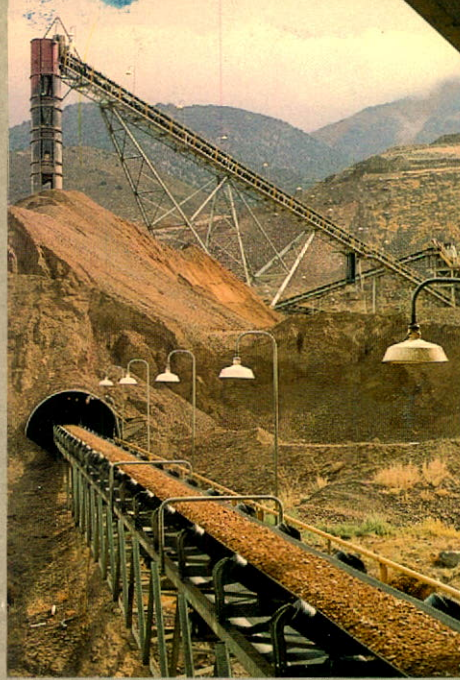


# Placer Development Limited

## Annual Report 1981





**Cover:** From top right, clockwise: Shift boss, Bob Ross, checks readings on process control panel at Equity; the Gibraltar concentrator, with grinding mills in background and flotation cells in foreground; checking blueprints during construction of the Equity leach plant are Brian Blair, Chemical Engineering student, Tony Robles,

Chemical Engineer and Dave Haer, Leach Plant Technician; copper ore is loaded for transport to the primary crusher at Gibraltar; Marjorie Hogg packs Endako's briquettes of molybdic oxide for shipment; gold ore is conveyed to the Cortez mill from the coarse ore pile.

**Above:** Robert Nielson, a welder/pipefitter, fabricates piping in the leach plant at Equity.

## The Company

Placer is a Canadian Company, amalgamated in the Province of British Columbia, whose business is primarily mineral exploration, development and production. Canadian residents hold 79% of the issued shares, 9% are held in the United States, 10% are held in Australia and 2% are held in other countries.

## Contents

Corporate Information . . . . .	1 and 40
Comparative Highlights . . . . .	1
Directors' Report to Shareholders . . . . .	2
Mining Operations . . . . .	6
Oil and Gas . . . . .	11
Other Business . . . . .	15
Markets . . . . .	17
Exploration . . . . .	19
Management's Discussion . . . . .	20
Financial Statements . . . . .	24
Notes to Financial Statements . . . . .	28
Auditors' Report . . . . .	37
Management Report . . . . .	38
Quarterly Financial Data . . . . .	38
Five-Year Summary . . . . .	39

## Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held on Tuesday, May 4, 1982 at Noon in the Commonwealth Ballroom West, Holiday Inn, 1133 West Hastings Street, Vancouver, British Columbia

## 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 \$4.25 per share (adjusted from \$25.50 following the share splits in 1973 and 1980).

## Comparative Highlights

	1981	1980
<b>Operating Summary</b>		
Revenues . . . . .	\$283,158,000	\$277,493,000
Equity in earnings of associated companies . . . . .	34,202,000	33,302,000
Earnings before extraordinary items	48,924,000	81,286,000
Net earnings . . . . .	48,924,000	89,354,000
Cash flow from operations and associated companies . . . . .	94,347,000	130,381,000
Exploration expense . . . . .	28,120,000	24,155,000
<b>Financial Status</b>		
Working capital . . . . .	\$ 93,089,000	\$ 61,884,000
Property, plant and equipment additions . . . . .	77,443,000	116,824,000
Total assets . . . . .	818,086,000	699,901,000
Long-term liabilities . . . . .	207,110,000	157,692,000
Shareholders' equity . . . . .	430,072,000	391,924,000
Return on average shareholders' equity . . . . .	11.9%	25.2%
<b>Per Common Share</b>		
Earnings before extraordinary items . . . . .	\$1.37	\$2.29
Net earnings . . . . .	1.37	2.52
Dividends paid . . . . .	0.45	0.60
Book value . . . . .	11.95	11.02
Price on the Toronto Stock Exchange		
— High . . . . .	26.75	32.50
— Low . . . . .	14.00	13.75
<b>Statistical Data</b>		
Number of shareholders . . . . .	6,844	5,996
Number of employees . . . . .	2,651	2,961

## Metrication

The Canadian mining industry converted to the International System of Metric Units or "S.I." in 1980. The figures in this report are primarily in metric units and a conversion table has been included below for reference.

Metric unit	Symbol	Imperial unit	Other unit
tonne	t	2,204.6 pounds	
kilogram	kg	2.2046 pounds	.029 flasks
gram	g	.03215 troy ounces	
cubic metre	m <sup>3</sup>	35.315 cubic ft.	6.2929 barrels
metre	m	3.281 feet	
kilometre	km	.6214 miles	
hectare	ha	2.471 acres	

Note: 10<sup>3</sup>m<sup>3</sup> means, one thousand cubic metres.

## Photos in this report

*Mining, like any modern industry, requires both human skills and sophisticated equipment to recover minerals for world markets. The cover on our Annual Report was designed to emphasize these two elements of our industry. Supporting the cover design, photos throughout the report show that human skills are the common denominator between such varied activities as mineral exploration, development, production and marketing, while highly specialized machinery and equipment help to maximize these skills.*

# Directors' Report to the Shareholders

As 1981 began, there was promise of an early end to the recession which had generated weak markets and high interest rates. In fact the recession deepened and our earnings, already expected to be below those of 1980, were forced lower by severely depressed metal prices and reduced demand for molybdenum.

Our consolidated net earnings for the year ended December 31, 1981 were \$48,924,000 or \$1.37 per share. A substantial portion of 1981 earnings represents our share of non-operating gains of \$27,600,000 from Zinor's sale of Noranda shares and Noranda's sale of treasury shares to Brascade Resources Inc., and from Noranda's unusual net gain on the sale and write-down of investments.

In 1980 our consolidated net earnings were \$89,354,000 or \$2.52 per share including an extraordinary gain of \$8,068,000 from the sale of our interest in Northern Cattle Company. The lower earnings in 1981 were mainly attributable to depressed metal prices, reduced sales of molybdenum and increased expenses. All three of our primary products, molybdenum, copper and silver, experienced significant price declines in 1981.

The soft molybdenum market caused reductions in the price of Endako's molybdenum in oxide form from a high of U.S. \$25.50 per kilogram in 1980 to the current price of U.S. \$15.21 and an increase in inventories. Production of molybdenum in 1981 was reduced from an annual rate of 6,800,000 kilograms to 5,300,000. With an inventory of 5,100,000 kilograms at year-end, production in 1982 will be further reduced to an estimated 2,000,000 kilograms. This will be accomplished by a summer shutdown of approximately three months duration at the Endako mine and by reducing mill throughput during the rest of the year.

The price of copper weakened during the year, averaging only U.S. \$1.74 per kilogram on the London



*C. Allen Born  
President and Chief Executive Officer*

Metal Exchange compared to U.S. \$2.18 in 1980. No difficulty is being experienced in selling all the copper concentrate produced, but low copper prices caused Gibraltar and Marcopper to suffer nominal losses on their operations while Craigmont, whose operations will cease in November, 1982 had a small profit. The market for silver remained reasonably stable although the price declined through the year. Equity Silver recorded a profit in its first full year of operation.

Expenses in 1981 were higher due principally to the inclusion of Equity Silver and to mining of the deeper ore from Stage II of the Gibraltar East pit.

Included in our 1981 earnings are unusual gains related to Zinor and Fox Manufacturing. In October, Brascade Resources acquired a 37% interest in Noranda through the purchase of treasury shares and a public offer. Zinor, a holding company, 36.3% owned by Placer, sold 3,485,432 of its Noranda

shares under the public offer for which it received \$34,854,000 and 2,614,073 convertible preferred shares of Brascade Resources. These transactions, which reduced Zinor's interest in Noranda from 21.4% to 16.5%, resulted in gains of \$22,600,000 to Placer. Dividends totalling \$10,453,000 (1980 — \$10,453,000) were received from Zinor.

In Australia, the assets of Fox Manufacturing Company are being sold over a period of three years for approximately \$27,500,000. The sale of the first one-third interest in 1981 provided a net gain of \$3,648,000.

The lower earnings have occurred at a time when the Company is engaged in the development of several new mines and its inventory of molybdenum is high. These factors have placed pressure on our cash position. These projects and our continuing aggressive exploration programme are being financed by bank borrowings which increased from \$160,115,000 to \$230,758,000 at year-end. Increased cash demands have caused us to lower the dividend. Four dividends were declared during the year: the first two were \$0.15 per share and the remaining two, \$0.075 per share for a total of \$0.45 per share (1980 — \$0.60). The dividend to be paid on March 29, 1982 will be \$0.05 per share.

## Capital Projects

Work continued on the Equity Silver leach plant and in the fourth quarter some test quantities of leached concentrate were produced. The testing period of this plant has been prolonged due to its complexity and commercial production of a leached product is not expected until the second quarter of 1982. In the meantime, the sale of unleached concentrate is continuing. Equity Silver's total capital cost of \$144,000,000 was higher than the \$129,000,000 projected a year ago. The major portion of the increase is attributable to the complex design of the leach plant and to inflation.

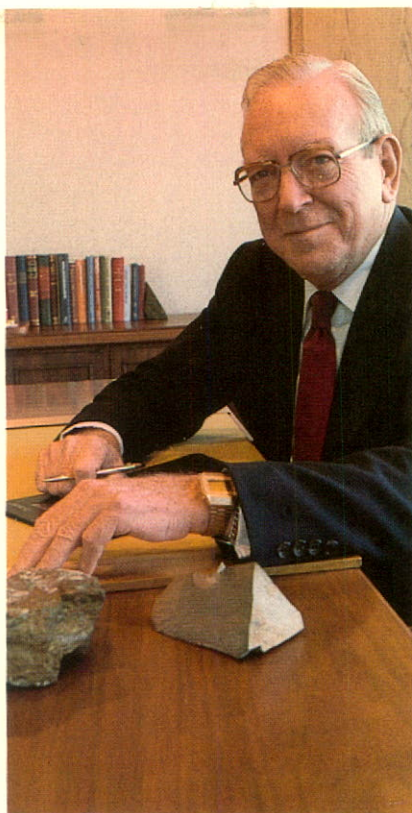
Minera Real de Angeles, a silver/lead/zinc mine in the State of Zacatecas, Mexico, is expected to commence production by mid-1982. Placer holds a 34% interest in this open pit mine whose estimated annual production of over 218,000,000 grams (7,000,000 troy ounces) of silver will qualify it as one of the world's largest producers. Inflation has increased its projected development cost of U.S. \$150,000,000 to approximately U.S. \$170,000,000. A U.S. \$110,000,000 loan from a member of the World Bank and a U.S. \$12,750,000 loan from the Export-Import Bank of the United States will finance the major portion of this project. The balance is being provided pro-rata by Placer and its partners, the Mexican Government, through the Comision de Fomento Minero, and Frisco S.A. de C.V., a major Mexican mining company.

In the United States, Placer Amex has commenced development of the wholly owned Golden Sunlight gold mine near Butte, Montana. Road building and site preparation were underway in the latter part of 1981. The development cost is estimated to be U.S. \$88,000,000 and production is scheduled for mid-1983. The estimated annual production of gold will average 2,250,000 grams (72,300 troy ounces).

At Marcopper, grinding capacity was expanded at a cost of \$12,000,000 to off-set lower ore grade and harder ore. Dredging of the overburden on the San Antonio ore zone continued through the year.

### Exploration

The cost of our exploration for non-ferrous and precious metals and hydrocarbons in 1981 was above the 1980 level at \$28,120,000 (1980 — \$24,155,000). The continuing high expenditure in this area is considered essential for the growth of the Company. Our exploration programme has contributed to the development of Equity Silver, Real



*Thomas H. McClelland  
Chairman of the Board*

de Angeles and Golden Sunlight in the three-year period 1979-81.

Two properties remain in the advanced exploration category. Kidston, a gold prospect in Queensland, Australia requires a satisfactory sale of a 45% interest to Australians to comply with government guidelines before a development decision can be made. Adanac, a molybdenum property in northwestern British Columbia, requires more favourable market forecasts for molybdenum before development can be considered.

The effects of the National Energy Programme, and the Federal/Provincial Oil Agreement, have forced Placer CEGO to revise its objectives. As a result, the bulk of our oil and gas exploration, the budget for which will be increased in 1982, will be concentrated in the United States where better hydrocarbon markets and higher product prices are available. Placer CEGO has arranged a \$50,000,000 bank

loan to finance this development programme over the next five years.

