum disulphide.

The price maintained a traditional and stable pattern at U.S. $2.69 per pound f.o.b. Endako mine for molybdic oxide in the first three calendar quarters, but increased to U.S. $2.90 per pound in the last quarter.

Zinc

Owing to reduced production of automobiles and galvanized steel, Western Bloc consumption of zinc in 1975 declined about 22% from the previous year. Production was curtailed in most producing countries owing to the resulting condition of oversupply. Outside North America most deliveries of zinc were at the European Producer Price which was adjusted in October to offset the lower relative value of Sterling. This brought the European Producer Price for Prime Western grade at the end of 1975 to approximately U.S. 36¢ per pound. The price quoted by most U.S. producers at year-end for domestic deliveries was U.S. 39¢ per pound, but this was reduced to U.S. 37¢ per pound early in 1976.

Yearly average zinc prices per lb.*



European Producer Price

Mercury

In the United States, demand for mercury declined by approximately 15% in 1975. This was caused mainly by the economic recession although the substitution of other materials for mercury also contributed. A similar reduction occurred in Europe where sellers competed heavily with each other, causing the European price to decline to U.S. $78 per flask by year-end. As with some other industrial commodities, the mercury market and the mercury price are expected to recover when general industrial activity improves.

Gold

Demand for gold by fabricators in 1975 declined substantially over the preceding three years because of the recession and the high prices of the metal. In August, the International Monetary Fund announced its intention to make available 25 million ounces of gold, and as a result the price declined from the earlier range of U.S. $160-180. At year-end the price appeared to be stabilizing in the range of U.S. $125-145 per troy ounce.

Review of Operations

CANADA

Canex Placer Limited (100% interest)

Net earnings declined in 1975 due to reduced shipments of molybdenum in concentrates by the Endako Mines Division and the impact of higher taxes. The mine operated at full capacity through 1975, producing 15,100,000 pounds of contained molybdenum of which 13,000,000 pounds was in the form of molybdic oxide.

Expansion of roaster capacity to 14,500,000 pounds per year was completed and the new facility placed on stream in February. Related to the roaster expansion was the installation in April of scrubbing equipment to remove sulphur dioxide from the furnace exhaust gas.

As the open pit deepens and haulage distances increase additional equipment is required to sustain concentrator throughput. Accordingly, a new 13-cubic-yard shovel was purchased and placed in operation in 1975. An additional 13-cubic-yard shovel, a drill, and two reconditioned ore trucks, will be placed in service in 1976.

Estimated mineable ore reserves at December 31, 1975, using a cut-off grade of 0.08% molybdenum disulphide, were 196,000,000 tons at an average grade of 0.156% molybdenum disulphide. The estimate of reserves was reduced following evaluation of new data from diamond drilling.

Review	Years ended December 31, 1975	1974
FINANCIAL		
Gross revenues	$38,558,000	$37,831,000
Exploration	$ 2,411,000	$ 5,195,000
Mineral royalties	$ 2,094,000	$ 512,000
Taxes on income	$ 4,777,000	$ 2,550,000
Net earnings*	$ 4,408,000	$ 5,151,000
OPERATIONS — ENDAKO		
Ore milled—tons	9,418,000	7,508,000
Daily average—tons	26,500	25,300
Grade—% MoS_2	0.161	0.165
Recovery of molybdenum — %	82.99	81.06
Contained molybdenum produced—lbs.	15,100,000	12,050,000
Contained molybdenum shipped—lbs.	12,359,000	15,919,000
Inventory at year-end — lbs.	4,585,000	1,844,000

tons = short dry tons

**Excludes the Company's equity in earnings of associated companies and dividends from subsidiary.*

Gibraltar Mines Limited (71.9% interest)

Pre-tax earnings of $1,632,000 were converted to a net loss following application of income taxes and provincial royalties. The low copper price was the primary reason for the decrease in earnings although lower production, which was reduced in response to smelter requests, and harder ore from the Granite Lake Pit also contributed.

Review	Years Ended December 31, 1975	1974
FINANCIAL		
Gross revenues	$39,973,000	$62,289,000
Mineral royalties	$ 1,327,000	$ 1,306,000
Taxes on income	$ 681,000	$ 7,560,000
Net earnings (loss)	$ (376,000)	$17,302,000
Dividends paid	—	$11,411,000
OPERATIONS		
Ore milled—tons	11,451,000	13,397,000
Daily average—tons	34,300	38,300
Grade—% copper	0.43	0.40
Recovery of copper—%	84.73	84.29
Concentrate produced—tons	158,700	166,800
Copper in concentrate—lbs.	83,559,000	90,246,000
Copper concentrate shipped — tons	170,000	150,400
Inventory at year-end—tons	10,300	21,600

tons = short dry tons

All mining during the year was in the Granite Lake Pit. Additional stripping of overburden on the Pollyanna Zone was carried out in preparation for initial waste removal in early 1976.

Estimated mineable ore reserves at December 31, 1975 were 308,000,000 tons at a cut-off grade of 0.25% and an average grade of 0.35% copper.

A training programme, initiated by the company to relieve the continuing shortage of qualified tradesmen, has shown encouraging results. It will augment the apprenticeship programme which was established soon after the mine commenced operations.

Negotiations for a new collective agreement began in December with the Canadian Association of Industrial, Mechanical and Allied Workers who replaced the United Steelworkers of America as certified bargaining agent for Gibraltar hourly employees in December, 1975. The former agreement expired on February 29, 1976.

Craigmont Mines Limited (44.59% interest)

Earnings for the fiscal period ended October 31, 1975 declined significantly due to the low price of copper. Operation of the mine proceeded normally with ore production one third higher than the previous year when a strike halted operations through the first quarter.

Estimated geological ore reserves at a cut-off grade of 0.7% are 7,026,000 tons at an average grade of 1.83% copper. This tonnage is sufficient to sustain operations on the present scale for three to four years.

On-property exploration has been carried out for a number of years but has not proven commercial quantities of new ore. Management has announced its decision to enlarge the geographical area and mineral objectives of the off-property exploration programme in 1976. The new programme will include investigation of oil and gas prospects.

Magnetite sales reached their highest level as Western Canadian coal mines, which are the primary consumer of this product, increased production.

A new, one-year labour agreement has established wage rates within the federal anti-inflation guidelines and is effective to January 28, 1977.

Review	Years Ended October 31, 1975	1974
FINANCIAL		
Gross revenues	$25,032,000	$25,464,000
Mineral royalties	$ 836,000	$ 375,000
Taxes on income	$ 4,566,000	$ 6,673,000
Net earnings	$ 3,605,000	$ 7,410,000
Dividends paid	$ 4,062,000	$ 3,808,000
OPERATIONS		
Ore milled—tons	1,966,000	1,520,000
Daily average—tons	5,400	5,200
Grade—% copper	1.42	1.48
Recovery of copper—%	96.18	96.60
Concentrate produced—tons	91,100	75,100
Copper in concentrate—lbs.	53,627,000	43,482,000
Magnetite concentrate produced — tons	56,100	34,500
Copper concentrate shipped — tons	89,400	69,800
Inventory at year-end—tons	11,800	10,200

tons = short dry tons

Mattagami Lake Mines Limited (N.P.L.) (27.13% interest)

Reduced demand for metals depressed the consolidated net earnings of Mattagami in 1975.

Estimated ore reserves at the end of 1975 were 10,831,000 tons grading 8.4% zinc, 0.65% copper, 0.95 ounces silver and 0.015 ounces gold per ton.

At the Lyon Lake Division (100% owned by Mattagami) in the Sturgeon Lake area of northwestern Ontario, the surface plant was completed and shaft sinking is under way. At year-end the shaft had reached a depth of 688 feet and three stations had been excavated. Geological ore reserves are estimated at 4,030,000 tons of ore grading 6.66% zinc, 1.15% copper, 0.63% lead, 3.39 ounces silver and 0.010 ounces gold per ton. Initial production is scheduled for early 1978.

Mattabi Mines Limited (60% owned by Mattagami) commenced development of the underground portion of the orebody by driving a 3,500-foot access decline. Ore reserves at the end of 1975 were estimated at 9,900,000 tons grading 6.70% zinc, 0.74% copper, 0.76% lead, and 2.62 ounces silver per ton.

Metal production at Canadian Electrolytic Zinc (51.7% owned by Mattagami) was reduced in 1975 in line with a general reduction in consumer demand. Expansion of the zinc plant to an annual capacity of 225,000 tons was begun in May, 1973, and by December 31, 1975 was substantially complete. The additional capacity will not be utilized until market demand increases.

A Canadian Electrolytic Zinc subsidiary, St. Lawrence Fertilizers, had a poor year in 1975 due in part to a strike and in part to depressed market conditions which have continued into 1976. As a result, the plant will close in April until conditions improve.

Review	Years Ended December 31, 1975	1974
FINANCIAL		
Gross revenues	$109,865,000	$135,611,000
Taxes on income	$ 26,135,000	$ 36,881,000
Consolidated net earnings	$ 24,379,000	$ 40,109,000
Dividends paid	$ 17,216,000	$ 16,884,000
OPERATIONS—MATTAGAMI		
Ore milled—tons	1,285,700	1,407,000
Daily average—tons	3,500	3,900
Grade—% zinc	7.3	7.5
Recovery of zinc—%	92.4	91.3
Grade—% copper	0.62	0.62
Recovery of copper—%	75.5	75.6
Zinc concentrate produced —tons	162,200	183,600
Zinc in concentrate—lbs.	172,321,000	193,514,000
Copper concentrate produced —tons	24,900	27,100
Copper in concentrate—lbs.	12,003,000	13,225,000
OPERATIONS—CANADIAN ELECTROLYTIC ZINC		
Zinc produced—tons	117,800	134,800
Cadmium produced—lbs.	400,800	771,900
Sulphuric acid produced —tons	116,000	142,800
OPERATIONS—MATTABI		
Ore milled—tons	1,074,900	1,139,000
Daily average—tons	2,945	3,100
Grade—% zinc	7.3	8.8
Recovery of zinc—%	87.0	89.4
Grade—% copper	0.97	0.91
Recovery of copper—%	83.2	83.0
Zinc concentrate produced —tons	127,900	164,900
Zinc in concentrate—lbs.	137,330,000	179,411,000
Copper concentrate produced —tons	37,000	33,900
Copper in concentrate—lbs.	17,404,000	17,221,000

tons = short dry tons

UNITED STATES

McDermitt Mine (51% interest)

Production of mercury at the McDermitt Mine in northwestern Nevada commenced as scheduled in June, 1975 and by year-end had reached a design capacity sufficient to supply a market of 20,000 flasks per year. The low market and price of mercury resulted in a small loss for this joint venture in 1975.