### Directors and Officers

C. Allen Born was appointed a Director and President and Chief Executive Officer in July, 1981. Mr. Born was formerly President of AMAX of Canada Limited and brings to Placer the experience of 23 years in the North American mining industry. He succeeds Mr. R.G. Duthie who retired following 27 years with the Company. Mr. Duthie's contributions to the development of a number of Placer's mines and his leadership as President and Chief Executive Officer were invaluable to the Company and are gratefully acknowledged by the Board.

William James will not be standing for re-election as a Director. Mr. James, a Director since 1974, has given the Company the benefit of his considerable experience in the mining industry, for which the Board expresses its sincere appreciation.

In February, 1982 the number of Directors was increased by the appointment of two additional Directors: Thomas A. Buell of Vancouver, Chairman, President and Chief Executive Officer of Weldwood of Canada Limited and Bartholomew C. Ryan of Sydney, Australia, a Non-Executive Director of Renison Goldfields Consolidated Limited.

### Personnel

At December 31, 1981 Placer and its subsidiary and associate companies employed a total of 2,651 persons. This total includes 891 who are directly employed by Placer at an annual wage and benefit cost of \$33,720,000 (1980 — 890, \$24,850,000). In view of the Company's reduced earnings and cash position, stringent measures to reduce expenses have been implemented. In addition to the summer shutdown at Endako, salary review dates of staff employees at head office have been deferred for six months and limits have been placed on hiring.

## Director's Report to the Shareholders

The labour agreements at Endako and Gibraltar expire on September 30, 1982 and at Craigmont a new agreement, which will extend to the end of operations, became effective on January 30, 1982.

### Outlook

The current recession has been more severe and of longer duration than had been expected. There are, however, some indications that a general economic recovery could commence in the second half of 1982 to be followed by an improvement in demand for most metals in 1983.

The price of silver should be favourably influenced by an

economic recovery and the Company will benefit through its interest in Equity Silver and Minera Real de Angeles. Copper should also react swiftly although molybdenum, with high inventories, will require a more extended period to achieve market balance and improved prices. Recovery in the price of gold is also expected, in which case, start-up of the Golden Sunlight mine in mid-1983 could be well-timed to benefit from a rising market.

The severe downturn in our markets will require some difficult, but necessary, decisions if no improvement is apparent during 1982.

However, the expectation of an improving economy and the completion of two mines in 1982 and 1983 gives us reason to be optimistic about Placer's future.



T.H. McClelland, Chairman



C. Allen Born, President and Chief Executive Officer

Vancouver, B.C.  
March 10, 1982

### Composition of Net Earnings Per Share

	Endako	Equity*	Gibraltar	Zinor/ Noranda	Marcopper	Placer CEGO	Craigmont	McDermitt	Other**	Extra- ordinary items	Total
1981—\$	.61	.08	—	1.04	(.05)	.05	.01	.10	(.47)	—	1.37
1980—\$	1.17	(.21)	.48	.87	.13	.14	.08	.10	(.47)	.23	2.52

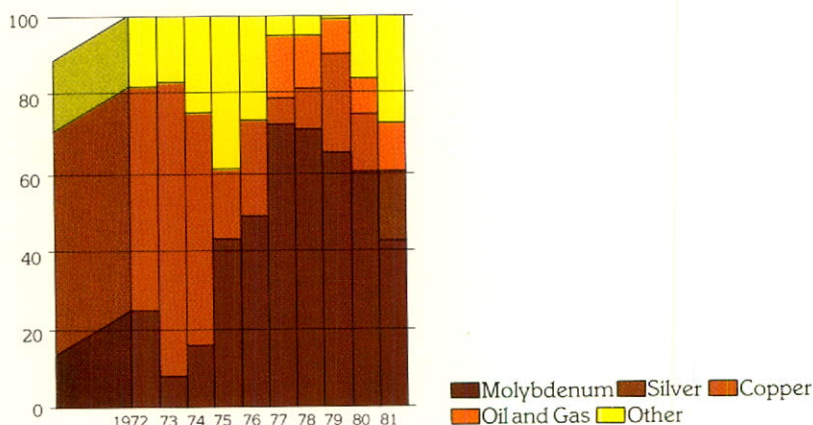
\*For common shareholders after requirements for preferred share dividends.

\*\*Primarily represents other minor operations, exploration, interest and other corporate expenses.

### Return on Shareholders' Equity — %

1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
11.9	25.0	40.8	8.9	10.0	8.7	8.1	23.4	50.9	15.6

### Contribution to Earnings by Product — %





Demetrio Borja works with computer simulation of a grinding circuit at Marcopper.

# Mining Operations

## General

Recessionary conditions significantly reduced the price of most metals produced by Placer group mines in 1981. In addition, demand for molybdenum declined sharply.

## CANADA

### Endako Mines Division

(100% interest)

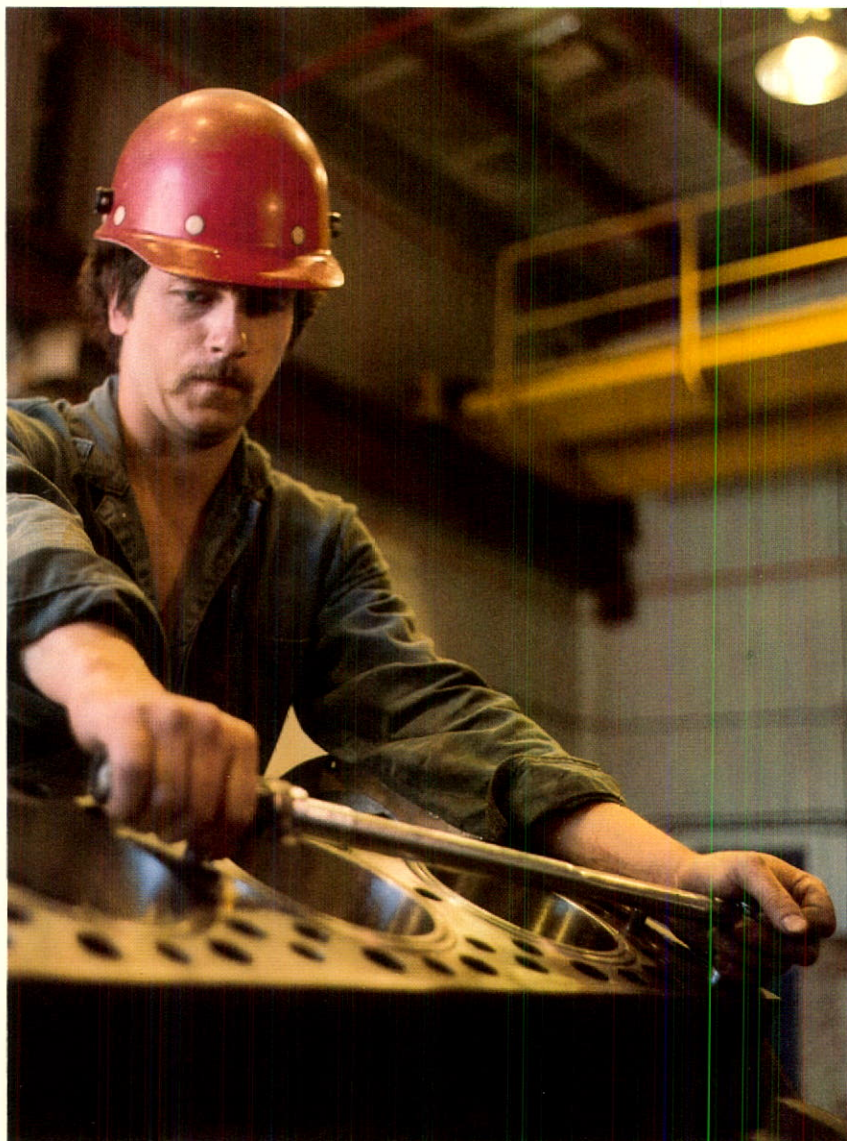
The deteriorating market and a growing inventory of molybdenum caused the Company to introduce measures during 1981 to reduce costs and inventory growth. Mining in the Denak pit was suspended and ore substituted from the South Wall low grade stockpiles. As a result, molybdenum production was reduced, total operating costs decreased, and some capital expenditures were deferred. Unit costs, however, continued to increase because of the lower production and in March, 1982 the Company announced that Endako would shut down its operations for at least 13 weeks, from June 5 to September 6, 1982. The workforce was reduced by 50 and mill throughput was again lowered. Production in 1982 will amount to approximately 2,000,000 kg of contained molybdenum.

The roaster expansion was completed in May and throughput in 1981, including toll roasting for a number of British Columbia mines, was higher than anticipated at 7,700,000 kg. The Ultrapure plant is producing a high-purity, lubricant quality molybdenum disulphide and the product is rapidly gaining market recognition.

Diamond drilling to define deep ore in the South Wall zone was completed and a programme of regional exploration continues. Ore reserve estimates have been decreased to reflect the elimination of certain mineralized zones which are uneconomic to mine at current prices.

Employee relations were satisfactory during the year and turnover was the lowest ever. The current collective agreement extends to September 30, 1982.

Endako	Years ended December 31	
	1981	1980
<b>FINANCIAL</b>		
Revenues .....	\$ 82,328,000	\$136,044,000
Net earnings .....	\$ 21,685,000	\$ 41,501,000
<b>OPERATIONS</b>		
Ore milled — t .....	10,492,000	11,103,000
Daily average — t.....	28,900	30,600
Grade — % molybdenum.....	.066	.085
Recovery of molybdenum — %.....	76.9	77.7
Molybdenum in concentrate		
produced — kg.....	5,338,000	7,294,000
shipped — kg .....	3,420,000	4,652,000
Inventory at year-end — kg .....	5,143,000	3,233,000
Ore reserves — t .....	230,000,000	254,000,000
Grade — % molybdenum.....	.081	.082



Tom Forrest, a heavy duty mechanic, rebuilds an engine in the shop at Endako.



## Gibraltar Mines Limited

(71.9% interest)

Depressed prices for copper and molybdenum and reduced molybdenum sales caused a nominal loss in 1981. Copper production and sales increased over the previous year. Operating costs rose as a result of deeper mining in the East pit and inflationary pressure.

Cost-efficient operation of the mine has enabled the company to minimize its loss. Economies which can be implemented without impairing the mine's ability to supply future markets, have been initiated.

Ore was mined primarily from the East pit in 1981 and stripping of the Pollyanna pit was started in preparation for Stage II mining in 1984. The concentrator operated at full capacity and measures were introduced to improve mineral recovery.

Exploration, both on and off the property, continued through 1981 and estimates of ore reserves in the Pollyanna zone increased as a result. Some claims have been staked in the general area of the mine for further evaluation in 1982.

Labour relations were satisfactory with employees participating in training, communications and social programmes. The collective agreement will expire on September 30, 1982.

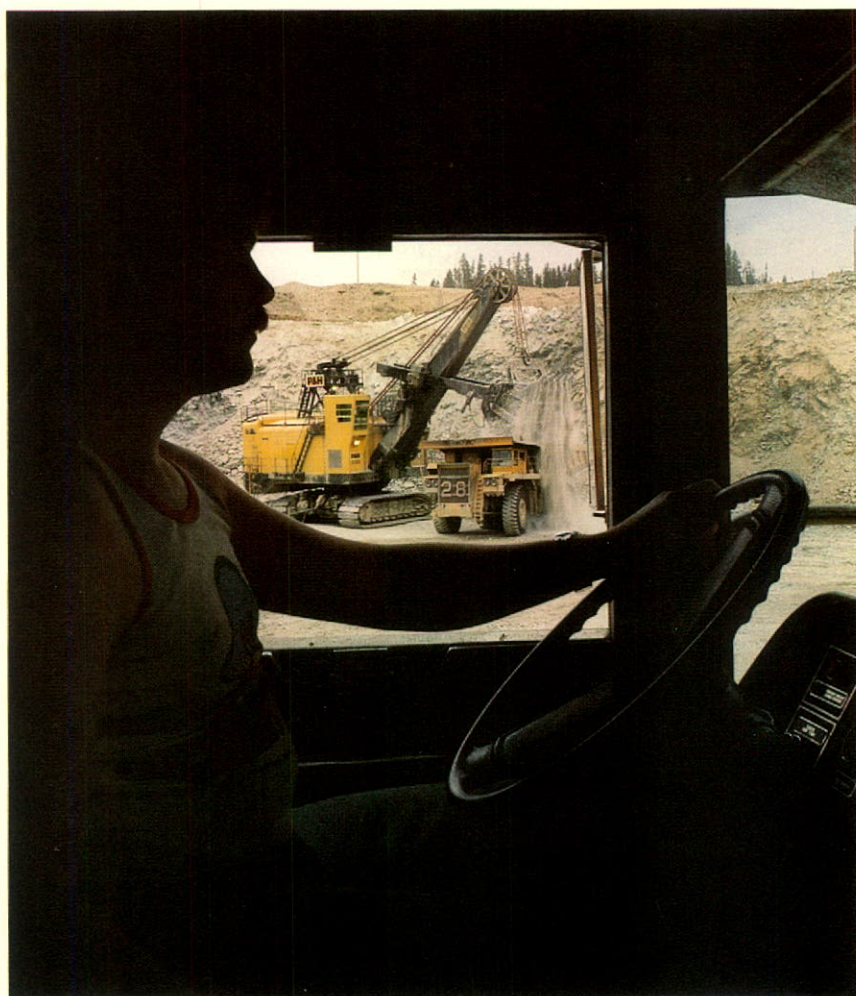
## Equity Silver Mines Limited

(70% interest)

Operations were profitable in Equity's first full year of production, despite lower metal prices.

The mining rate in the Southern Tail pit was increased from 18,800 to 26,200 tonnes per day with the addition of a third shift. Preparations were made to begin removing overburden on the Main orebody and bulk sampling was carried out for further metallurgical tests.

The concentrator is operating routinely and a new on-stream analyser, which continuously



*Silhouette of driver in cab frames the basic mining activity at Gibraltar. As driver waits turn beside shovel, close to one hundred tonnes of ore are loaded into a similar unit.*

Gibraltar	Years ended December 31	
	1981	1980
<b>FINANCIAL</b>		
Revenues .....	\$80,211,000	\$93,507,000
Net earnings (loss) .....	\$ (96,000)	\$23,703,000
Dividends paid .....	—	\$29,670,000
<b>OPERATIONS</b>		
Ore milled — t .....	13,258,000	12,644,000
Daily average — t .....	36,700	34,900
Grade — % copper .....	.38	.38
Recovery of copper — % .....	82.04	77.18
Concentrate produced — t .....	155,200	135,200
Copper in concentrate — kg .....	40,909,000	37,367,000
Molybdenum in		
concentrate — kg .....	900,400	780,300
Copper concentrate		
shipped — t .....	167,100	119,700
Inventory at year-end — t .....	18,200	29,300
Ore reserves — t .....	234,000,000	231,000,000
Grade — % copper .....	.35	.35
— % molybdenum .....	.009	.008

## Mining Operations

monitors the slurry, will assist in improving mineral recovery.

Construction of the leach plant was completed during the year. Some problems were identified during testing of the plant and as a result, leaching of concentrate on a trial basis did not commence until the fourth quarter. Operation of the leach plant at commercial capacity is expected in the second quarter of 1982. Sales of concentrate in unleached form are continuing in the meantime.

Employee relations were satisfactory and extensive training of staff was carried out during the year with emphasis on leach plant personnel. Most of the 84 houses built for employees were sold by year-end.

### Craigmont Mines Limited

(44.6% interest)

The mine's operations continued to be profitable in 1981. Surface stockpiles of copper ore were processed by March, 1981 and mill capacity was maintained by simultaneously processing copper ore from underground and coarse iron from stockpiles. In March, 1982 with the underground reserves exhausted, the mill was converted to the exclusive treatment of coarse iron into media grade iron concentrate. This material will be completely processed by November, 1982.

The exploration programme will be terminated in 1982 unless a mineable ore deposit is found. In the event that no viable property is found, the Directors will recommend to the shareholders that the company be wound-up following the cessation of operations in November, 1982. Following this, the assets will be sold and the proceeds distributed to shareholders.

### Equity Silver

	Year ended December 31 1981
<b>FINANCIAL</b>	
Revenues .....	\$59,830,000
Net earnings .....	\$ 9,945,000
Required for preferred share dividends .....	\$ 5,661,000
Earnings for common shareholders .....	\$ 4,284,000
<b>OPERATIONS</b>	
Ore milled — t .....	1,910,000
Daily average — t .....	5,200
Concentrate produced — t .....	35,200
Silver in concentrate — g. ....	228,000,000
Gold in concentrate — g .....	643,000
Copper in concentrate — kg. ....	5,700,000
Concentrate sold — t .....	26,700
Inventory at year-end — t .....	17,100
Ore reserves — t .....	26,000,000
Grade — g/t silver .....	102.9
— g/t gold .....	.96
— % copper .....	.39

*Production of unleached concentrate commenced October 1, 1980.*



*Ore for the Equity mill is loaded, while drill prepares another bench for production blast.*

### Craigmont

	Years ended October 31	
	1981	1980
<b>FINANCIAL</b>		
Revenues .....	\$13,971,000	\$27,815,000
Net earnings .....	\$ 1,037,000	\$ 7,078,000*
Dividends paid .....	\$ 7,108,000	\$10,155,000
<b>OPERATIONS</b>		
Copper ore milled — t .....	1,393,000	1,951,000
Grade — % copper .....	.70	.64
Copper concentrate produced — t. ....	32,500	40,200
Copper in concentrate — kg. ....	9,048,000	11,211,000
Iron concentrate produced — t .....	120,900	37,500

*\*Includes an extraordinary gain of \$1,558,000 from the sale of Placer Development Limited shares.*

## UNITED STATES

### Placer Coal Inc.

(100% interest)

The high-sulphur coal market remained soft during most of the year and the sales price under the existing contract proved inadequate to accommodate increased mining costs. As a result, the contract was terminated and alternate coal leases were sought. Permits for mining on one of these had been arranged by year-end. Negotiations for an improved price with a new buyer were also in progress.

### McDermitt Mine

(51% interest)

Demand for the mine's mercury output was steady and earnings continued at a satisfactory level in 1981. Overburden removal continued on schedule through the addition of an extra shift.

### Cortez Gold Mines

(30.8% interest)

Heap leaching and mill operations continued simultaneously during the year. Ore reserves include 3,120,000 t from the Horse Canyon ore deposit, some 23 km from the mill. A feasibility study for placing this new deposit into production was completed in February, 1982 and a decision is dependent upon an improvement in the price of gold.

#### Placer Coal Inc.

Years ended December 31  
1981                      1980

##### FINANCIAL

Revenues .....	\$4,723,000	\$5,262,000
Loss .....	\$3,307,000	\$1,338,000

##### OPERATIONS

Coal mined — t .....	148,000	182,000
Coal reserves — t .....	202,000	363,000

#### McDermitt

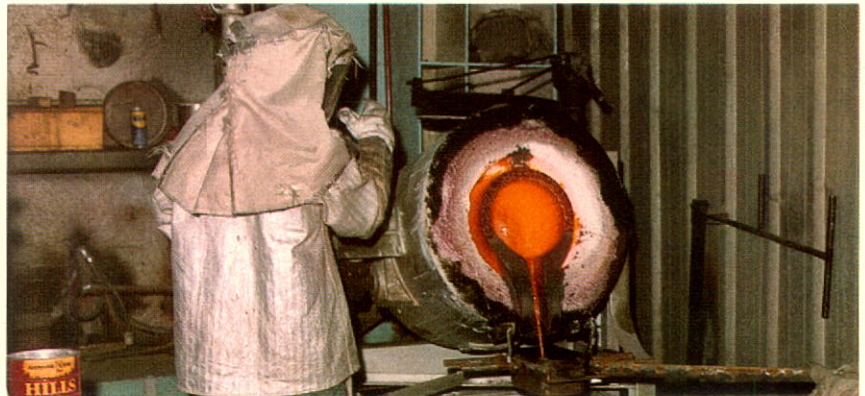
Years ended December 31  
1981                      1980

##### FINANCIAL

Company's share of earnings before taxes .....	\$3,481,000	\$3,559,000
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##### OPERATIONS

Ore milled — t .....	237,400	321,400
Grade — kg/t .....	4.51	4.34
Recovery of mercury — % .....	86.2	81.7
Mercury produced — kg .....	958,500	1,047,900
Mercury shipped — kg .....	948,500	981,500
Ore reserves — t .....	1,410,000	1,648,000
Grade — kg/t .....	5.15	5.00



Bob Woodworth pours a gold button at Cortez.

#### Cortez Gold Mines

Years ended December 31  
1981                      1980

##### FINANCIAL

Company's share of earnings before taxes .....	\$ 972,000	\$ 623,000
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##### OPERATIONS

Ore treated — t .....	1,224,000	575,000
Grade — g/t .....	.84	.93
Gold produced — g .....	665,000	236,100
Ore reserves — t .....	4,473,000	
Grade — g/t .....	1.59	

## PHILIPPINES

### Marcopper

(39.9% interest)

Declining metal prices and higher costs resulted in Marcopper's first loss. Mill throughput was higher than in any previous year, although copper production increased only slightly over 1980 because of a lower ore grade. Improvements to the concentrator and power plant were completed during the year and will increase mill throughput.

The company is studying the feasibility of applying new government tax incentives to development of the San Antonio ore zone, where production is scheduled to commence in 1984.

Exploration throughout the Philippines did not identify commercial ore deposits.

Fishing and canning operations of Mar Fishing (51% -owned by Marcopper) incurred a loss for the year. Efforts are being made to obtain higher product prices and reduce unit operating costs. The fleet of purse seiners is being expanded.

Marcopper	Years ended December 31	
	1981	1980
<b>FINANCIAL</b>		
Revenues .....	\$77,556,000	\$92,117,000
Net earnings (loss) .....	\$ (5,619,000)	\$13,673,000
Dividends paid .....	\$ —	\$24,132,000
<b>OPERATIONS</b>		
Ore milled — t .....	9,753,000	8,840,000
Daily average — t .....	26,700	24,200
Grade — % copper .....	.44	.45
Recovery of copper — % .....	80.9	82.4
Concentrate produced — t .....	126,900	115,900
Copper in concentrate — kg .....	36,277,000	34,456,000
Gold in concentrate — g .....	935,300	807,400
Silver in concentrate — g .....	5,861,000	5,856,400
Copper concentrate shipped — t .....	133,000	113,100
Inventory at year-end — t .....	4,400	10,500
Ore reserves* — t .....	295,600,000	306,000,000
Grade — % copper .....	.53	.52

\*Includes 200,000,000 t in the San Antonio ore zone.



Judith Canga is secretary to Marcopper's procurement consultant.

## Placer CEGO Petroleum Limited

(100% interest)

Placer CEGO of Calgary, Alberta administers Placer's oil and gas interests which are centered primarily in Alberta and British Columbia.

### Highlights

Revenues increased while cash flow and net earnings decreased due to higher taxation under the National Energy Programme, the Provincial/Federal Oil Agreement and the Federal Budget. Placer CEGO acquired interests ranging from 30% to 85% in 32,000 ha in Southwest Texas. Exploration in this area is presently underway.

### Operations

Production of crude oil and condensate in 1981 increased 11% over 1980 while natural gas production declined 19%.

A total of 25 (1980 — 48) development wells resulted in 8 gas wells, 12 oil wells, and 3 dry holes. Drilling continued on 2 wells at year-end.

### Markets

The average wellhead price for "old" western Canadian crude oil at year-end was \$21.25 per barrel FOB Edmonton, Alberta. This price was increased to \$23.50 on January 1, 1982, and will rise to \$25.75 on July 1, 1982. The estimated wellhead price for "new" oil discovered after January 1, 1981 rose to \$45.92 on January 1, 1982 FOB Edmonton, and will further increase to \$49.22 on July 1, 1982. The Alberta natural gas border price, in effect on September 1, 1981 was \$64.97 per  $10^3\text{m}^3$  (\$1.82 per million BTU's) and was increased to \$73.90 per  $10^3\text{m}^3$  (\$2.07 per million BTU's) on January 1, 1982; a further increase to \$82.82 per  $10^3\text{m}^3$  (\$2.32 per million BTU's) is scheduled for August 1, 1982. The export price of natural gas at year-end was U.S. \$176.36 per  $10^3\text{m}^3$  (U.S. \$4.94 per million BTU's) and is not expected to increase during 1982.



Roughnecks at work on a Placer CEGO joint venture well.