Strict standards for safety and health controls, as established by the Environmental Protection Agency, are being met and constant monitoring of the various mill systems during operation is standard procedure.

The open pit is approximately one-half mile from the concentrator. The clay-like ore is mined by self-loading scrapers, push-assisted by bulldozers. Blasting is used intermittently to loosen the harder opalite ore which then serves as a grinding medium in the autogenous mill. The mill concentrate is furnaced in order to vaporize the mercury which is then condensed and collected.

Review	Seven Months Ended December 31, 1975
FINANCIAL	
Loss	$147,000
OPERATIONS	
Ore milled — tons	47,600
Grade—lbs./ton	17.83
Recovery of mercury—%	87.86
Concentrate produced—tons	500
Mercury in concentrate—lbs.	746,000
Mercury shipped—lbs.	357,200

Ore reserves at year-end were estimated at 2,950,000 tons at an average grade of 10 pounds of mercury per ton. Operating at design capacity, the mine is estimated to have ore reserves sufficient for 20 years.

Cortez Gold Mines (28.3% interest)

Ore reserves were sufficient to keep the mill operating through 1975 and into the first few weeks of 1976. Leaching of ore in low-grade stockpiles will continue until mid-year. Exploration throughout the area, and work on an experimental leaching programme for complex ores failed to confirm additional ore which would warrant continued operation and the mine will therefore cease all activities by mid-1976.

Production at Cortez commenced in January, 1969 with ore reserves estimated to last until 1974. The

Review	Years ended December 31, 1975	1974
FINANCIAL		
Net earnings	$4,154,000	$9,299,000
OPERATIONS—CORTEZ/GOLD ACRES		
Ore milled—tons	754,100	853,500
Daily average—tons	2,100	2,300
Grade—oz. gold/ton	0.081	0.116
Recovery of gold—%	79.0	81.8
Gold produced by milling—oz.	48,500	81,200
Gold produced by leaching—oz.	25,400	23,100
Silver produced—oz.	14,300	17,200

tons = short dry tons

oz. = troy ounces

improved price of gold from 1972 onward enabled the mine to extend its life by increasing reserves of low-grade ore at Cortez and at the nearby Gold Acres property.

PHILIPPINES

Marcopper Mining Corporation (39.82% interest)

Copper production in 1975 declined as a result of mining in areas of lower-grade ore. The programme to increase concentrator throughput from 18,000 to 27,000 tons per day commenced in 1974 and was largely complete by year-end. Eight new 120-ton ore trucks were placed in service to sustain the increased mill capacity and an additional four will be commissioned in 1976. The original fleet of 75-ton trucks is being retired due to obsolescence. Also completed as part of the expansion programme were two dams for water storage, an eight-kilometer tailing line, and a sand/slime circuit. Work to increase the capacity of the power plant will be completed by mid-1976. Costs continued to rise significantly during the construction period and the original budget was exceeded as a result. The total cost of the expansion is estimated at $42,800,000, of which $32,500,000 was financed by internally-generated funds.

Mineable ore reserves at the end of 1975 were estimated at 95,000,000 tons at an average grade of 0.58% copper, using a cut-off grade of 0.40% copper.

Review	Years ended December 31, 1975	1974
FINANCIAL		
Gross revenues	$37,752,000	$113,217,000
Taxes on income	$ 2,067,000	$ 29,308,000
Net earnings	$ 6,864,000	$ 50,336,000
Cash dividends paid	—	$ 22,604,000
OPERATIONS		
Ore milled—tons	7,204,700	6,446,400
Daily average—tons	21,000	19,000
Grade—% copper	0.58	0.82
Recovery of copper—%	83.4	88.5
Concentrate produced—tons	141,000	175,200
Leach concentrate produced—tons	4,300	6,200
Copper in concentrate—lbs.	76,612,300	103,303,600
Gold in concentrate—oz.	31,800	82,100
Silver in concentrate—oz.	161,000	271,000
Copper concentrate shipped—tons	141,900	196,200
Inventory at year-end—tons	6,700	3,300

tons = short dry tons

oz. = troy ounces

AUSTRALIA

Placer Exploration Limited (100% interest)

Despite generally poor economic conditions Placer Exploration Limited reported a satisfactory year. Sales by Fox Manufacturing (100% interest) increased to a record level of $23,940,000 (1974 — $9,256,000), largely as a

Review	Years ended December 31, 1975	1974
FINANCIAL		
Gross revenues	$33,288,000	$18,710,000
Taxes on income	$ 1,262,000	—
Earnings (loss) before extraordinary income	$ 1,077,000	$ (1,496,000)
Extraordinary income, net of taxes	$ 6,640,000	$ 831,000

result of a significant contract for the supply of materials-handling equipment to a steel mill in Mexico. Similarly, the Timber Division (100% interest) increased its share of the market despite a downturn in house construction. Molybond Laboratories (100% interest) had difficulty maintaining its sales at previous levels, but remained profitable. Beef prices continued in a depressed state and sales by Northern Cattle Company (50% interest) declined to $1,298,000 (1974 — $1,522,000). Herd numbers increased to 76,000 (1974 — 74,500) by year-end.

Exploration

Total exploration expensed by Placer and its group of companies in 1975 was $10,077,000 (1974 — $10,780,000) and was distributed 23% in Canada, 35% in the United States, 19% in Mexico, 8% in Australia and 15% in other countries.

Hard Minerals

In Western Canada, exploration work on the Howard's Pass lead/zinc prospect was continued by Placer under a joint venture agreement with a major U.S. company. Data provided by this programme in 1975 has extended the area of mineralization and improved the interpretation of the geological environment. Additional work is planned in 1976.

Diamond drilling and metallurgical testing of the Berg copper/molybdenum property were carried out. A calculation of ore reserves at year-end indicates 400,000,000 tons at an average grade of 0.40% copper and 0.05% molybdenum. Under prevailing prices and tax attitudes, the property does not warrant consideration as a producing mine.

In Eastern Canada, metallurgical tests were carried out on the Restigouche-Murray Brook silver/zinc/lead/copper property.

In the United States, exploration for gold prospects was continued by Placer Amex Inc. (100% interest), and a major drilling programme was conducted on the Beluga coal property in Alaska.

Placer Exploration Limited (100% interest) of Australia was active in Papua-New Guinea where surface trenching, sampling, and geologic mapping were carried out on a gold prospect.

Marcopper Mining Corporation (40% interest) investigated several gold and porphyry copper prospects in the Philippines. A significant zone of copper mineralization has been defined in the area of the original tailing dam near the Marcopper mine on Marinduque Island, and an economic study will be carried out in 1976.

In Mexico, Explomin, S.A. de C.V. (34% interest) continued a general programme of exploration in addition to its work on the Real de Angeles silver/lead/zinc property.

Oil and Gas

Activity in Western Canada was principally oriented toward acquisition of exploration rights in northeastern British Columbia. Seven development or commitment wells resulted in four gas completions, two dry holes, and one utility well.

Production amounted to 124,000 barrels of oil and 473 million cubic feet of gas during 1975. The Company's interest in crude oil reserves which were re-estimated during the year, is 1,500,000 barrels, and in estimated natural gas reserves, 36 billion cubic feet.

PLACER — An Historical Outline

1926-1976

A written history of an organization such as Placer can perform the same function as a history of a country or an era — that is, add a perspective which is not apparent if one studies only the present. To a certain extent, Placer is what it is today because of what it has been in the past.

CANADA:
PROVINCE OF BRITISH COLUMBIA

No. 8790

"Companies Act."

I Hereby Certify that

"PLACER DEVELOPMENT, LIMITED"

has this day been incorporated under the "Companies Act," as a Limited Company.

The capital of the Company is Two hundred thousand ($200,000.00) Dollars, divided into Forty thousand (40,000) shares

The registered office of the Company is situate Vancouver in the , Province of British Columbia.

GIVEN under my hand and Seal of Office at Victoria, Province of British Columbia, this -26th- day of May, one thousand nine hundred and Twenty-six

REGISTRAR OF COMPANIES.

2M-725-1719

Certificate of incorporation.

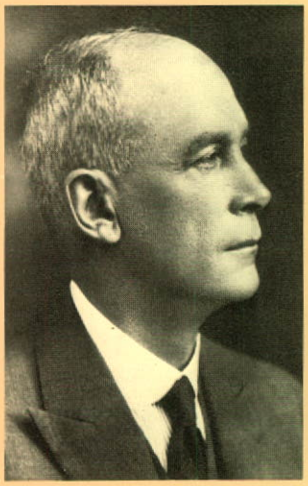
by R. A. Adams

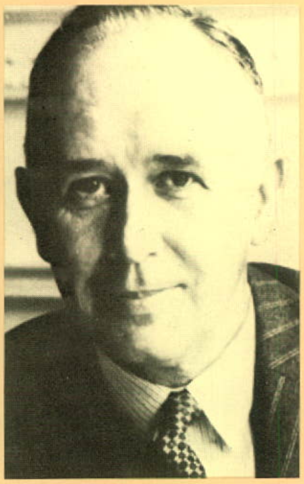
Placer Development Limited came into being as the result of a fortuitous meeting half a century ago between two very unusual men. One was Charles Arthur Banks, a New-Zealand-born, British-educated, mining engineer who managed the B.C. Silver Company for the London-based Victoria Mining Syndicate; the other was William Addison Freeman, the President of the Austral-Malay Tin Company and one of Australia's most successful entrepreneurs.