### Placer CEGO

Years ended December 31  
1981      1980

#### FINANCIAL

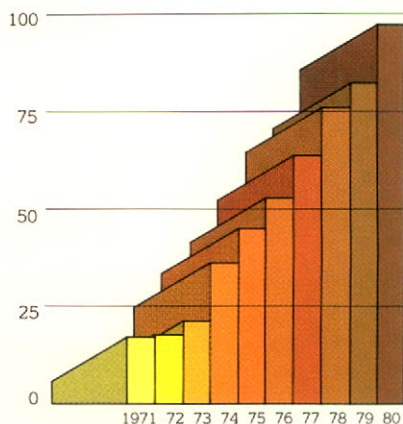
Revenues .....	\$40,266,000	\$32,022,000
Net earnings .....	\$ 1,924,000	\$ 4,898,000

#### OPERATIONS

Oil and natural gas liquids produced — $\text{m}^3$ .....	260,700	235,500
Natural gas produced — $10^3\text{m}^3$ .....	211,500	261,700

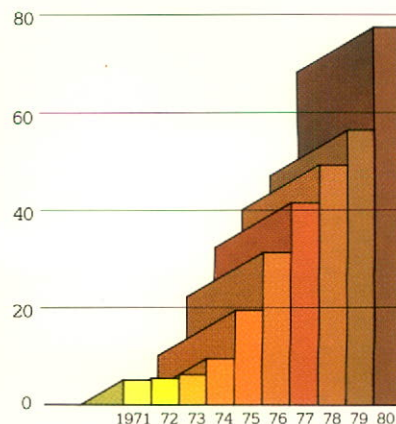
### Yearly Average Crude Oil Wellhead Prices

Canadian dollars per cubic metre



### Yearly Average Natural Gas Wellhead Plant Prices

Canadian dollars per thousand cubic metres



### Exploration

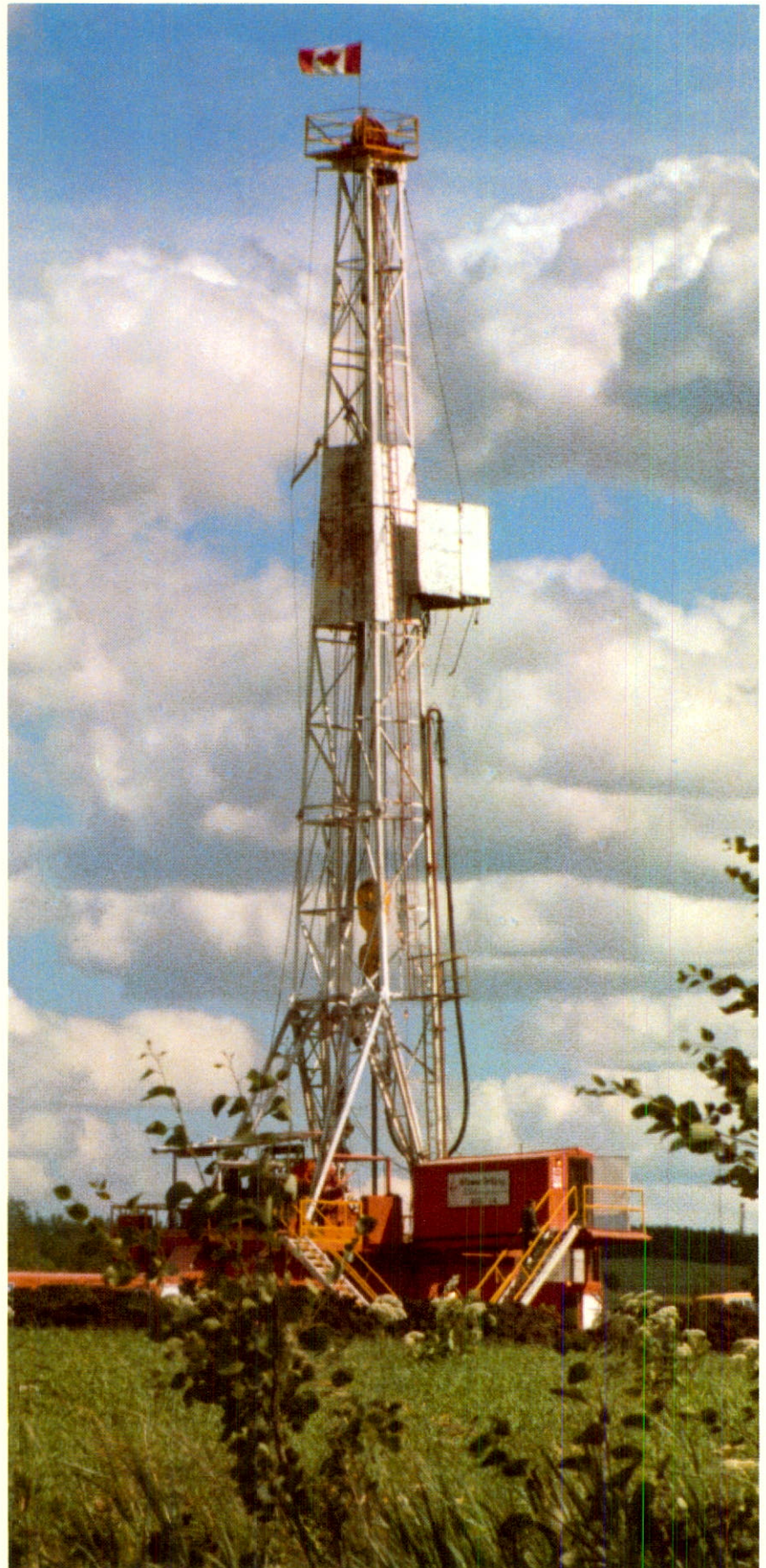
Placer CEGO participated in drilling 29 exploratory wells in 1981 (1980 — 24) resulting in 13 gas wells, 3 oil wells, and 13 dry holes.

A follow-up wildcat well approximately 10 km southeast of our 1980 Smoky Heights dual-zone gas discovery, and 48 km northeast of Grande Prairie, Alberta, was drilled and completed as a potential Granite Wash oil discovery. The reef zone was gas productive in the original wildcat but was not developed in the second well. Additional exploratory drilling will be necessary to confirm the ultimate gas and oil potential of the area. Placer CEGO has from 12.5% to 25% interests in 6,784 ha surrounding these two wells.

The company commenced a drilling and exploration programme in the United States concentrating on the Texas Austin Chalk oil area. One dry hole was drilled in 1981 and at least four exploration wells will be drilled in 1982 to depths of 3,700 to 4,900 m.

CEGO Asia (40% interest) completed seismic surveys on two permits in the South Sulu Sea and onshore Manila Bay without finding sufficient structural or reservoir conditions to warrant the drilling of a test well. Placer CEGO's participation in this programme is, therefore, to be terminated by mid-1982.

Placer CEGO held for possible exploration 899,000 gross ha and 267,000 net ha of land as of December 31, 1981. A total of 75,000 ha were held under gross royalty agreements.



*Placer CEGO continued its oil and gas exploration programme in 1981.*

## Supplementary Oil and Gas Information

The following data on Reserve Recognition Accounting and related matters are prepared in response to disclosures required by the United States Securities and Exchange Commission.

### Estimated Proved Developed Oil and Gas Reserves

	Years Ended December 31					
	1981		1980		1979	
	Oil and Natural gas liquids (m <sup>3</sup> )	Natural gas (10 <sup>3</sup> m <sup>3</sup> )	Oil and Natural gas liquids (m <sup>3</sup> )	Natural gas (10 <sup>3</sup> m <sup>3</sup> )	Oil and Natural gas liquids (m <sup>3</sup> )	Natural gas (10 <sup>3</sup> m <sup>3</sup> )
January 1 .....	1,619,600	3,742,600	1,481,900	3,650,600	1,557,300	3,800,400
Revisions of previous estimates	36,700	(164,300)	30,900	(66,000)	140,800	(36,400)
Purchases of minerals-in-place.	—	—	—	—	—	183,700
Extensions, discoveries and other additions .....	334,100	77,600	342,300	420,300	13,700	240,200
Production .....	(260,700)	(211,500)	(235,500)	(261,700)	(229,900)	(270,200)
Sales of minerals-in-place .....	(3,800)	—	—	—	—	(267,100)
December 31 .....	<u>1,725,900</u>	<u>3,444,400</u>	<u>1,619,600</u>	<u>3,742,600</u>	<u>1,481,900</u>	<u>3,650,600</u>

All of the proved reserves are situated in North America. Segregation of Canadian and United States' data is not presented as the United States reserves are not material, there being no oil reserves and under 1% of the total natural gas reserves.

No proved undeveloped reserves are calculated since a report provided by independent engineers states that all reserves were indicated to be developed.

The estimated future net revenues from the proved developed oil and gas reserves based on current prices with deductions for royalties, capital expenditures and current operating costs, but excluding administrative costs and income taxes at December 31, 1981 are —

1982 .....	\$ 35,984,000
1983 .....	33,469,000
1984 .....	30,026,000
Succeeding years .....	<u>166,290,000</u>
	<u>\$265,769,000</u>

The present value of the estimated future net revenues from the proved developed oil and gas reserves at December 31, 1981, discounted at 10%, is \$181,005,000 (1980 — \$134,927,000, 1979 — \$127,245,000).

### Summary of Changes in the Present Value of Estimated Future Net Revenues

	Years Ended December 31		
	1981	1980	1979
	(in thousands)		
January 1 .....	\$134,927	\$127,245	\$107,007
Additions, revisions and accretion of discount less related estimated future development and production costs .....	77,131	38,516	47,971
Purchases of minerals-in-place .....	—	—	6,250
Previously estimated future development costs incurred during the year .....	(1,300)	(5,468)	(4,437)
Sales of oil and gas, net of production costs .....	(29,026)	(25,366)	(20,066)
Sales of minerals-in-place .....	(727)	—	(9,480)
December 31 .....	<u>\$181,005</u>	<u>\$134,927</u>	<u>\$127,245</u>

## Summary of Oil and Gas Producing Activities on the Basis of Reserve Recognition Accounting

Reserve recognition accounting is an experimental method of accounting for oil and gas which recognizes the estimated future net cash flows from oil and gas reserves when the reserves are proven. The following illustrates the results of oil and gas producing activities prepared on this basis.

	Years Ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
Additions and revisions to estimated proved oil and gas reserves:			
Additions of new proved oil and gas reserves at current prices (present value, discounted at 10%) . . . . .	\$ 7,209	\$ 7,975	\$ 4,952
Revisions — price changes . . . . .	52,835	28,863	33,201
— other (changes in estimated future costs, quantities, and rates of production) . . . . .	14,558	—	17,140
Accretion of discount . . . . .	<u>3,160</u>	<u>2,356</u>	<u>2,799</u>
	<u>77,762</u>	<u>39,194</u>	<u>58,092</u>
Evaluated acquisition, exploration, development and production costs:			
Costs incurred, including impairments . . . . .	14,755	23,648	29,678
Future development and production costs (present value, discounted at 10%) . . . . .	<u>631</u>	<u>678</u>	<u>10,121</u>
	<u>15,386</u>	<u>24,326</u>	<u>39,799</u>
Additions and revisions to estimated proved oil and gas reserves over evaluated costs before income taxes* . . . . .	62,376	14,868	18,293
Provision for income taxes . . . . .	<u>29,067</u>	<u>5,620</u>	<u>6,047</u>
Results of oil and gas producing activities on the basis of reserve recognition accounting . . . . .	<u>\$33,309</u>	<u>\$ 9,248</u>	<u>\$12,246</u>

\*The pre-tax profit contribution reflected in the financial statements for the oil and gas production activities corresponding to this amount for 1981 is \$15,616,000 (1980 — \$12,910,000, 1979 — \$13,084,000).

The above summary excludes acquisition and exploratory well costs deferred pending determination of proved reserves of \$18,825,000 (1980 — \$16,341,000, 1979 — \$15,879,000). Valuation allowances provided with respect to these properties in 1981 are \$1,716,000 (1980 — \$5,105,000, 1979 — \$776,000). At December 31, 1981 aggregate valuation allowances are \$7,051,000.



### Placer Exploration Limited

(100% interest)

Placer's operations in Australia are carried on through Placer Exploration. Excluding gains of \$3,648,000 from the sale of Fox operations in 1981, and \$8,068,000 from the sale of Northern Cattle Company in 1980, the Australian operations incurred losses of \$1,985,000 in 1981 and \$6,137,000 in 1980.

In May, 1981 Placer Exploration completed arrangements to sell its Fox Manufacturing Division to Clyde Industries, an Australian public engineering company. The sale is occurring in three equal stages, the first of which took place in 1981, and pending its completion in 1984, Fox is being jointly operated by Placer and Clyde. Associated Plywoods had improved sales of \$14,253,000 (1980 — \$12,598,000) despite a downturn in the building industry. Molybond Laboratories, now selling into the Canadian market, increased its sales by 10%.

### Zinor Holdings Limited

(36.3% interest)

Zinor Holdings Limited was formed in November, 1979 by Placer, and other companies affiliated with Noranda Mines Limited, for the purpose of investing in Noranda. In 1981, Zinor sold 3,485,432 Noranda shares to Brascade Resources Inc. for \$34,854,000 and 2,614,073 Brascade convertible preferred shares. This sale and Brascade's purchase of Noranda treasury shares reduced Zinor's interest in Noranda to 16.5%.

Noranda is a major Canadian company with interests in mining, smelting, metals fabrication, forest products, oil and gas. Brascade, controlled by Brascan Ltd., holds a 37% interest in Noranda. Noranda owns approximately 33% of Placer's outstanding shares.



*Penny McFarland, a technician in Placer's geochemistry lab, prepares sedimentary field samples for spectrometer analysis. Samples from many parts of the world are regularly tested at this lab.*

## Other Business

Noranda's earnings in 1981 declined despite an unusual net gain of \$59,000,000 from the sale and write-down of investments. Earnings were partially reduced by strikes, property and inventory write-downs, and the devaluation of the Mexican peso.

Mining and metallurgical earnings were virtually eliminated by the combination of declining prices and rising costs, as well as inventory write-downs and production interruptions. Oil and gas exploration write-offs were sharply higher and offset a substantial increase in revenue from the Elmworth/Wapiti field.

Manufacturing results held up reasonably well but the forest products sector was mixed. Eastern Canadian results were fair, as weakness in the newsprint, pulp and paper markets only began to be felt late in the year. There was an overall loss on British Columbia operations due to an industry-wide strike during the summer, and significant deterioration of markets for wood products.

Despite the poor earnings, Noranda's financial position remained satisfactory. While total short and long-term debt rose by \$456,000,000, net worth rose by over \$900,000,000.

Dividends received by Placer from Zinor during 1981 amounted to \$10,453,000 (1980 — \$10,453,000).

### Noranda

	Years ended December 31	
	1981	1980
	(in thousands)	
<b>FINANCIAL</b>		
Revenues .....	\$3,030,394	\$2,889,295
Equity in (loss) earnings of associated companies .....	\$ (9,103)	\$ 83,096
Net earnings .....	\$ 164,806	\$ 408,355
Dividends paid — preferred .....	\$ 24,063	\$ —
— common .....	\$ 137,969	\$ 126,896
	December 31	
	1981	1980
	(in thousands)	
Current assets .....	\$1,736,133	\$1,609,482
Investments and other assets .....	1,475,336	791,859
Fixed assets (net) .....	2,037,175	1,536,880
	<u>\$5,248,644</u>	<u>\$3,938,221</u>
Current liabilities .....	\$ 869,101	\$ 787,961
Deferred liabilities .....	377,612	369,763
Long-term debt .....	922,315	580,477
Minority interests in subsidiaries .....	210,204	199,038
Shareholders' equity .....	2,869,412	2,000,982
	<u>\$5,248,644</u>	<u>\$3,938,221</u>

*The principal asset of Zinor Holdings Limited is its investment in Noranda Mines Limited whose financial information is provided above.*



*Zinc produced by Noranda, one of Canada's largest integrated resource companies, awaits shipment.*

## General

The tight money supply contributed to a prolonged recession and lower demand for most metals in 1981. Some recovery in industrial activity is expected in the second half of 1982 and improvement in metal prices and selling conditions could occur in early 1983.

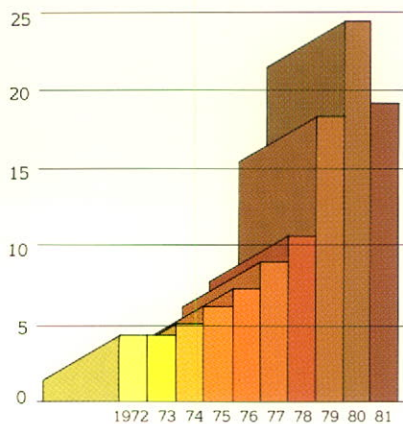
## Molybdenum

Demand for molybdenum in western industrialized countries dropped from 80,000,000 kg in 1980 to 75,000,000 kg in 1981.

The producer price for molybdenum in oxide form declined during the year from U.S. \$22.27 per kg (U.S. \$10.10 per lb.) to U.S. \$15.21 per kg (U.S. \$6.90 per lb.) in December. Discounting by some producers contributed to this trend. New capacity and expanded production from by-product sources ensured abundant supply on the merchant market. The merchant price for molybdenum in

## Yearly Average Molybdenum Prices

U.S. dollars per kg



Published major producer price f.o.b. mine for molybdic oxide

oxide form fell from U.S. \$17.64 per kg (U.S. \$8.00 per lb.) in January to a low of about U.S. \$7.70 per kg (U.S. \$3.50 per lb.) in December. A modest recovery in demand may be expected in 1982, although the over-supply situation will continue.

Several major producers, including

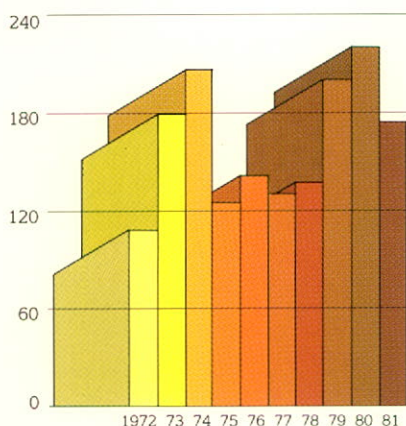
Endako, have announced production cut-backs which will reduce output by 25 — 35,000,000 kg from capacity levels. World inventories now amount to approximately one year of consumption and no significant price increase is expected in 1982.

## Copper

Consumption of refined copper by industrial countries declined 2% to about 7,100,000 t in 1981. Despite curtailed production by many American and Canadian producers, refined stocks held by producers

## Yearly Average Copper Prices

U.S. cents per kg



L.M.E. cash settlement wirebar and high grade cathode

and metal exchanges increased by about 38,000 t. Falling consumption, rising stocks and high interest costs led to lower copper prices through 1981. The average price on the London Metal Exchange was U.S. \$1.74 per kg (U.S. \$0.79 per lb.). This compares with U.S. \$2.18 per kg (U.S. \$0.99 per lb.) in 1980.

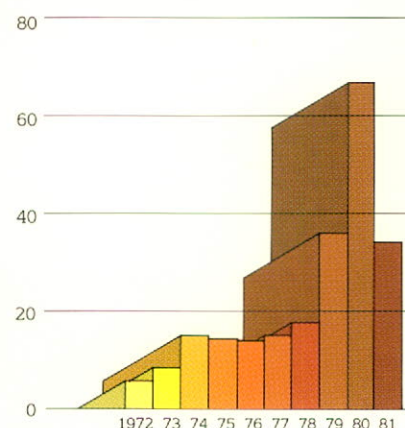
The reluctance of some copper-producing countries to reduce production during periods of low demand suggests that prices may remain below normal for the first half of 1982.

## Silver

Silver supplies continued to be in excess of demand through 1981 and this led to lower prices during the year. The average price de-

## Yearly Average Silver Prices

U.S. cents per gram



Handy & Harman

clined to U.S. \$0.34 per g (U.S. \$10.52 per troy oz.) in 1981 from U.S. \$0.73 per g (U.S. \$22.70 per troy oz.) in 1980.

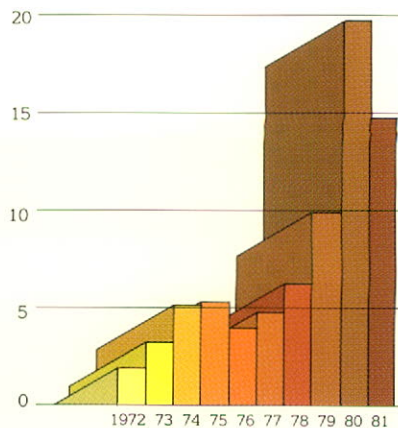
With industrial and speculative demand low and with large inventories overhanging the market, prices are expected to remain in the U.S. \$0.22 - \$0.39 per g (U.S. \$7-\$12 per troy oz.) range during 1982.

## Gold

Relatively weak jewellery, industrial and investment demand resulted in substantially lower price levels in 1981. The average London Final price was U.S. \$14.79 per g (U.S. \$460 per troy oz.), a decline of 25% from 1980 levels.

## Yearly Average Gold Prices

U.S. dollars per gram



London Afternoon Fix

Improvement in price levels is not expected until the second half of 1982 when increased demand is expected to surpass increased bullion sales from South Africa and Russia.

### Mercury

Mercury consumption declined only marginally in 1981 despite poor economic conditions. A reduction in imports by the United States, combined with irregular inventory requirements, resulted in temporary shortages and substantial price gains during the summer months. Mercury prices achieved their highest level since 1969, reaching U.S. \$450 per flask in August. The price has since declined and in early 1982 was slightly below U.S. \$400 per flask.



*Copper concentrate is loaded aboard deepsea bulk carrier for transport to Japan where it will be smelted and refined into pure copper.*

Expenditures for hard mineral exploration during 1981 amounted to \$20,636,000 (1980 — \$17,064,000), of which approximately 35% was spent in Canada, 34% in Australasia, and 31% in the United States and other areas.

In Australia, a final feasibility study was completed on the 100%-owned Kidston Gold property in northeastern Queensland. As previously reported, mineable reserves in the Mineral Hill portion of the Kidston deposit have been computed at 39,300,000 t of proven and probable ore grading 1.76 g gold and 2.06 g silver per t based on a 0.4 g per t cut-off for oxide ore and 0.8 g per t cut-off for sulphide ore. Along the extensions of the Mineral Hill zone an additional 17,000,000 t are indicated and inferred from wide-spaced diamond drill holes.

A Stage I pit area of higher grade, proven reserves is calculated at 8,500,000 t grading 2.30 g gold and 2.20 g silver per t, with a waste:ore ratio of 0.26:1. A Stage II pit area is estimated to contain an additional 7,400,000 t at an average grade of 1.82 g gold and 2.79 g silver per t with a waste:ore ratio of 0.80:1.

Metallurgical testing has established recoveries ranging from 82% to 94% with the higher recoveries from the weathered, near-surface ore.

Development of a 7,500-t-per-day operation is subject to improvement in the price of gold and Placer obtaining acceptable conditions on the 45% Australian participation required by Australian foreign investment regulations.

In the United States, a decision was made to place the 100%-owned Golden Sunlight gold property in Montana into production by mid-1983. A milling rate of 4,500 to 5,500 t-per-day is projected and will vary with the hardness of the ore. Plant site excavation and road-building are complete and plant construction is scheduled to begin in April. Ore reserves, mineable by open pit, have been

computed at 23,400,000 t at an average grade of 1.71 g per t with a waste:ore ratio of 2:1. Additional geological reserves, potentially recoverable by underground mining, have been established by diamond drilling and extend below the presently projected open pit. These reserves are estimated at 22,700,000 t averaging 2.40 g per t. Two higher grade blocks within this zone have been computed at 7,100,000 t averaging 4 g per t.

On the Beluga coal project in Alaska, additional drilling was carried out and 1,200 t of coal were mined and shipped to Japan for metallurgical tests. Marketing and engineering studies are continuing on the use of this coal for power development in Japan.

A rotary drilling programme was carried out on the 75%-owned Bald Mountain gold project in eastern Nevada. Geological ore reserves, indicated to-date by rotary drilling, are estimated at 1,600,000 t averaging 3.43 g per t, mineable by open pit methods. More drilling is planned on this and other zones known to contain mineralization, on the property. Preliminary metallurgical work on recovery methods has indicated favourable results.

In western Canada, underground exploration continued at the Howard's Pass lead/zinc property on the Yukon-Northwest Territories border. A further 786 m of underground excavation and a programme of underground diamond drilling on the XY Central Zone was completed. Samples totalling 45 t were obtained from the underground workings for metallurgical tests. United States Steel Corporation earned its 49% interest in the property near the end of 1981, having spent \$10,000,000 towards property evaluation.

The option held by Placer on the Adanac molybdenum property near Atlin, British Columbia, has been extended to the end of 1986. Geological ore reserves have been computed at 169,000,000 t grading 0.061% molybdenum at a 0.04% molybdenum cut-off. At a 0.06%

cut-off, reserves are computed to be 71,000,000 t grading 0.079% molybdenum. An environmental impact report is awaiting approval from the provincial government.

In eastern Canada exploration for gold and base metal properties continued in Ontario and Quebec.

At the Porgera gold property in Papua New Guinea, in which Placer has a one-third interest, extensive diamond drilling has outlined a large gold deposit at Waruwarri. Preliminary engineering and economic studies of a large tonnage, low grade, open pit operation were not positive. Alternative approaches will be considered and further exploration of the area is planned in 1982. Diamond drill results and preliminary engineering studies on the Misima gold property, a 50/50 joint venture in Papua New Guinea, justify an expanded programme of exploration in 1982.

In Chile, exploration activities have focused on gold and silver prospects. This programme is being carried out in co-operation with Placer's joint venture partner, Cia. Electro Metalurgica S.A. Precious metal prospects are also being investigated in Argentina and Colombia.