In 1925 one of Austral-Malay's tin dredges was gutted by a fire and Freeman sailed to San Francisco to discuss its reconstruction with Frank W. Griffin, a well-known dredge designer. Freeman was continually on the lookout for new investments and the conversation quickly turned to mining prospects. Griffin advised Freeman that he had a half interest in a promising placer gold property in South America and that one of his friends, dredging engineer Harold Peake, had an option on a placer gold property in Alaska that was worth investigating. Learning that the Australian intended to visit Seattle to purchase a clothing franchise, Griffin suggested that he continue further north to Vancouver to find out if Charles Banks could supply additional prospects in Canada.

Freeman and Banks, who met in Vancouver early in January, 1926, quickly discovered that they had a great deal in common and Freeman offered to underwrite a new mining venture if Banks would act as managing director. If a record was made of that meeting, it has been lost to history, but the enterprising Banks recalled years later that he said to Freeman over a handshake: "We might not make a lot of money with this Company, but we'll have a lot of fun."

Freeman was delighted when both Peake and Griffin agreed to become Directors because he was convinced that the Company would thrive under the guidance of experienced mining engineers. The four men met in San Francisco at the end of January to plan the activities of the "W. A. Freeman Company." They decided to hire a prominent geologist to test promising properties and budgeted $40,000 for the first year's operations. Freeman agreed to raise the capital by selling a large block of $5 shares in Australia, but Vancouver was chosen for the headquarters of the Company because Banks resided there and because Canadian tax laws at that time were favourable.


William Addison Freeman


Charles Arthur Banks

Placer Development Limited was thus incorporated in British Columbia on May 26, 1926, with $200,000 in share capital and a charter to "buy, sell, manufacture, and deal in minerals, plants, timber, machinery, implements, conveniences, and other things." The Company's founders felt that placer gold had the best prospect of success, but they weren't taking any chances. One of Bank's associates quipped that the powers of the Company were so broad that it could raise anything except an army.

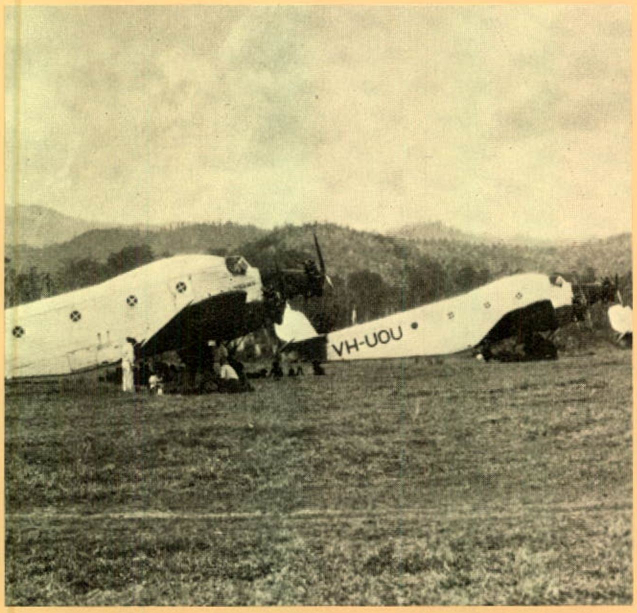
Shortly after incorporation the Company opened offices in San Francisco and Sydney, and two more mining engineers, Australian Leslie Waterhouse and U.S. placer expert Frank Short were recruited for the Board. Luck, however, did not favour the new enterprise during its first two years of exploration. The test-drilling results on the Alaskan and Colombian properties proved discouraging, and prospects that Banks and Griffin investigated in California, Oregon, and British Columbia were equally disappointing. Banks nevertheless remained confident:

Dr. Adams is a specialist in Canadian labour history who teaches at Simon Fraser University in Burnaby, British Columbia. He is currently writing a book on Canadian labour radicalism in the Depression.

"Sooner or later," he predicted in 1928, "we'll turn up a winner."

A few months later Freeman optioned dredging leases on the remote Bulolo River in New Guinea, a territory administered by Australia. In 1925 Australian prospectors had clambered over the precipitous New Guinea mountains and discovered rich deposits of alluvial gold on the Bulolo River and its tributaries. An enterprising government official, Cecil Levein, became convinced that much of the gold had been widely scattered by the river, and staked out 1,500 acres of the Bulolo Valley. Freeman acquired Levein's leases in 1928 on the understanding that the Australian government would build a road to the inaccessible goldfield; and when the test drilling indicated that the Bulolo riverbed contained still richer gold deposits Placer's Directors decided to purchase adjoining leases and equip the property with dredges.

The year 1929 was a dramatic one for the Company. Placer's capitalization was increased to $500,000 and Bulolo Gold Dredging Limited was organized to develop the New Guinea leases. Furthermore, Placer acquired a prospecting company, Clutha Development Limited, to facilitate exploration in Australia. Six months after the stock market crash, the Directors reassured the shareholders: "Operations have been very successful during the year and we consider that the Company has a particularly bright future."



In 1936 aircraft were the key to mining in the remote Bulolo area.

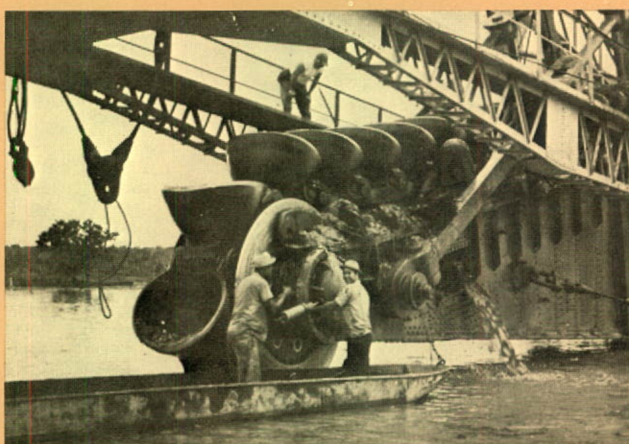
The outlook was dampened, however, when the depression-burdened Australian government notified the Company that it could no longer afford the promised road through to the Bulolo Valley.

Undaunted by this sudden setback, Charles Banks solved the supply problem with air transportation, purchasing three German Junkers G31 trimotor planes and constructing an airstrip on the banks of the Bulolo to fly disassembled machinery over the mountains. The first reassembled steel bucket-dredge began operations in 1932. By the end of the decade, seven more dredges, hydro-electric power, a machine shop, and living and recreational facilities for more than 1,000 employees had been constructed at the site. (The innovative Charles Banks received the American Mining and Metallurgical Society's gold medal in 1938 for pioneering air transportation in mining.)

Bulolo proved to be a spectacularly successful venture. The gold-bearing gravel deposits ran much deeper than estimates had indicated, and in 1934, the United States raised the official price of gold from $20 to $35 an ounce. Placer declared its first dividend in 1933 and in the next year its authorized capitalization was increased to $1,000,000. In 1935, when the world economy was stagnant, and unemployment soared to record levels, Placer's net profit increased from $108,000 to $1.5 million.

The Directors invested surplus capital in new ventures: Canadian Exploration Limited (Canex) was formed to conduct mineral exploration in Canada; oil leases in Texas were purchased; and two other companies (Rutherglen Gold Dumps Limited and Gold Dumps Proprietary Limited) were set up in Australia to reclaim gold from tailings. Following a reassessment of the gold properties in the Republic of Colombia in 1934, Pato Consolidated Gold Dredging Limited and Asnazu Gold Dredging Limited were organized, and these subsidiaries were to play a prominent role in the Company's growth.

The development of Pato, located on the jungle-choked



Workers grease dredge bucket line at Pato in Colombia.

Nechi River in equatorial eastern Colombia, was a major achievement. Company personnel had to contend with tropical heat and humidity (the average daytime temperature being 90 degrees F and rarely dropping below 80 degrees F at night), clouds of insects, and malaria. At one time more than a quarter of the staff were hospitalized with the debilitating disease. Nonetheless, two dredges on the property were refurbished and three larger ones were installed, in addition to a power plant, workshops, modern living quarters, a hospital, and an airfield.

The small but profitable Asnazu gold property on the Cauca River in the Colombian highlands was simultaneously equipped with a dredge and a power plant, and brought into production in 1936. During that year the Nechi Gold Dredging Company was formed to develop properties on the Nechi River 15 miles downstream from Pato. By 1940 production at both Pato and Asnazu had exceeded expectations, and they were jointly producing more than 125,000 ounces of gold a year.

From the outset, Placer allocated a substantial portion of its income to mineral exploration, with teams of geologists and engineers investigating hundreds of properties in North and South America. Colonel Raymond E. Franklin, the chief engineer in the San Francisco office and one of the Company's most colourful characters, described the difficulties encountered on a foray into Ecuador in 1936:

I had a great deal of trouble getting the local Indians to carry supplies, especially the drill parts. They desert at the very first chance. It's not a question of wages. They just don't want to work at any price. The Ecuadorians from the mountains cannot stand the tropical climate. We brought 15 native workers from Pato, but the trip took 26 days — six days canoeing and 20 days hiking — and all arrived in poor shape and some are still unable to work. It was a hard trip. We struck snow and ice and cold winds crossing the summit at 14,000 feet, and these men had never been 200 feet above sea level. They had never seen snow or even been cold, and some of them hardly made it. That is all that holds them now. They are afraid to start back!

After extensive test-drilling, Franklin concluded that the alluvial gold deposits in the Ecuadorian jungle were not large enough to justify the cost of developing them.

The war seriously impaired operations of the Placer group and resulted in the abandonment of mining and exploration in Australia, Canada and the United States. Charles Banks joined many company employees in

Beginning to rebuild at Bulolo after the war.

J. D. Simpson

T. H. McClelland

volunteering for service, and was appointed overseas director of the Canadian Department of Munitions in London.

In January, 1942 Japanese fighter planes strafed and bombed the Bulolo aerodrome, destroying the company's three Junkers aircraft. Civilians were evacuated and the area was garrisoned with Australian troops. When the Japanese captured the nearby coast the Australians hastily organized demolition parties and razed Bulolo. The Japanese inland advance was repulsed at Wau a few miles from the camp and the Company dredges escaped destruction. The army constructed a road to the coast obviating expensive air transportation; and following the cessation of hostilities, the Australian War Damage Commission awarded the Company $4 million to rebuild Bulolo.