# Managements' Discussion of Operations, Liquidity, Capital Resources and Inflation Accounting

The three principal mining operations of the Company and its consolidated subsidiaries are located in British Columbia, Canada. Endako, Equity Silver and Gibraltar produce molybdenum, silver and copper in concentrates. The Company has significant investments in Noranda Mines Limited, a diversified Canadian natural resource based company, Marcopper Mining Corporation of the Philippines, primarily a producer of copper concentrate, and Minera Real de Angeles, currently constructing a silver/lead/zinc mine in Mexico. Craigmont Mines Limited in Canada has reached the end of its life and will cease production in 1982. The Company's oil and gas interests operate as Placer CEGO Petroleum Limited of Calgary, Alberta.

## Results of Operations

Comparative earnings for three years are:

	Before extraordinary gains:		Extraordinary gains:	
	(millions)	(per share)	(millions)	(per share)
1981	\$49	\$1.37	\$ —	\$ —
1980	81	2.29	8	0.23
1979	75	2.06	38	1.06

The decline in 1981 earnings was a result of lower molybdenum and copper prices and molybdenum sales volume and increased production costs and financing expenses. These factors were partially offset by the Company's share of large non-operating gains of associated companies and earnings from the Equity Silver mine which generated its first revenues in 1981.

The improved earnings before extraordinary items in 1980 over 1979 reflect the first full year of earnings from the Company's indirect investment in Noranda and increased molybdenum sales volume. Offsetting factors were higher costs as a result of mining a lower grade of ore and the lower molybdenum sales prices experienced by Gibraltar.

The 1980 extraordinary gain arose from the sale of Northern Cattle Company in Australia. In 1979, the exchange of an interest in Mattagami Lake Mines Limited (N.P.L.) for an interest in Noranda Mines Limited created the extraordinary gain.

## Revenues

Total sales revenue was slightly higher in 1981 as sales of \$60,000,000 by Equity Silver exceeded the molybdenum sales decrease. Endako molybdenum sales were lower by \$54,000,000 as volume and price declined to 3,400,000 kg at \$23 per kg from 4,700,000 kg at \$29 per kg.

In 1980, sales revenue increased 7% over 1979 due to Endako's molybdenum sales volume increasing by 1,000,000 kg. This

declined 21% compared to the higher strike-related costs in 1979. Gibraltar's unit costs, however, increased 39% due to the lower grade of ore mined and higher depreciation and depletion related to its East pit development.

In 1981 and 1980, selling, general, and administrative expenses increased due to the effect of inflation on salaries and other expenses. In 1981, head office relocation costs and the first full year of operation by Equity Silver also increased expenses.

Interest expense increased throughout 1981 and 1980 as a result of additional borrowings for capital projects and high interest rates.

Exploration expense in 1981 comprised 73% for hard minerals and 27% for oil and gas, similar to 1980 and 1979 percentages. A large portion of hard mineral exploration was carried out on continuing projects. In 1981 expenditures on such projects in Australasia accounted for the increase in exploration. Oil and gas exploration expense did not increase in 1981, however, \$3,000,000 was incurred in other countries, primarily the United States, with a corresponding decrease in Canada.

## Income and Resource Taxes

The increased effective rate for income and resource taxes in 1981, from 54% to 61%, was due to the effect on lower pre-tax earnings of increased foreign exploration expense, much of which is not deductible for Canadian income tax purposes, and the new petroleum and natural gas revenue tax.

## Equity in After-tax Earnings of Associated Companies

After excluding non-operating gains and the results of Fox Manufacturing, which is being sold over three years, the Company's equity in after-tax earnings of associated companies attributable to operating results were \$8,000,000 in 1981 (1980 — \$34,000,000, 1979 —

\$20,000,000). The increase in 1980 reflects the addition of an indirect investment in Noranda commencing in November, 1979.

Noranda had net earnings of \$165,000,000 in 1981 compared to \$408,000,000 and \$395,000,000 in 1980 and 1979 respectively. Net earnings include unusual gains of \$59,000,000 and \$47,000,000 in 1981 and 1980 and in 1979, a loss of \$15,000,000. In 1981, Noranda's mining and metallurgical earnings were virtually eliminated by a combination of declining prices and rising costs, as well as inventory write-downs and production interruptions. Oil and gas exploration write-downs were higher, offsetting higher revenues. Earnings from manufactured products declined due to poor results from aluminum operations. Forest products earnings declined due to an industry-wide strike in British Columbia and the poor markets for wood products.

Marcopper experienced a loss in 1981 as a result of depressed copper prices and higher costs. The Company's \$2,000,000 share of the 1981 loss compares with its \$5,000,000 share of earnings in 1980 and \$9,000,000 in 1979.

The Company's share of non-operating gains was \$28,000,000 (1980 — \$5,000,000) which represents its share of unusual gains arising from the acquisition by Brascade Resources Inc. of a major block of Noranda common shares at a premium over recorded values in 1981 and its share of Noranda's unusual items.

### Liquidity and Capital Resources

The Company's liquid assets have decreased and its debt has increased since 1979 but its financial condition remains sufficient to provide the base to finance significant planned growth in mining and oil and gas during 1982 and 1983. In 1981 and 1980, investment spending significantly exceeded internally generated cash flow. During this period, funds from

external financing and surplus cash and short-term investments were employed primarily for capital projects.

Working capital increased by 50% in 1981 and 1980 to \$93,000,000 at December 31, 1981. The year-end working capital ratio was 1.9:1 and 1.8:1 in 1981 and 1980. This ratio, which is expected to remain in this range during 1982, is slightly lower than the desired level for the Company.

### Funds' Sources

The Company's sources of funds for investments and dividends are shown in the Consolidated Statement of Changes in Financial Position on page 27 and are summarized as follows:

	Years ended December 31		
	1981	1980	1979
	(millions)		
Business operations and investments . . .	\$ 16	\$103	\$153
External financing — net of repayments .	74	82	23
Reduction of cash and short-term investments and increased short-term debt . . . . .	35	31	(7)
	<u>\$125</u>	<u>\$216</u>	<u>\$169</u>

Funds internally generated from business operations and investments sharply declined from 1979 to 1981. This decline reflects reduced operating earnings in 1981, the need to finance accounts receivable and inventories for the new Equity Silver mine and the cash required in 1981 to finance the molybdenum inventory build-up attributable to weak markets.

Increased accounts receivable and concentrate inventories required funding of \$62,000,000 in 1981 and \$33,000,000 in 1980. This need for funds will not continue in 1982 as Equity Silver's start-up period is over and steps have been taken to reduce molybdenum production. Although operation earnings may be depressed, the decline in funds generated from the business over the past two years is expected to reverse in 1982.

Long-term debt increased to \$231,000,000 in 1981 representing increases in 1981 of \$70,000,000 and in 1980 of \$82,000,000. During these years, short-term debt increased \$32,000,000 to \$35,000,000 at December 31, 1981. At this date, the percentage of long-term debt to invested capital (defined as total assets less current liabilities excluding current long-term debt) was 32% compared with 26% and 17% in 1980 and 1979.

At year-end, the Company had uncommitted term bank loan facilities available of \$93,000,000 and unused short-term bank lines of \$68,000,000. Included in these amounts is \$45,000,000 for the five-year oil and gas exploration

programme. In addition, a term loan is being arranged for the Golden Sunlight two-year construction project.

External financing for planned expenditures in 1982, less repayments on existing loans, is expected to be approximately \$100,000,000. Present projections to 1984 indicate a reduction in long-term debt.

### Investments

Construction and development was completed in 1981 on the Equity Silver mine project which cost \$139,000,000 between 1979 and 1981.

Capital expenditures for other operating facilities and oil and gas exploration averaged \$46,000,000 in 1981 and 1980, a decrease of \$9,000,000 from 1979. In 1982, capital expenditures, including deferred mine exploration and

development costs, are expected to increase as a result of the development of the Golden Sunlight gold property to be completed in mid-1983 and the expansion in the United States of the oil and gas exploration programme.

Funds used for investments in associated companies decreased to \$7,000,000 in 1981, net of repayments, compared to \$50,000,000 and \$45,000,000 in 1980 and 1979. The major investment in 1980 and 1979 was in Zinor Holdings Limited. The Company's 34% interest in the Minera Real de Angeles silver/lead/zinc mine in Mexico required equity contributions of \$8,000,000 in 1981 and \$5,000,000 in 1980. The additional requirements of Placer to complete this project in 1982 should not exceed \$5,000,000.

## Inflation Accounting

Inflation has seriously reduced the purchasing power of the Canadian dollar. Financial statements prepared on an historical cost basis report actual dollars received and expended without regard to changes in purchasing power. Capital expenditures made over a long period of time are added together as though the dollars are equivalent units of measurement. The amortization of these costs incurred in earlier years is deducted from current revenues in the determination of net income. Therefore, it is desirable to supplement traditional financial statements with additional information in order to assess the economic results.

During the last few years there has been considerable study by the accounting profession of methods to assist the users of financial statements to understand the impact of inflation on a company. At present, no single method has evolved as the most suitable for reporting to shareholders but the Canadian Institute of Chartered Accountants has recently proposed new recommendations which the Company will consider in 1982.

It is generally agreed a company should ensure that its capacity to produce does not diminish. The Company's major operations are capital intensive and, accordingly, depreciation represents a significant portion of the costs which must be recovered to continue successfully. Because of inflation over the years, more dollars are required than were originally invested to renew plant and equipment. To illustrate this, the Company's property, plant and equipment and related depreciation and depletion for 1981 have been restated using a Statistics Canada index which measures inflation on business assets.

increase selling prices to pass on increased costs to customers.

To continue successful operations in an inflationary environment, earnings not only have to provide a return on amounts invested in past years, but also provide sufficient dollars for investment in new assets.

	Net book value of property, plant and equipment	Depreciation and depletion
	(millions)	
As recorded in the consolidated financial statements . . . . .	\$374	\$33
Estimated equivalent if all the expenditures occurred in 1981 . .	\$501	\$51

Earnings would be reduced by the increase in depreciation and depletion expense of \$18,000,000. There would be a further decrease in earnings if depreciation of associated companies were adjusted on the same basis. In many companies there are other factors to consider, such as replacing inventories, which is similar in effect to replacing fixed assets. This does not have a large impact on the Company because of its usually rapid inventory turnover.

The Company's financial statements already reflect many aspects of inflation, such as the higher costs of energy, labour, material and borrowed money. Sales also reflect inflation, but the amount is difficult to measure. About 80% of the Company's 1981 sales are derived from molybdenum, copper and silver, the prices of which are determined by world commodity markets. Prices of these products fluctuate substantially through the influence of many market conditions. As a result, the Company cannot always





**Burke Hereford operates a self-loading scrapper at the McDermitt mercury mine in northern Nevada.**

# Consolidated Balance Sheet

## ASSETS

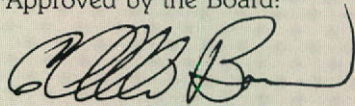
	December 31	
	1981	1980
	<i>(in thousands)</i>	
CURRENT ASSETS:		
Cash and time deposits . . . . .	\$ 31,302	\$ 30,308
Marketable securities, at market value (cost — \$15,756,000) . . . . .	—	13,011
Accounts receivable (Note 12) . . . . .	63,894	29,854
Concentrate inventories . . . . .	73,410	45,408
Supplies and other inventories . . . . .	<u>23,138</u>	<u>20,103</u>
	191,744	138,684
INVESTMENTS:		
Associated companies (Note 3) . . . . .	241,014	216,517
Other investments, at cost . . . . .	<u>11,733</u>	<u>7,310</u>
	252,747	223,827
PROPERTY, PLANT AND EQUIPMENT (Note 4):		
Buildings and equipment . . . . .	232,536	203,606
Properties and development . . . . .	<u>141,059</u>	<u>133,784</u>
	<u>373,595</u>	<u>337,390</u>
	<u>\$818,086</u>	<u>\$699,901</u>

# Placer Development Limited

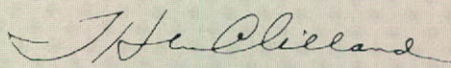
## LIABILITIES AND SHAREHOLDERS' EQUITY

	December 31 1981	1980 (in thousands)
CURRENT LIABILITIES:		
Short-term debt.....	\$ 34,681	\$ 12,000
Accounts payable and accrued liabilities.....	29,982	36,153
Income taxes payable.....	2,220	21,222
Long-term debt due within one year.....	<u>31,772</u>	<u>7,425</u>
	98,655	76,800
LONG-TERM LIABILITIES (Note 5).....	207,110	157,692
DEFERRED INCOME TAXES.....	57,751	48,103
MINORITY INTERESTS IN SUBSIDIARIES.....	24,498	25,382
SHAREHOLDERS' EQUITY (Note 7):		
Share capital.....	23,452	19,817
Earnings reinvested in the business.....	<u>412,520</u>	<u>379,656</u>
	435,972	399,473
Less the Company's pro-rata interest in its shares held by Noranda Mines Limited.....	<u>5,900</u>	<u>7,549</u>
	<u>430,072</u>	<u>391,924</u>
	<u>\$818,086</u>	<u>\$699,901</u>