Bulolo was back in operation in 1947. The rebuilding of big dredge No. 5, seriously damaged by erosion, proved an arduous and costly task.

In 1949, the newly repaired No. 5 careened over in its pond when struck by a freak wave caused by the collapse of the nearby riverbank. It was two more years before the dredge was refloated, repaired and back in operation.

Fortunately the gold dredging operations in Colombia had not been disrupted. "Pato literally kept Placer alive during the war years," recalled Board Chairman Thomas H. McClelland. "Field Manager Vic Bramming and Ben Barraza, the Chief Engineer, were able to keep three of the five dredges in operation, providing the Company with its only source of income in that period."

"After the war," Charles Banks recalled, "the Directors decided that it was unsound to continue putting all our eggs into one gold basket, so we began looking for other interests in the dollar area." This decision to diversify in areas where currency was stable culminated in the development of several unusual, yet successful ventures. Placer acquired the Foybrook open-cut coal mine in Australia, and joined with the Canberra government in forming Commonwealth-New Guinea Timbers Limited, which constructed a plant at Bulolo to produce high-grade plywood and other wood products.

Black gold was discovered on Company property in Texas and the Coronet Oil Company was formed in 1947 to develop it. By 1955 Coronet had two dozen wells in production which together with royalties from other oil properties were returning an annual profit of more than one half million dollars.

The most important new venture in this period, however, was undertaken in Canada. This was the acquisition in 1947 of the Emerald underground tungsten mine perched on a mountain near Salmo in southern British Columbia. Extensive deposits of lead and zinc were discovered on the property the next year, and when the price of tungsten declined the mill was converted to lead-zinc production from the nearby Jersey mine. Another large tungsten orebody was discovered in 1950 beneath the lead-zinc deposits; and, when the Korean war sent the price of tungsten up, Placer negotiated a lucrative seven-year contract with the American government and re-opened the Emerald mine. A new tungsten mill was constructed on the Salmo mountainside, and Placer gained the distinction of extracting two entirely different types of ore from interconnected underground mines.

More than 1,000 people were employed at the Emerald and Jersey mines at the height of construction, and operations expanded so rapidly that new employees had to be billeted in former military dormitories and in oil-heated tents. A warm, closely knit group developed under the direction of John D. Simpson and his affable mine manager, G. A. (Gerry) Gordon. One of the newcomers, engineer Andre Orbeliani, recently recalled his first impression of the bustling camp:

I didn't think we'd make it up the six-mile, snow-covered washboard road that climbed with unbelievably steep grades to an elevation of 4,000

Placer's first venture in Canada was in 1947 when it acquired the Salmo mine in southeastern British Columbia. Perched on a mountain shelf, this mine was a significant source of tungsten although it also produced lead and zinc.

feet. The first thing I saw was the cookhouse, a big hall steaming with heat and crowded with people in heavy work clothes. And there was a fantastic profusion of food! I had never seen people eat so much with so much being left over. I couldn't figure out who was who. The miners, the office staff, and the managers were all at the same tables laughing and chatting. I discovered that the husky middle-aged fellow telling funny stories and talking shop with the miners was Simpson, the big boss, the director of the Company. What an unheard-of mixture of people from our European point of view, but what a democracy! And how good it felt to be one of them.

The development of this highly profitable mine in British Columbia at a time when its New Guinea and Colombian gold dredging operations were past their prime had a profound impact on Placer's future. Many of today's senior staff members in the Placer group served a vigorous apprenticeship at Salmo. Earnings from the new mine provided the parent Company with a record profit of $11 million in 1955 that pushed the price of Placer's shares to $35, permitting the Directors to declare an extra dividend and split the stock on a three-for-one basis in order to keep it within the reach of small investors.

Placer's present senior personnel unanimously agree that the sagacious direction of John D. Simpson, an Australian mining engineer who had joined Placer in 1939 and was appointed President in 1957, gave the Company a vigorous new outlook. As one colleague observed, "John Simpson went right down and got involved with people; he molded them into a strong family-like Company."

The Company's centre of gravity began to shift from San Francisco to Vancouver in the late 1950s. In 1957, Placer leased an entire floor in Vancouver's first modern office highrise, the Burrard Building, to house the rapidly growing staff, and within a few years headquarters expanded to other floors. Management structure was also reorganized, the Board of Directors was broadened, accounting procedures were modernized, pension and incentive stock option plans were implemented, and

Miners at Craigmont went underground when the orebody became too deep to continue open pit operations.

Placer embarked on a still more aggressive programme of exploration and development.

The Company then created a wholly-owned U.S. subsidiary, Amex (American Exploration and Mining Company, now known as Placer Amex Inc.), which purchased a 48 percent interest in the Evan Jones Coal Company in Alaska and the Iron Age Mine in California. In British Columbia, Placer undertook an intensive test-drilling programme on the promising Craigmont copper property on a mountain near Merritt.

Expansion was expedited by the sale of Coronet Oil in 1959. "A Texas corporation made us an offer that was difficult to resist," John Simpson recalls. "We had an equity of only $950,000 in Coronet, but we got more than $12 million for it. Even the bank interest on that amount would have been greater than our net return after taxes and exploration expenses."

Placer did not permit this windfall to lie idle. S. & M. Fox, an Australian mining and manufacturing company, was purchased in 1960, and Placer joined Noranda and several other mining companies in financing the Mattagami zinc-copper mine in northwestern Quebec. When drilling near Merritt revealed the existence of a massive copper orebody, Placer, Noranda and Peerless Oil negotiated a substantial development loan from Canadian and American banks and proceeded to develop the Craigmont mine.

Placer engineers designed a complex two-stage system to remove Craigmont's ore. The upper portion of the ore zone was mined by the open pit method. Ore was blasted from the pit, loaded by three electric shovels into trucks, dumped into a nearby crusher, and transported by a long conveyor belt to a mill at the base of the mountain.

When the pit became too deep for economic mining, a tunnel was driven to the bottom of the orebody and a network of shafts and drifts was bored inside the mountain permitting removal of the ore by the then unusual sub-level caving method. The overhead ore was blasted in a retreating sequence along the tunnels, then collected and dumped down steel-plated shafts.

In 1964, the Company's stock which had risen to $50 a share, was split once more, this time on a two-for-one basis, and the authorized capital was boosted to 8,000,000 shares.

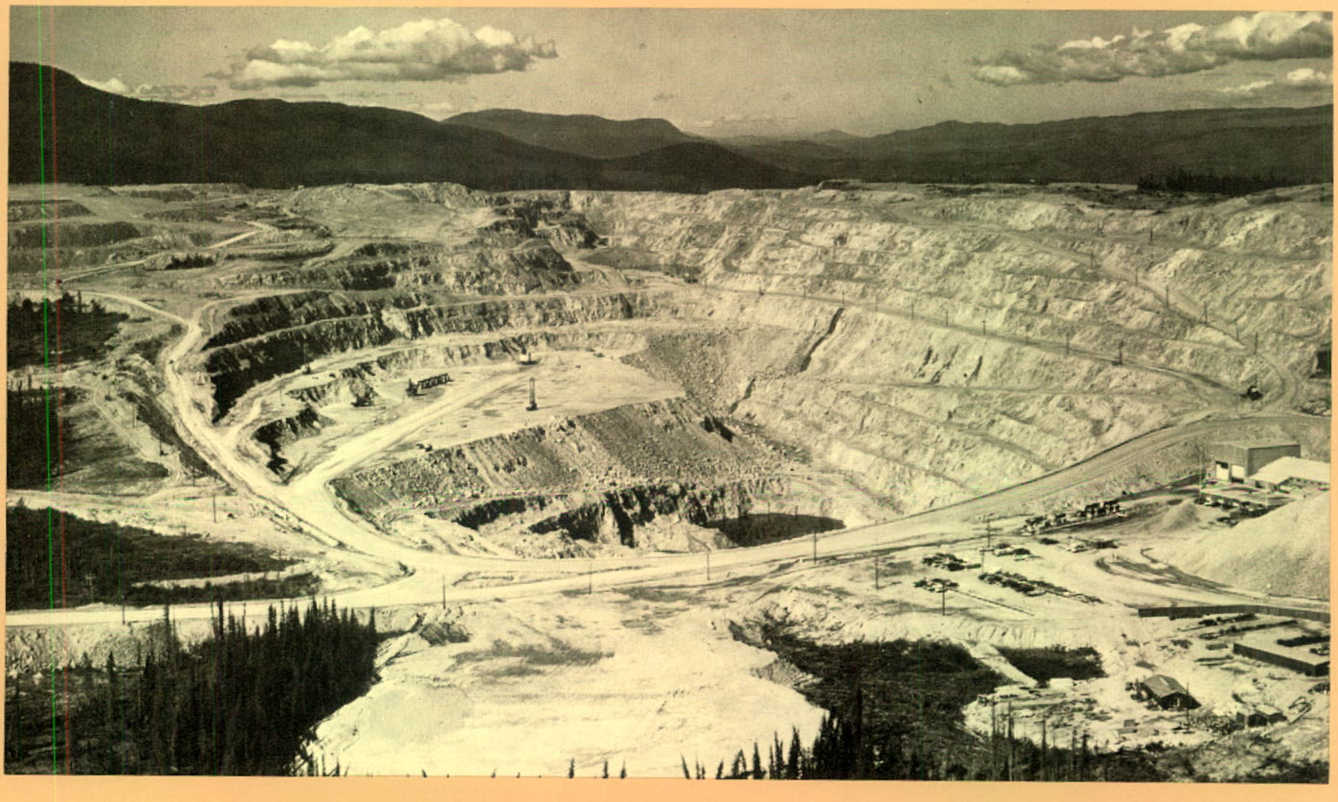
Construction of Endako mine in 1966 brought expansion to town of Fraser Lake.

Craigmont sparked the investment interest of Canadian banks and was the first of a series of bank-financed copper mines that stimulated British Columbia's mining industry in the 1960s and made the province one of the world's important suppliers of copper concentrate.

Henceforth, Placer was able to attract the large sums of loan capital required to develop major mining ventures like the open pit molybdenum mine at Endako, B.C. Low-grade deposits of molybdenite were discovered near the village of Endako in 1927, but several companies had concluded that they were not economic. Finally, after an intensive programme of test-drilling, Placer negotiated an agreement in 1963 to construct a mine and thereby earned a substantial interest in the property.

Long-term contracts for molybdenum concentrates were negotiated in European and Japanese markets; $22 million was invested in equipping the property with a large ore concentrator, a fleet of trucks, and several electric

The Endako mine in British Columbia is one of the world's most important sources of molybdenum.



shovels, and in constructing a large housing development and recreational facilities at nearby Fraser Lake. The mill was brought into production in 1965 at a daily capacity of 10,000 tons of ore. Demand for the product proved so strong that mill capacity was increased to 25,000 tons per day in 1967, and development loans were retired within three years. Tax advantages brought about the amalgamation of Endako and Placer in 1970.

Dividends from Endako and Mattagami mines, the latter having been brought into production by Noranda in 1964, further enhanced Placer's capital position and assisted the Company's continuing search for viable properties.

A mining company that does not maintain an aggressive exploration programme cannot thrive, for sooner or later every mine must exhaust its ore reserves. At Asnazu in Colombia, for example, payable gravel ran out and operations were discontinued in 1957. The dredges in New Guinea were shut down one by one as the gold-bearing gravels became exhausted and gold dredging operations were finally terminated in 1965 when the digging ladder of the last remaining dredge — unlucky No. 5 — was seriously damaged by another riverbank cave-in. With the operations of its New Guinea offspring coming to an end, the parent Company offered to exchange one Placer share for every three Bulolo shares and the two companies were amalgamated in 1966. Amex's Evan Jones Company in Alaska was forced to close when the U.S. Army converted its Anchorage base to natural gas that year and cancelled its coal contract.

Exploration for new mineral resources is the key to the Company's, and the nation's, future.

Placer disposed of other interests when circumstances were propitious. The Directors' conclusion that the price of gold was unlikely to increase for many years motivated the 1962 sale of Placer's shareholding in Pato; and unprofitable Australian coal and transportation interests were sold in 1965.

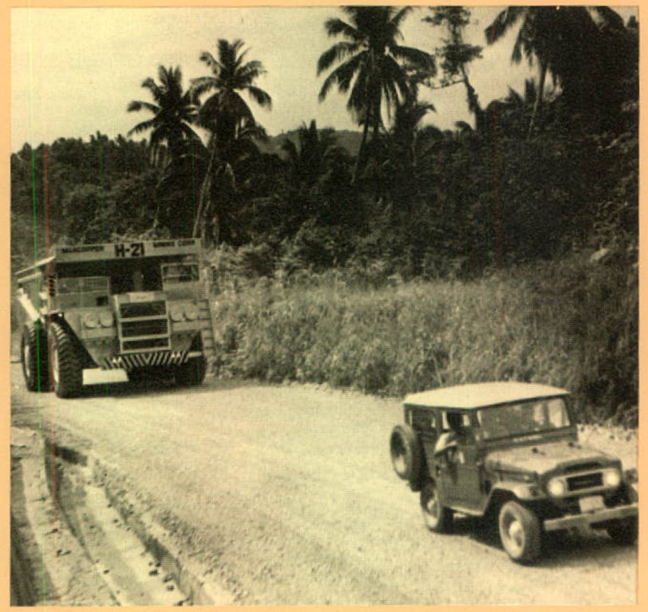
The Placer group therefore accelerated its search for new mines as funds became available. Between 1965 and 1968 the annual sum earmarked for exploration increased from $1 million to more than $5 million. Reconnaissance teams were active all over the world in search of promising properties. Helicopters had long since replaced hobnailed boots and canoes as the chief means of transportation in remote areas, and the portable, hand-operated drills used by Colonel Franklin in Ecuador had evolved into sophisticated motorized rigs capable of rapidly boring test holes of a thousand or more feet. As Placer's reputation for thorough examination and decisive action spread, mineral prospects began arriving regularly at head office.

The responsibility for guiding Placer through its impressive third period of expansion fell to Thomas H. McClelland, the genial and able former general manager of Pato and Asnazu who became President in 1964. "McClelland's appointment was timely," a colleague states. "Placer was rapidly maturing into a complex organization so he delegated authority to subordinates; he encouraged a salutary self-reliance."

The Company's activities increased dramatically in both size and international scope in the late 1960s and early 1970s. Placer joined other mining syndicates to develop the Terramonte lead-zinc mine in nothern Portugal; cattle-ranching enterprises were launched in New Guinea and Australia; and, when careful testing disclosed the presence of a low-grade gold deposit on the Cortez property in northern Nevada's desert, Placer, as the managing partner of a joint venture, undertook development and operation of an open pit gold mine. But it was the development of massive open pit copper mines in

British Columbia and the Philippines which most contributed to Placer's recent growth.

The development of the Marcopper mine on Marinduque Island in the Philippines was the most venturesome undertaking since Bulolo. The economy of the island was agricultural and the engineering difficulties were complicated by the absence of port facilities and roads. Marcopper was one of McClelland's most difficult decisions. Placer pledged all its assets to borrow $40 million from a consortium of U.S. banks in 1968 to finance the undertaking, and negotiated a special agreement with the Philippine Government permitting the Company to remit 75% of sales proceeds directly to the lending banks. Construction started on the beach. Docking facilities were installed, and an all-weather road was driven seven miles inland to the minesite, a mountain of low-grade copper. The overburden was removed and both a housing development and a mill with a daily capacity of 15,000 tons were completed ahead of schedule and under budget.



Citizens of Marinduque, Philippines, were pleased when the Marcopper mine was developed on their island by Placer in 1969.

The venture proved enormously successful. Once again Placer protected its investment through a long-term sales contract for the mine's total output of concentrate, and earnings rose so quickly that Marcopper was able to retire its development loans within two years and declare its first dividend in 1972.

The development of the giant Gibraltar mine in central British Columbia once again demonstrated that careful engineering can make risks worthwhile. The presence of low-grade copper deposits in the area had been known since 1917 but Placer's geologists discovered in 1970 that there were additional reserves sufficient to support mining operations. Long-term sales contracts were arranged in Japan and Placer secured a development loan of $74 million, purchased yet another fleet of 100-ton trucks, and proceeded to construct one of Canada's largest open pit copper mines. Gibraltar began producing in the spring of 1972, ahead of schedule and under budget, with the concentrator operating well above the design capacity of 30,000 tons per day. The Canadian Mining Journal editorialized that Gibraltar was "a tribute to the persistence

New technologies allow processing of large quantities of ore in concentrators such as this at Gibraltar copper mine, opened in 1972.

and ingenuity of an exploration staff, to careful planning by an engineering staff, and to excellent management and supervision."

Both Marcopper and Gibraltar were brought into production during the heady years of world economic expansion. The price of copper rose from 46¢ to 86¢ a pound in 1973 and continued rising in 1974. Both operations were able to retire their huge development loans and begin paying dividends much earlier than had been anticipated. In 1973, with world base metal prices climbing, Placer's net earnings rose to $71.8 million (compared with $16.6 million in 1972) and shares which had risen to $58 per share, were split once again on a two-for-one basis.

For Placer, 1973 was an extraordinary year in other respects. The Salmo mine finally exhausted its ore and operations were shut down; Terramonte was closed; and Placer's remaining New Guinea timber and cattle holdings were sold, ending a 40-year chapter in the Company's history.

The record profits of Canada's major mining corporations during the short-lived 1973-74 economic boom provoked negative government response: Ottawa rescinded the three-year, tax-free incentive for new mines; and, despite strenuous objections from the mining industry, the government of British Columbia imposed royalties in addition to its income and mining taxes. The federal government refused to recognize these royalties and the mining tax as deductible expenses with the result that B.C. mines were forced to pay income taxes on funds already claimed by the province. Both levels of government failed to appreciate the fact that the cyclical nature of the industry dictates that high earnings be husbanded to sustain operations in lean years. Taxation has therefore become a major factor in long-range planning and Placer has stepped up its search for new mines in countries where tax legislation is more favourable, and where incentive for future investment in potentially viable properties is more assured.

The operation of a mine involves much more than the technicalities of mineral recovery. For instance, native workers at Bulolo were among the highest paid in New Guinea, but perhaps more important, they were repatriated to their villages at the end of their two-year contract to insure tribal continuity. Subsidized housing and recreational facilities were and still are an essential part of all major operations. Extensive land reclamation programmes are also basic considerations for all mines in the Placer group, and there has been notable success with revegetation programmes on lands disturbed by mining.

Placer has been involved in very little litigation, and labour relations have generally been satisfactory. Overseas operations have been largely free of labour disputes, though aggressive British Columbia unions shut down operations at Craigmont during the winters of 1965/66 and 1973/74. Endako experienced strikes in 1968 and 1974. Placer's diversification, however, has tended to mitigate the effects of such setbacks.

In 50 years Placer Development Limited has grown from a little mining company primarily concerned with placer gold into a large, diversified, international mining corporation employing close to 3,000 people in far-flung areas of the world. Despite war and depression it has paid a dividend every year since 1933. Each of the Company's original shares has multiplied into 60 shares worth approximately $1,300 at current market value, and have paid a total of $662 in dividends.

The Company has had its share of good and bad luck, but the foresight of founders Addison Freeman and Charles Banks combined with innovative engineering, diversification, and a strong exploration programme have been the primary reasons for Placer's success. "Placer has a fascinating story," the Montreal Gazette recently observed, "and is considered by many mining people to have the best management team in the country."

The future, of course, remains as unknowable to the present Placer management as it was to the small group of optimistic people who decided to start a new company in 1926. New philosophies spring to life, society's values change, and the laws that govern men's behaviour and activities alter in response.