Approved by the Board:



C. ALLEN BORN, *Director*



T.H. McCLELLAND, *Director*

## Consolidated Statement of Earnings

	Years ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
<b>REVENUES:</b>			
Sales .....	\$273,075	\$267,421	\$250,347
Interest and other income .....	10,083	10,072	13,387
	<u>283,158</u>	<u>277,493</u>	<u>263,734</u>
<b>EXPENSES:</b>			
Cost of sales .....	121,898	79,627	73,259
Depreciation .....	17,886	11,807	6,979
Depletion .....	15,360	11,675	7,040
Selling, general and administrative .....	15,330	11,056	7,543
Interest .....	45,337	20,824	8,473
Exploration .....	28,120	24,155	17,674
	<u>243,931</u>	<u>159,144</u>	<u>120,968</u>
EARNINGS BEFORE TAXES AND OTHER ITEMS .....	39,227	118,349	142,766
Income and resource taxes (Note 6) .....	25,389	63,804	72,765
	13,838	54,545	70,001
Equity in after-tax earnings of associated companies including non-operating gains of \$27,600,000 (1980 — \$5,400,000, 1979 — nil) (Note 3) .....	34,202	33,302	13,929
Minority interests in loss (earnings) of subsidiaries .....	884	(6,561)	(9,402)
EARNINGS BEFORE EXTRAORDINARY ITEMS .....	48,924	81,286	74,528
Extraordinary items (Note 8) .....	—	8,068	38,588
NET EARNINGS .....	<u>\$ 48,924</u>	<u>\$ 89,354</u>	<u>\$113,116</u>
<b>PER COMMON SHARE:</b>			
Earnings before extraordinary items .....	<u>\$1.37</u>	<u>\$2.29</u>	<u>\$2.06</u>
Net earnings .....	<u>\$1.37</u>	<u>\$2.52</u>	<u>\$3.12</u>

## Consolidated Statement of Earnings Reinvested in the Business

	Years ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
BALANCE, BEGINNING OF YEAR .....	\$379,656	\$311,617	\$213,654
Net earnings .....	48,924	89,354	113,116
Dividends — \$0.45 per share (1980 — \$0.60, 1979 — \$0.42) .....	(16,060)	(21,315)	(15,153)
BALANCE, END OF YEAR .....	<u>\$412,520</u>	<u>\$379,656</u>	<u>\$311,617</u>

# Consolidated Statement of Changes in Financial Position

	Years ended December 31		
	1981	1980	1979
	(in thousands)		
<b>FUNDS* FROM THE BUSINESS:</b>			
Operating earnings**	\$ 81,403	\$107,218	\$127,707
Associated companies' dividends	12,944	23,163	13,123
Working capital (increase) decrease except funds and debt	(90,250)	(39,150)	6,917
Sale of investments	9,927	8,777	—
Other	1,975	2,843	5,010
	<u>15,999</u>	<u>102,851</u>	<u>152,757</u>
<b>EXTERNAL FINANCING:</b>			
Long-term debt issued	83,752	141,532	33,000
Long-term debt repaid	(13,805)	(61,018)	(11,020)
Common shares issued	3,634	1,013	557
	<u>73,581</u>	<u>81,527</u>	<u>22,537</u>
Total funds provided	<u>89,580</u>	<u>184,378</u>	<u>175,294</u>
<b>FUNDS USED:</b>			
Property, plant and equipment —			
Equity Silver Mine	34,699	67,754	36,570
Oil and gas	16,922	18,816	18,656
Other	25,822	30,254	36,488
Current exploration expenditures	23,390	18,358	13,646
Associated companies	7,385	50,455	45,015
Dividends paid —			
Company shareholders	16,060	21,315	15,153
Subsidiary minority shareholders	—	8,337	3,046
	<u>124,278</u>	<u>215,289</u>	<u>168,574</u>
FUNDS (DECREASE) INCREASE	<u>\$ (34,698)</u>	<u>\$ (30,911)</u>	<u>\$ 6,720</u>
<b>COMPONENTS OF WORKING CAPITAL (INCREASE) DECREASE EXCEPT FUNDS AND DEBT:</b>			
Accounts receivable	\$ (34,040)	\$ 4,363	\$ (14,838)
Concentrate inventories	(28,002)	(37,335)	1,957
Income taxes payable	(19,002)	(8,677)	10,821
Other items — net	(9,206)	2,499	8,977
	<u>\$ (90,250)</u>	<u>\$ (39,150)</u>	<u>\$ 6,917</u>

\*"Funds" represent cash, time deposits and marketable securities less short-term debt.

\*\*"Operating earnings" comprise earnings before extraordinary items, exploration expenditures and equity in after-tax earnings of associated companies, adjusted for depreciation, depletion, deferred income taxes and other items not affecting funds.

## 1. Accounting policies

The consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles. Significant exceptions to United States principles are described in Note 13.

### *Consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in associated companies are reported on the equity method under which the Company records in earnings its share of the net earnings or losses of these companies. The earnings of foreign subsidiary and associated companies are recorded net of withholding taxes.

### *Foreign currency translation*

Current assets (except inventories), current liabilities and long-term debt in foreign currencies are translated into Canadian dollars at year-end rates. All other foreign assets and liabilities, depreciation and depletion are translated at historical rates. Revenues and expenses, other than depreciation and depletion, are translated at average rates for the year.

Exchange gains and losses are included in earnings except for unrealized gains or losses on long-term debt which are amortized over the remaining term of the debt.

The net earnings effect of foreign currency translation is not significant.

### *Inventories*

Concentrate inventories are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Other inventories and supplies are valued at the lower of average cost and replacement cost.

### *Exploration and development*

Mineral exploration costs are expensed as incurred except that costs are capitalized if economically recoverable ore reserves have been determined. Costs are capitalized for preproduction development for new mines and major development at existing mines such as overburden removal for large projects.

The successful efforts accounting method is used for oil and gas expenditures. Geological, geophysical and exploratory dry hole costs are expensed as incurred. Lease acquisition and drilling costs are capitalized. On abandonment of an area or impairment in value of an undeveloped property, the capitalized costs are expensed.

### *Depreciation and depletion*

Depreciation of the cost of buildings and equipment is provided over their estimated useful lives on the following bases:

- buildings and machinery, straight-line at rates of 2% to 7%,
- mobile equipment, diminishing-balance at rates of 15% to 36%, and
- oil and gas equipment, unit-of-production.

Depletion of the cost of mining properties, including preproduction development, is provided on a straight-line basis over the estimated life of each mine or twenty years, whichever is shorter. Capitalized mine development costs are depleted on the unit-of-production basis.

Depletion of the cost of producing oil and gas properties and development, representing lease acquisition and drilling costs, is provided on the unit-of-production basis using proven reserves for each field as determined by independent engineers.

### Earnings per share

Earnings per share are determined using the weighted average number of common shares outstanding less the Company's pro-rata interest in its shares held by Noranda Mines Limited.

## 2. Sale of subsidiary and restatement

In 1981, the Fox Manufacturing Division of Placer Exploration Limited was incorporated and a one-third interest in the new company was sold at a gain of \$4,292,000 which is included in interest and other income. The sale agreement provides for sales of one-third interests in 1982 and 1984 at similar gains. Fox manufactures mining and industrial equipment in Australia.

Fox, previously consolidated, is now accounted for by the equity method and included with associated companies. Fox sales and reclassified sales of the remaining Australian operations were \$51,972,000 in 1981 (1980 — \$41,483,000, 1979 — \$42,594,000). Prior years' accounts are restated to conform with 1981 presentation.

## 3. Associated companies

	% ownership	Equity in underlying net assets		Equity in earnings (loss)		Dividends received	
		December 31 1981	December 31 1980	Years ended December 31 1981	Years ended December 31 1980	Years ended December 31 1981	Years ended December 31 1980
				<i>(in thousands)</i>			
Zinor	36	\$193,354	\$164,447	\$37,300	\$30,800	\$10,453	\$10,453
Marcopper	40	20,611	22,516	(1,905)	4,636	—	8,182
Fox (Note 2)	67	8,544	15,782	(1,650)	(5,763)	—	—
Real de Angeles	34	13,779	5,690	—	—	—	—
Craigmont	45	4,726	6,760	457	3,006	2,491	4,528
Other	—	—	1,322	—	623	—	—
		<u>\$241,014</u>	<u>\$216,517</u>	<u>\$34,202</u>	<u>\$33,302</u>	<u>\$12,944</u>	<u>\$23,163</u>

Zinor Holdings Limited was formed in 1979 by the Company and other companies associated with Noranda Mines Limited for the purpose of investing in Noranda. Zinor also holds preferred shares of Brascade Resources Inc. after accepting a 1981 Brascade offer to purchase Noranda shares. This transaction and the purchase by Brascade of Noranda treasury common shares reduced Zinor's direct ownership and the Company's corresponding indirect ownership in Noranda at December 31, 1981 to 16.5% and 6.0%. Brascade's principal investment is in common shares of Noranda.

Marcopper Mining Corporation operates an open pit copper mine in the Philippines. The quoted market price for the Company's investment at December 31, 1981 is \$28,221,000.

Minera Real de Angeles S.A. de C.V., commenced construction of its silver/lead/zinc mine in Mexico in 1980 and commercial production is expected in 1982.

Craigmont Mines Limited ore reserves will not support operations beyond 1982. The quoted market price for the Company's investment at December 31, 1981 is \$4,755,000.

## Notes to Consolidated Financial Statements

Condensed financial information for Zinor and Marcopper is presented below:

	Zinor		Marcopper	
	1981	1980	1981	1980
	<i>(in thousands)</i>			
Earnings —				
Revenues (a)	\$ 67,400	\$ 6,099	\$ 77,556	\$ 92,117
Equity in Noranda earnings (b)	28,554	85,534	—	—
Expenses and taxes	(10,153)	(1,762)	(83,175)	(78,444)
Net earnings (loss)	<u>\$ 85,801</u>	<u>\$ 89,871</u>	<u>\$ (5,619)</u>	<u>\$ 13,673</u>
Balance sheet —				
Current assets	\$ 7	\$ 18	\$ 38,352	\$ 46,699
Investments and other assets (d)	605,402	487,546	7,934	7,465
Property, plant and equipment, net	—	—	87,918	80,198
	<u>\$605,409</u>	<u>\$487,564</u>	<u>\$134,204</u>	<u>\$134,362</u>
Current liabilities	\$ 43,692	\$ 14	\$ 21,212	\$ 17,489
Long-term liabilities	5,281	—	35,462	33,724
Shareholders' equity	556,436	487,550	77,530	83,149
	<u>\$605,409</u>	<u>\$487,564</u>	<u>\$134,204</u>	<u>\$134,362</u>

- (a) Zinor revenues include unusual gains in 1981 of \$41,222,000 (1980 — \$4,829,000) from issues of common shares by Noranda and \$19,866,000 before income taxes of \$9,975,000 from the sale of Noranda shares by Zinor to Brascade in exchange for cash and convertible preferred shares of Brascade.
- (b) Equity in Noranda earnings in 1981 includes unusual gains of \$16,200,000 (1980 — \$10,000,000) from Noranda's sale of investments less a property write-off of \$2,900,000.
- (c) The Company's share of non-operating gains of \$27,600,000 (1980 — \$5,400,000) included in equity in after-tax earnings of associated companies represent its share of the unusual items of Zinor and Noranda referred to in (a) and (b) above.
- (d) Zinor investments comprise its equity investment in Noranda of \$462,640,000 (1980 — \$487,546,000), Noranda convertible preferred shares of \$72,182,000 and Brascade convertible preferred shares of \$70,580,000. Noranda and its associated companies are engaged, primarily in Canada and the United States, in mining and metallurgy, manufacturing, forest products and oil and gas exploration and production. At December 31, 1981 Noranda had total assets of \$5,248,600,000 (1980 — \$3,938,200,000), and for 1981, revenues and net earnings of \$3,030,400,000 and \$164,800,000 (1980 — \$2,889,300,000 and \$408,400,000).