Like its fellow citizens in a number of countries, Placer will also change, for it can only function within the framework of a changing society. Because the community of man grows continuously and supports more individuals at generally higher standards of living, it is reasonable to suppose that it will continue to rely on those whose skills ensure a dependable supply of critical materials. Among these will be metals — and among the suppliers will be Placer.

Consolidated Statement of Earnings

	(in thousands) Years ended December 31, 1975	1974
REVENUES:		
Sales	$110,386	$ 96,900
Interest and other income	5,801	8,661
	116,187	105,561
EXPENSES:		
Cost of sales	78,460	52,809
Depreciation and depletion	9,307	8,272
Selling, general and administrative	9,419	4,833
Exploration	10,077	10,780
	107,263	76,694
	8,924	28,867
ROYALTIES AND INCOME TAXES *(Note 6)*:		
Mineral royalties	3,566	1,825
Income and mining taxes —		
Current	6,779	4,594
Deferred	(293)	7,514
	10,052	13,933
Earnings (loss) before the following	(1,128)	14,934
Equity in earnings of associated companies *(Note 3)*	10,785	29,634
Minority interests in losses (earnings) of subsidiaries	111	(4,959)
	10,896	24,675
Earnings before extraordinary items	9,768	39,609
Extraordinary items *(Note 8)*	6,517	3,534
NET EARNINGS	$ 16,285	$ 43,143
EARNINGS PER SHARE:		
Earnings before extraordinary items	$ 0.81	$ 3.30
Net earnings	$ 1.35	$ 3.59

Consolidated Statement of Retained Earnings

	(in thousands) Years ended December 31, 1975	1974
Retained earnings, beginning of year	$182,341	$153,621
Net earnings	16,285	43,143
	198,626	196,764
Dividends — $1.20 per share (1974 — $1.20)	14,431	14,423
Retained earnings, end of year	$184,195	$182,341

Consolidated Balance Sheet

	(in thousands) December 31,	
Assets	1975	1974
CURRENT ASSETS:		
Cash and time deposits	$ 26,983	$ 32,775
Marketable securities, at cost which approximates market value	6,662	6,215
Accounts receivable	20,234	8,767
Receivable from associated companies	1,923	6,435
Inventories *(Note 4)*	27,133	17,215
	82,935	71,407
INVESTMENTS:		
Associated companies *(Note 3)*	66,278	64,489
Other, at cost *(Note 2)*	2,541	7,317
	68,819	71,806
PROPERTY:		
Buildings and equipment *(Note 5)*	83,366	80,383
Mining properties and development, at cost less accumulated depletion of $4,718,000 (1974 — $3,574,000)	18,300	17,745
	101,666	98,128
	$253,420	$241,341

Liabilities and Shareholders' Equity	(in thousands) December 31, 1975	1974
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	$ 16,334	$ 9,314
Mineral royalties, income and mining taxes payable	7,037	2,869
	23,371	12,183
DEFERRED INCOME AND MINING TAXES	8,751	9,862
MINORITY INTERESTS IN SUBSIDIARIES	20,181	20,292
SHAREHOLDERS' EQUITY:		
Share capital *(Note 7)* —		
Authorized —		
20,000,000 common shares without nominal or par value		
184,000 exchangeable common shares without nominal or par value		
Issued —		
12,049,100 common shares (1974 — 12,031,908) less 12,278 held by a subsidiary	8,149	7,890
Contributed surplus	8,773	8,773
Retained earnings	184,195	182,341
	201,117	199,004
	$253,420	$241,341

APPROVED BY THE BOARD:

T. H. McCLELLAND, *Director*

R. G. DUTHIE, *Director*

Consolidated Statement of Changes in Financial Position

	(in thousands) Years ended December 31,	
	1975	1974
FINANCIAL RESOURCES WERE PROVIDED BY:		
Earnings before extraordinary items	$ 9,768	$ 39,609
Add (deduct) items not involving working capital —		
Depreciation and depletion	9,307	8,272
Deferred income and mining taxes	(293)	7,514
Equity in earnings of associated companies in excess of dividends received *(Note 3)*	(2,700)	(14,948)
Minority interests in earnings (losses) of subsidiaries	(111)	4,959
Total from operations before extraordinary items	15,971	45,406
Extraordinary items affecting working capital	6,170	1,486
Investment in Placer Exploration Limited at December 31, 1974	3,731	—
Other	877	(434)
	26,749	46,458
FINANCIAL RESOURCES WERE USED FOR:		
Dividends to —		
Shareholders of the Company	14,431	14,423
Minority interests in subsidiary	—	3,272
Buildings and equipment	8,277	13,694
Mining properties and development	626	—
Purchase of shares of Placer Exploration Limited *(Note 2)*	3,075	4,943
	26,409	36,332
Increase in working capital	340	10,126
Working capital, beginning of year	59,224	49,098
Working capital, end of year	$ 59,564	$ 59,224
ANALYSIS OF CHANGES IN WORKING CAPITAL:		
Increase (decrease) in current assets —		
Cash and time deposits	$ (5,792)	$ (3,522)
Marketable securities	447	834
Accounts receivable	11,467	382
Receivable from associated companies	(4,512)	5,540
Inventories	9,918	4,672
	11,528	7,906
Increase (decrease) in current liabilities —		
Accounts payable and accrued liabilities	7,020	(871)
Mineral royalties, income and mining taxes payable	4,168	(1,349)
	11,188	(2,220)
Increase in working capital	$ 340	$ 10,126

Notes to Consolidated Financial Statements

December 31, 1975 and 1974

1. Accounting policies:

Consolidation

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

Foreign currency translations

Accounts prepared in foreign currencies are translated into Canadian dollars. Current assets and current liabilities are translated at year-end rates. Non-current assets, related depreciation and depletion and non-current liabilities are translated at the rates applicable at the time of the relevant transactions. Revenues and expenses, other than depreciation, depletion and extraordinary items, are at average rates of exchange for the year. Exchange adjustments are included in the determination of net earnings.

Inventories

Concentrates and finished and in-process industrial products are valued at the lower of cost and net realizable value; cost determined on a first-in, first-out basis.

Supplies and raw materials are valued at the lower of cost and replacement cost; cost determined principally on a moving average basis.

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 in 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 estimated life of each respective mine or twenty years, whichever is shorter.

Withholding tax

Withholding tax, where applicable, is provided on the Company's equity in the undistributed earnings of foreign subsidiary and associated companies.

Depreciation and depletion

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

(a) buildings and machinery on a straight-line basis at the rate of 5% per annum, and

(b) mobile equipment on a diminishing-balance basis at rates of 15% to 36% per annum

Depletion of mining properties and development is provided on a straight-line basis over the estimated life of each respective mine or twenty years, whichever is shorter.

Exploration

Current exploration costs are charged against earnings for the year except that costs are capitalized as mining properties and development if economically recoverable ore reserves have been determined.

Deferred income and mining taxes

The Company records income and mining taxes on the tax allocation basis. Under this method, timing differences between the amount of income reported for tax purposes and accounting purposes (which arise primarily from claiming depreciation and depletion in different amounts) result in deferred income and mining taxes which are shown separately in the financial statements.

Comparative figures

Certain 1974 figures have been reclassified to conform with the 1975 presentation.

2. Purchase of shares of Placer Exploration Limited:

Effective January 1, 1975 the Company purchased the remaining 50% of the shares of Placer Exploration Limited and under a related agreement the latter sold its investment in Placer Prospecting (Australia) Pty. Limited, a wholly-owned subsidiary. Placer Exploration Limited manufactures mining and industrial equipment and various forest products, carries out exploration, and has investments in livestock companies which are accounted for by the equity method.

The purchase price of the shares acquired was $9,207,000, of which $4,943,000 was paid in 1974 and was included with Other Investments in the 1974 consolidated balance sheet. The underlying book value in the net assets which relate to the acquired shares of Placer Exploration Limited is as follows—

		(in thousands)
Working capital		$ 7,871
Investments in associated companies		2,820
Property		4,666
Other		532
Total net assets of Placer Exploration Limited		15,889
Less:		
Original investment in Placer Exploration Limited at effective date of purchase	$ 3,731	
Increase in equity reflecting gain on sale of Placer Prospecting (Australia) Pty. Limited	4,158	7,889
Book value of net assets acquired		$ 8,000

The excess of the purchase price of the remaining 50% of the shares of Placer Exploration Limited over the underlying book value of net assets acquired of $1,207,000 has been deducted from the extraordinary gain arising from the sale of Placer Prospecting (Australia) Pty. Limited *(Note 8)*.

The acquisition has been reflected in the consolidated statement of changes in financial position in 1975 as follows—

	(in thousands)
Total cost of Placer Exploration Limited, net of working capital acquired	$8,018
Less: 1974 cash payment	4,943
	$3,075

The acquisition has been accounted for by the purchase method and the financial statements of Placer Exploration Limited have been consolidated with those of the Company from January 1, 1975. Prior to 1975 the Company accounted for its 50% investment in Placer Exploration Limited by the equity method.

The sales of Placer Exploration Limited, which relate primarily to manufacturing operations, amounted to $33,272,000 and $18,311,000 in 1975 and 1974 respectively.

3. Associated companies:

	% Ownership	Quoted market value December 31, 1975	1974	Underlying equity in net assets December 31, 1975	1974	Equity in earnings years ended December 31, 1975	1974	Dividends received years ended December 31, 1975	1974
				(in thousands)					
Craigmont Mines Limited	45	$10,867	$ 7,245	$ 9,134	$ 9,316	$ 1,599	$ 3,221	$ 1,811	$ 1,811
Marcopper Mining Corporation*	40	85,178	81,910	23,771	21,995	1,776	13,070	—	5,877
Mattagami Lake Mines Limited (N.P.L.)	27	52,984	46,249	28,037	26,293	6,264	10,732	4,670	4,580
Other**	28-50	not quoted		4,191	5,560	1,146	2,611	1,604	2,418
				65,133	63,164				
Excess of cost over underlying equity in net assets, less accumulated amortization of $2,132,000 (1974 — $1,952,000)				1,145	1,325				
				$66,278	$64,489	$10,785	$29,634	$ 8,085	$14,686

**Net of withholding tax (Note 1)*

***Includes Cortez Gold Mines at Cortez, Nevada which reported on January 9, 1976 its phased shutdown over the following six months. Cortez commenced operations in 1969 and the Company's share of its earnings was $1,231,000 and $3,046,000 in 1975 and 1974 respectively.*

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

	December 31, 1975	1974
	(in thousands)	
Assets —		
Current assets	$141,209	$165,691
Investments and other assets	24,895	16,625
Property — net	154,478	128,516
	$320,582	$310,832

	December 31, 1975	1974
	(in thousands)	
Liabilities —		
Current liabilities	$ 48,752	$ 59,886
Long-term debt	21,336	17,191
Minority interests in subsidiaries	24,449	26,676
	$ 94,537	$103,753
Combined net earnings for the year	$ 38,930	$105,961

4. Inventories:

	December 31, 1975	1974
	(in thousands)	
Mining —		
Concentrates	$10,859	$ 7,515
Operating supplies	8,136	9,700
	18,995	17,215
Industrial products —		
Finished and in-process	5,236	—
Raw materials and supplies	2,902	—
	8,138	—
	$27,133	$17,215

5. Buildings and equipment:

	December 31, 1975	1974
	(in thousands)	
Cost —		
Buildings and machinery	$ 97,027	$ 87,347
Mobile equipment	28,345	25,579
Other	1,087	863
	126,459	113,789
Accumulated depreciation —		
Buildings and machinery	28,116	21,845
Mobile equipment	14,389	11,137
Other	588	424
	43,093	33,406
Net book value	$ 83,366	$ 80,383

6. Income and mining taxes:

The high effective income and mining tax rate in 1975 is primarily attributable to:

— foreign exploration expenses of subsidiaries which have been deducted in determining net earnings and for which there has not been sufficient income earned to claim a tax deduction; this timing difference has not been reflected in deferred income and mining taxes, and

— provincial mineral royalties and mining taxes which are not deductible for federal income tax purposes.

At December 31, 1975 earned depletion of $18,900,000 (1974 — $20,500,000) is available to reduce income taxes of certain subsidiaries in future years.

7. Share option and share purchase plans:

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 $17.12 to $22.41 (1974 — $12.72 to $22.41) per exchangeable common share. The option prices are set at 110% of the market value of the common shares at the dates the options are granted. Exchangeable common shares are exchanged for common shares on a one-for-one basis. Under the share option plan the following transactions in exchangeable common shares took place—

	Years ended December 31, 1975	1974
Options outstanding, beginning of year	86,500	84,900
Granted	—	12,300
Cancelled	—	(6,300)
Exercised for cash consideration of $143,000 (1974 — $73,000)	(11,200)	(4,400)
Options outstanding, end of year	75,300	86,500

There would be no material dilution of earnings per share if the outstanding share options had been exercised during the year.

During 1975, 5,992 shares have been issued for $116,000 cash under the terms of the Company's share purchase plan for its employees. The Company contributes ⅓ of the cost of the shares issued under this plan.

8. Extraordinary items:

	Years ended December 31, 1975	1974
	(in thousands)	
Gain on sale of Placer Prospecting (Australia) Pty. Limited*	$ 5,435	$ —
Income tax reduction arising from the application of prior years' exploration and other costs	1,082	2,048
Amount received from the sale of option rights	—	1,486
	$ 6,517	$ 3,534

**Net of write-off of excess purchase consideration of $1,207,000 (Note 2) and deferred withholding tax of $735,000.*

9. Pension plans:

The Company and its subsidiaries have contributory and non-contributory pension plans under which the total pension expense for 1975 was $1,192,000 (1974 — $456,000). The cost of pension benefits charged to earnings is based upon periodic actuarial computations which are obtained at least every two years. The current and past service benefits of these plans are fully funded in accordance with the most recent actuarial reports and the estimated requirements for minor modifications to the plans since the report dates.

10. Remuneration of directors and senior officers:

Aggregate direct remuneration paid during the year ended December 31, 1975 by the Company and its subsidiaries to its directors and senior officers amounted to $721,000 (1974 — $596,000).

11. Subsidiaries:

Subsidiaries of the Company at December 31, 1975 are as follows—

Active

Canex Placer Limited
Cuisson Lake Mines Ltd.
Fraser Lake Development Ltd.
Gibraltar Mines Limited
Placer Amex Inc.
Placer Development (South Africa) (Proprietary) Limited
Placer Exploration Limited
Placer Holdings Pty. Limited
Placer (P.N.G.) Pty. Limited*

Inactive

Amex Communications Inc.
Australus Mining Co. Pty. Limited
Beluga Coal Company
Canadian Exploration Limited
Canex Aerial Exploration Limited
Denak Mines Ltd.
Endako Mines Limited (In Voluntary Liquidation)
Fox Manufacturing Company (New Zealand) Limited*
Fox Manufacturing Company (South Africa) Pty. Limited*
Honduras Minera Placer S. de R.L.
Minera Placer Argentina (S.A.M.I.C.T.y F.)
Minera Placer S.A.
Placer Development (U.K.) Limited*
Placer Internationaal, B.V.
Placer Nominees Pty. Limited*
Placer-Sterling (Proprietary) Limited*

**Incorporated in 1975*

12. Price and income controls:

Effective October 14, 1975, the Company and its Canadian subsidiary and associated companies are subject to controls on profits, compensation and dividends under the provisions of the federal government's Anti-Inflation Act. It appears from a review of the profit controls contained in this Act, together with the proposed export levy, that the effects on the Company and its Canadian subsidiary and associated companies will not be significant near current price levels. Any dividends paid in 1976 however, will be restricted to a maximum of $1.20 per share.

Auditors' Report

To the Shareholders of Placer Development Limited:

We have examined the consolidated balance sheet of Placer Development Limited as at December 31, 1975 and 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. Our examinations of the consolidated financial statements of Placer Development Limited and those subsidiaries and associated companies of which we are the auditors were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We have relied on the reports of the auditors who have examined the financial statements of two associated companies.

In our opinion these consolidated financial statements present fairly the financial position of the Companies as at December 31, 1975 and 1974 and the results of their operations and the changes in their financial position for the years then ended, in accordance with generally accepted accounting principles consistently applied.

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 9, 1976

PRICE WATERHOUSE & CO.
Chartered Accountants

Supplementary Financial Information

INFLATION AND ITS EFFECTS ON FINANCIAL RESULTS

The effects of inflation are not adequately shown in conventional financial statements. Historical financial information is recorded using the purchasing power of the dollar which existed at the time of each transaction. In inflationary periods, more dollars are required to purchase a commodity. Consequently, current dollars have less value than historical dollars and this difference is not reflected in conventional financial statements.

Historical financial information can be translated to a common level of purchasing power (i.e. December 31, 1975 dollars) to illustrate the impact of inflation. While this procedure does not indicate the current value or replacement cost of assets and operating results, it does provide additional analysis of the annual results and the return on shareholders' equity.

In the following summary, adjustments to the conventional audited financial results have been made to reflect the changing purchasing power effects. In particular, the effects of:

(a) retaining "monetary" items (cash and receivables held over a period of time results in purchasing power losses, whereas retention of payables results in gains);

(b) charging "historical" depreciation and depletion dollars to current earnings.

Guidelines as suggested by The Canadian Institute of Chartered Accountants have been used, including the application of the Gross National Product Implicit Price Index (reflecting inflation rates of 9% for 1975 and 13% for 1974).

SUPPLEMENTARY FINANCIAL INFORMATION STATED IN UNITS OF CURRENT PURCHASING POWER (with comparative historical dollar amounts)

	Current Purchasing Power Dollars		Historical Dollars	
	1975	1974 (Updated to 1975 dollars)	1975	1974
		(in thousands)		
BALANCE SHEET INFORMATION				
Inventories	$ 27,235	$ 18,975	$ 27,133	$ 17,215
Working capital	59,666	64,476	59,564	59,224
Property, net	141,673	141,227	101,666	98,128
Total assets	312,129	314,357	253,420	241,341
Total shareholders' equity	253,414	261,739	201,117	199,004
EARNINGS STATEMENT INFORMATION				
Sales	$114,425	$110,490	$110,386	$ 96,900
Depreciation and depletion	12,810	11,683	9,307	8,272
Loss on holding monetary items	2,765	5,082	—	—
Earnings before extraordinary items	1,847	34,059	9,768	39,609
Net earnings	6,366	38,088	16,285	43,143
NET EARNINGS PER SHARE				
Earnings before extraordinary items	$0.15	$2.83	$0.81	$3.30
Net earnings	$0.53	3.17	1.35	3.59
RETURN ON SHAREHOLDERS' EQUITY	2%	15%	8%	23%

The above summary shows that 1975 earnings adjusted for the effects of inflation are only $6,366,000 (1974 — $38,088,000), compared to $16,285,000 (1974 — $43,143,000) reported on a historical basis. Similarily, the 1975 return on shareholders' equity is reduced to 2% (1974 — 15%) from 8% (1974 — 23%).

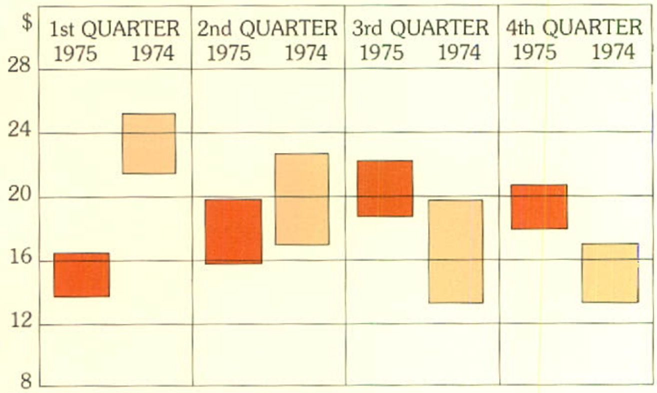
Dividends paid *(thousands of dollars)*

QUARTERS	1st	2nd	3rd	4th
1975 — $14,431	3,606	3,607	3,607	3,611
1974 — $14,423	3,606	3,606	3,606	3,606

Dividends paid per share

QUARTERS	1st	2nd	3rd	4th
1975 — $1.20	.30	.30	.30	.30
1974 — $1.20	.30	.30	.30	.30

Share price range *(Toronto Stock Exchange)*



Composition of net earnings per share before extraordinary items

OPERATION	GIBRALTAR	CANEX PLACER	CRAIGMONT	MATTAGAMI	MARCOPPER	CORTEZ	PLACER EXPLORATION	OTHER*	TOTAL
1975	$(0.02)	$0.37	$0.13	$0.52	$0.15	$0.10	$0.09	$(0.53)	$0.81
1974	$1.02	$0.30	$0.27	$0.89	$1.09	$0.25	$(0.06)	$(0.46)	$3.30

**Primarily represents foreign exploration expense*

Operating review 1975 - 1973

1975 — The earnings' decrease before extraordinary items was primarily due to the significant decline in the copper price prevailing throughout 1975. Consequently, Placer's earnings from Gibraltar declined by $12,700,000 and its share of earnings from Marcopper and Mattagami declined by $15,800,000. The gain on the sale of Placer Prospecting (Australia) Pty. Limited resulted in the higher extraordinary earnings. Revenues and expenses for 1975 are not truly comparable to those of 1974 due to the consolidation of Placer Exploration Limited in 1975 which contributed $33,272,000 to sales, $25,786,000 to cost of sales and $1,077,000 to earnings before extraordinary items.

1974 — Declining copper prices in the second half of 1974, along with lower shipments of concentrate by Gibraltar reduced sales revenues. Increased interest and other income in both 1974 and 1973 resulted from higher cash balances invested at higher interest rates. The British Columbia Mineral Royalties Act was passed in 1974 creating a new royalty expense of $1,825,000. Exploration activity increased, resulting in increased exploration expense which included approximately $2,000,000 spent to acquire a prospect in New Brunswick, Canada. Depreciation and depletion decreased following completion of mining at Canex Placer's tungsten operation in 1973. With the completion of the repayment of the Gibraltar development bank loan in December 1973, interest expenses ceased. An increase of $5,300,000 in the equity in earnings of Marcopper resulted from mining higher grade ore. Extraordinary items included $2,048,000 representing an income tax reduction arising from the application of prior years' exploration and other costs and the receipt of the final payment of $1,486,000 on the sale of Marcopper option rights.

1973 — Record high levels for the price of copper, Gibraltar's first full year of production, as well as increased earnings of associated companies, primarily due to increased metal prices, resulted in higher net earnings in 1973. Mining taxes of $7,800,000 paid by Gibraltar on its increased earnings created higher income and mining taxes. The sales of Commonwealth-New Guinea Timbers Ltd., Marcopper option rights and the rights to acquire shares of Afton Mines Ltd., resulted in higher extraordinary items.

Placer Development Limited

Placer Group Interests

CANADA

Canex Placer Limited
  Exploration Division
  Endako Mines Division
Craigmont Mines Limited
Gibraltar Mines Limited

Mattagami Lake Mines Limited (N.P.L.)
  Mattabi Mines Ltd.
  Canadian Electrolytic Zinc Ltd.

U.S.A.

Placer Amex Inc.
  Cortez Gold Mines
  McDermitt Mine

AUSTRALIA

Placer Exploration Limited
  Fox Manufacturing Company
  Molybond Laboratories
  Associated Plywoods Sales
  Northern Cattle Company Pty. Limited

PHILIPPINES

Marcopper Mining Corporation

MEXICO

Explomin, S.A. de C.V.

SOUTH AFRICA

Placer Development (South Africa)
  (Proprietary) Limited

Offices

Head Office:
700 Burrard Building, Vancouver, B.C.,
Canada V6E 3A8

Sydney Office:
Gold Fields House, Sydney 2001, N.S.W., Australia

Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held on Wednesday, May 5, 1976 at 12:00 Noon in the British Room of the Hotel Vancouver, Vancouver, British Columbia, Canada.

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

Professional Share Registries
  (N.S.W.) Pty. Limited, Sydney, Australia

Registrar and Transfer Company,
  Jersey City, N.J., U.S.A.

Valuation Day Price

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).

Ten Year Summary

(in thousands, except number of shareholders and employees)

Financial data	1975	1974	1973
Revenues:			
Sales	$110,386	96,900	130,968
Interest and other income	5,801	8,661	5,961
	116,187	105,561	136,929
Expenses:			
Cost of sales	78,460	52,809	49,015
Depreciation and depletion	9,307	8,272	9,994
Selling, general and administrative	9,419	4,833	5,492
Exploration	10,077	10,780	5,956
Interest	—	—	3,400
	107,263	76,694	73,857
	8,924	28,867	63,072
Provincial mineral royalties	3,566	1,825	—
Income and mining taxes	6,486	12,108	10,110
	10,052	13,933	10,110
Earnings before the following	(1,128)	14,934	52,962
Equity in earnings of associated companies	10,785	29,634	21,415
Minority interests in losses (earnings) of subsidiaries	111	(4,959)	(15,307)
	10,896	24,675	6,108
Earnings before extraordinary items	9,768	39,609	59,070
Extraordinary items	6,517	3,534	12,742
Net earnings	$ 16,285	43,143	71,812
Return on shareholders' equity (5 year average) — %	21.2	23.9	22.2
Above return adjusted to reflect the current purchasing power of the Canadian dollar — %	14.6	16.9	16.0
Operating data			
Tons ore milled — Gibraltar	11,451	13,397	15,082
— Endako	9,418	7,508	8,446
	20,869	20,905	23,528
Copper produced (lbs. contained)			
Gibraltar	83,559	90,247	121,801
Placer's share of:			
Marcopper — 40%	30,645	41,321	36,666
Mattagami — 27%	7,940	8,220	8,140
Craigmont — 45%	24,315	22,466	16,699
	146,459	162,254	183,306
Molybdenum produced (lbs. contained)	15,100	12,050	11,878
Other data			
Working capital	$ 59,564	59,224	49,098
Working capital ratio	3.5:1	5.9:1	4.4:1
Total assets	$253,420	241,341	208,109
Property additions	$ 8,903	13,694	7,367
Average shares outstanding**	12,025	12,019	12,015
Number of shareholders	5,574	5,778	5,720
Geographical distribution of ownership — %			
— Canada	75.8	74.3	73.3
— Australia	11.8	11.3	12.6
— U.S. & Other	12.4	14.4	14.1
	100.0	100.0	100.0
Number of employees	2,794	2,813	2,326
Per common share**			
Earnings before extraordinary items	$ 0.81	3.30	4.92
Net earnings	$ 1.35	3.59	5.98
Dividends paid	$ 1.20	1.20	1.20
Price range on Toronto Stock Exchange — High	$ 22¼	25⅛	32
— Low	$ 13¾	13¼	20⅝

**Annual rates only.*

***Adjusted to reflect two-for-one stock split in May, 1973.*

1972	1971	1970	1969	1968	1967	8 Months to December 31, 1966
56,062	23,112	33,362	40,427	33,812	39,518	25,212
2,829	2,474	3,084	1,810	1,219	2,212	110
58,891	25,586	36,446	42,237	35,031	41,730	25,322
28,825	11,470	14,161	17,906	18,545	20,935	12,070
8,625	4,423	3,975	3,582	4,275	4,599	2,769
4,252	2,346	2,918	2,677	2,445	3,391	2,150
6,233	4,377	5,539	6,290	5,268	5,131	2,285
3,235	104	199	261	249	424	385
51,170	22,720	26,792	30,716	30,782	34,480	19,659
7,721	2,866	9,654	11,521	4,249	7,250	5,663
—	—	—	—	—	—	—
1,608	2,850	7,088	5,332	434	543	73
1,608	2,850	7,088	5,332	434	543	73
6,113	16	2,566	6,189	3,815	6,707	5,590
9.057	7,079	9,196	5,565	3,597	6,808	7,050
(2,623)	—	—	—	—	—	—
6,434	7,079	9,196	5,565	3,597	6,808	7,050
12,547	7,095	11,762	11,754	7,412	13,515	12,640
4,102	—	—	—	1,059	(321)	—
16,649	7,095	11,762	11,754	8,471	13,194	12,640
11.6	11.5	13.6	14.5	9.8*	16.6*	18.1*
8.3	8.2	9.8	10.5	5.6*	11.7*	14.1*
11,243	—	—	—	—	—	—
6,382	9,051	10,118	9,628	6,597	6,778	3,913
17,625	9,051	10,118	9,628	6,597	6,778	3,913
82,049	—	—	—	—	—	—
39,110	38,609	30,232	6,251	—	—	—
4,356	3,484	3,407	3,496	3,070	3,270	2,226
21,858	17,835	15,213	15,396	14,764	24,583	20,273
147,373	59,928	48,852	25,143	17,834	27,853	22,499
9,237	14,388	18,240	18,805	12,082	14,288	8,992
27,043	17,209	17,318	24,078	20,253	14,987	9,196
2.4:1	2.2:1	4.6:1	4.3:1	6.8:1	2.1:1	1.8:1
186,784	166,310	110,247	105,166	95,104	98,875	87,313
19,009	51,806	14,106	3,996	2,746	8,566	6,996
11,963	11,960	11,960	11,873	11,868	11,827	11,805
5,170	5,800	6,500	4,910	5,280	5,510	5,800
70.0	66.0	61.8	61.2	57.6	56.7	56.2
13.3	13.6	15.7	16.4	18.3	18.5	18.7
16.7	20.4	22.5	22.4	24.1	24.8	25.1
100.0	100.0	100.0	100.0	100.0	100.0	100.0
2,434	2,138	2,149	2,129	2,091	2,267	2,054
1.05	0.59	0.98	0.99	0.62	1.14	1.07
1.39	0.59	0.98	0.99	0.71	1.12	1.07
0.47	0.46	0.68	0.59	0.36	0.36	0.27
23	19⅜	24⅜	23⅝	17½	18¾	14⅞
12⅜	8⅞	14½	16	12	14½	11¼

50 1926-1976 **Placer Development Limited**

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