#### 4. Property, plant and equipment

	December 31	
	1981	1980
	<i>(in thousands)</i>	
Buildings and equipment, at cost		
Mining —		
Buildings and machinery .....	\$248,454	\$182,826
Mobile equipment .....	61,726	57,969
Construction in progress .....	—	24,545
Oil and gas equipment .....	<u>29,624</u>	<u>26,164</u>
	339,804	291,504
Less accumulated depreciation .....	<u>107,268</u>	<u>87,898</u>
	<u>\$232,536</u>	<u>\$203,606</u>
Properties and development, at cost		
Mining .....	\$ 87,101	\$ 73,201
Oil and gas .....	<u>102,115</u>	<u>93,749</u>
	189,216	166,950
Less accumulated depletion .....	<u>48,157</u>	<u>33,166</u>
	<u>\$141,059</u>	<u>\$133,784</u>

#### 5. Long-term liabilities

	December 31	
	1981	1980
	<i>(in thousands)</i>	
Long-term debt-		
Bank loans		
Bank prime plus 1/2% (average 19.4%, 1980 — 13.2%), due to 1987 .....	\$ 89,250	\$ 15,000
Bank prime (average 19.4%, 1980 — 18.2%), due to 1988 .....	80,000	80,000
LIBOR plus 3/4% (average 19.3%, 1980 — 13.9%), due to 1986		
U.S. \$46,750,000 (1980 — \$48,780,000)	55,436	58,222
Bank prime plus 1/4% (average — 19.9%, 1980 — 14.8%), due to 1988 .....	4,380	6,780
Other loans .....	2,372	1,886
Unrealized foreign exchange losses .....	<u>(680)</u>	<u>(1,773)</u>
	230,758	160,115
Less amounts due within one year .....	<u>31,772</u>	<u>7,425</u>
	198,986	152,690
Other obligations .....	<u>8,124</u>	<u>5,002</u>
	<u>\$207,110</u>	<u>\$157,692</u>

At December 31, 1981 the scheduled repayment of the above loans for each of the five years through 1986 is as follows — 1982 — \$31,772,000, 1983 — \$41,200,000, 1984 — \$46,100,000, 1985 — \$41,800,000, 1986 — \$52,800,000.

Certain term loans require the maintenance of working capital and shareholders' equity, and limit the amount of guarantees, liens, leases and other indebtedness. A term loan of \$80,000,000 and short-term borrowings of \$34,000,000 by Equity Silver Mines Limited are secured by the assets of that company.

At December 31, 1981 the Company has uncommitted term loan facilities of \$93,100,000 at interest rates generally based on floating rates charged by banks to prime commercial borrowers. In addition, the Company has unused bank lines of credit of \$68,500,000 for short-term borrowings of which \$50,000,000 provide for the issue of banker's acceptances.

In 1981, interest and exchange loss on long-term debt amounted to \$37,454,000 and \$552,000 (1980 — \$19,576,000 and \$1,250,000, 1979 — \$7,491,000 and \$1,182,000).

**6. Income and resource taxes**

Income and resource taxes primarily relate to Canadian operations and consist of:

	Years ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
Income taxes —			
Current .....	<b>\$12,202</b>	\$58,768	\$46,752
Deferred .....	<b>9,531</b>	5,036	26,013
Petroleum and natural gas revenue tax ..	<b>3,656</b>	—	—
	<b><u>\$25,389</u></b>	<u>\$63,804</u>	<u>\$72,765</u>

The reconciliation between the combined federal and provincial statutory income tax rate in Canada and the Company's effective income tax rate, excluding the petroleum and natural gas revenue tax introduced in 1981, is as follows:

	Years ended December 31		
	1981	1980	1979
Combined Canadian income tax rate ....	<b>52.0%</b>	51.0%	51.0%
Foreign exploration not deductible .....	<b>9.1</b>	2.7	2.0
Depletion not deductible .....	<b>5.0</b>	1.6	1.3
Resource and depletion allowances, net of non-deductible government royalties and resource taxes .....	<b>(4.5)</b>	(1.6)	(1.5)
Other .....	<b>(.5)</b>	.2	(1.8)
Effective income tax rate .....	<b><u>61.1%</u></b>	<u>53.9%</u>	<u>51.0%</u>

Deferred income taxes result from timing differences in the recognition of expenses for tax and financial statement purposes. The sources of these differences and their tax effect are as follows:

	Years ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
Exploration, depreciation and depletion			
— mining operations .....	<b>\$5,767</b>	\$5,711	\$21,408
— oil and gas .....	<b>3,580</b>	2,121	2,367
Other .....	<b>184</b>	(2,796)	2,238
Deferred income taxes .....	<b><u>\$9,531</u></b>	<u>\$5,036</u>	<u>\$26,013</u>

At December 31, 1981, earned depletion of approximately \$49,000,000 is available to reduce taxable income of subsidiaries in future years. Because of uncertainty of utilization, recognition has not been given to the potential tax benefit of losses of certain foreign subsidiary companies aggregating \$55,000,000.

**7. Shareholders' equity**

*Share capital*

The Company's authorized share capital is comprised of 60,000,000 common shares without par value. The common shares were split on a three-for-one basis as of May 22, 1980. The earnings per share, dividends and number of shares for prior years have been restated.

Issued common share changes are as follows:

	Years ended December 31		
	1981	1980	1979
Beginning of year .....	36,512,781	36,396,144	36,337,473
Issued under the share option plan.....	143,200	94,850	34,350
Issued under the share purchase plan.....	56,753	21,787	24,321
Issued as share dividends .....	23,236	—	—
End of year .....	36,735,970	36,512,781	36,396,144
Less the Company's pro-rata interest in its shares held by Noranda Mines Limited (See below) .....	733,200	937,800	1,040,100
Net shares .....	<u>36,002,770</u>	<u>35,574,981</u>	<u>35,356,044</u>

Through its investment in Zinor Holdings Limited, the Company has an indirect interest in Noranda Mines Limited which in turn owns common shares of the Company. These reciprocal shareholdings result in the Company having an interest in its own earnings and net assets which is taken into account in determining net earnings and earnings per share.

#### *Share option plan*

Under the Company's share option plan, ten-year options are granted at market value which may be exercised in part during the second and third years or in full thereafter. Certain options include share appreciation rights which entitle the optionee to receive cash in lieu of shares upon exercise of the option.

In 1981, options for 145,750 shares were cancelled at prices of \$29.25 and \$22.50 per share and options for 346,250 shares at prices of \$22.50, \$17.875 and \$15.875 per share were granted (1980 — 86,000, 1979 — nil). In 1981, 143,200 options were exercised for \$2,106,000 (1980 — 94,850 for \$563,000, 1979 — 34,350 for \$229,000). No share appreciation rights were exercised in 1981 (1980 — 14,900, 1979 — nil). At December 31, 1981, options for 184,900 shares were outstanding at prices ranging from \$7.653 to \$22.50 per share.

#### *Share purchase plan*

The Company has a share purchase plan for its salaried employees and contributes one-third of the cost of shares purchased. In 1981, 56,753 shares were issued for \$1,091,000 (1980 — 21,787 for \$450,000, 1979 — 24,321 for \$278,000).

#### *Share dividends*

Commencing in 1981, shareholders have the option of receiving dividends in cash or the equivalent in common shares. In 1981, 23,236 shares were issued representing dividends of \$438,000.

#### *Contributed surplus*

Contributed surplus of \$8,773,000 is combined with share capital in 1981. Prior years have been reclassified to conform with the 1981 presentation.

#### *Earnings reinvested in the business*

At December 31, 1981 reinvested earnings include undistributed earnings of associated companies accounted for by the equity method of \$57,050,000.

8. Extraordinary items

Extraordinary gains arose from the sale of Northern Cattle Company Pty. Limited in 1980 — \$8,068,000 and from the exchange of shares of Mattagami Lake Mines Limited (N.P.L.) for shares of Noranda Mines Limited in 1979 — \$38,588,000.

9. Pension plans

Pension plans for salaried employees provide for benefits based on service and earnings. Pension expense for 1981 was \$2,794,000 (1980 — \$2,207,000, 1979 — \$1,507,000), including \$1,100,000 in 1981 for amortization of past service costs.

At December 31, 1981, the present value of accumulated pension obligations was \$27,148,000. Net assets held by the trustee and available for benefits were \$22,412,000. Benefit changes in 1981 created past service costs of \$5,307,000 which are presently being amortized over five years; \$4,207,000 is unamortized at December 31, 1981.

Independent actuarial valuations of accumulated pension obligations were carried out in 1981 using rates of return between 6% and 7% and provisions for future earnings increases of approximately 6%.

Effective January 1, 1982, the staff plan is non-contributory which will increase annual current service expense by \$980,000.

10. Lines of business information

The Company operates in two principal industries — mining in Canada and the United States and oil and gas in Canada. The principal mining operations produce and sell molybdenum, silver and copper in concentrates. Oil and gas operations include the production and sale of crude oil, natural gas and natural gas liquids. Prior years' information has been restated to reflect 1981 presentation (Note 2).

Years ended December 31  
1981 1980 1979  
(in thousands)

Industry Segments —

Sales:

Mining .....	\$234,997	\$236,218	\$225,651
Oil and gas .....	38,078	31,203	24,696
Total sales .....	<u>\$273,075</u>	<u>\$267,421</u>	<u>\$250,347</u>

Operating Earnings:\*

Mining .....	\$ 90,521	\$142,211	\$145,146
Oil and gas .....	21,787	17,183	14,630
Total operating earnings .....	112,308	159,394	159,776
General corporate expenses .....	(9,707)	(6,138)	(4,250)
Interest .....	(45,337)	(20,824)	(8,473)
Exploration expense			
Mineral .....	(20,636)	(17,064)	(12,436)
Oil and gas .....	(7,484)	(7,091)	(5,238)
Interest and other income .....	10,083	10,072	13,387
Earnings before taxes and other items ...	<u>\$ 39,227</u>	<u>\$118,349</u>	<u>\$142,766</u>

Depreciation and Depletion:

Mining .....	\$ 24,630	\$ 15,292	\$ 8,491
Oil and gas .....	8,274	7,974	5,357
General corporate .....	342	216	171
	<u>\$ 33,246</u>	<u>\$ 23,482</u>	<u>\$ 14,019</u>

Capital Expenditures:

Mining .....	\$ 56,456	\$ 97,131	\$ 72,428
Oil and gas .....	16,922	18,816	18,656
General corporate .....	4,065	877	630
	<u>\$ 77,443</u>	<u>\$116,824</u>	<u>\$ 91,714</u>

Identifiable Assets:			
Mining .....	\$415,683	\$322,291	\$200,282
Oil and gas .....	104,682	94,004	92,304
Total identifiable assets .....	520,365	416,295	292,586
General corporate .....	56,707	67,089	88,632
Investments in associated companies ...	241,014	216,517	154,120
	<u>\$818,086</u>	<u>\$699,901</u>	<u>\$535,338</u>
<i>Geographic Area —</i>			
Sales:			
Canadian operations			
Export sales			
Japan** .....	\$110,116	\$150,218	\$118,885
Europe .....	41,963	26,760	33,742
Other countries .....	32,329	14,605	16,730
	184,408	191,583	169,357
Domestic sales .....	73,865	64,571	68,991
	258,273	256,154	238,348
United States operations .....	14,802	11,267	11,999
	<u>\$273,075</u>	<u>\$267,421</u>	<u>\$250,347</u>
Operating Earnings:*			
Canadian operations .....	\$109,121	\$156,145	\$156,856
United States operations .....	3,187	3,249	2,920
	<u>\$112,308</u>	<u>\$159,394</u>	<u>\$159,776</u>
Identifiable Assets:			
Canadian operations .....	\$503,664	\$403,019	\$279,102
United States operations .....	16,701	13,276	13,484
	<u>\$520,365</u>	<u>\$416,295</u>	<u>\$292,586</u>

\*Represents sales less cost of sales, depreciation, depletion and allocated general and administrative expenses.

\*\*Export mining sales to Japan include sales to a customer in 1981 which represent 11% of sales revenues.

## 11. Oil and gas information

Capitalized costs relating to oil and gas producing activities and related accumulated depreciation and depletion are:

	December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
Properties —			
Proved .....	\$ 86,173	\$ 79,082	\$ 69,304
Unproved .....	15,942	14,667	19,924
Equipment .....	29,624	26,164	18,091
	<u>\$131,739</u>	<u>\$119,913</u>	<u>\$107,319</u>
Accumulated depreciation and depletion .....	<u>\$ 35,206</u>	<u>\$ 27,101</u>	<u>\$ 19,089</u>

Costs incurred in oil and gas producing activities, including amounts capitalized, are:

	Years ended December 31		
	1981	1980	1979
	<i>(in thousands)</i>		
Property acquisition costs .....	\$ 5,294	\$ 2,182	\$ 2,937
Exploration costs .....	\$ 7,686	\$ 4,014	\$ 4,137
Development costs .....	\$ 6,669	\$13,483	\$12,642
Production (lifting) costs .....	\$ 6,019	\$ 4,647	\$ 3,499

Depreciation, depletion and valuation write-offs for 1981 are \$13,004,000 (1980 — \$13,772,000, 1979 — \$9,495,000).

Net revenues from production of proved developed oil and gas reserves for 1981 are \$29,800,000 (1980 — \$26,170,000, 1979 — \$21,752,000).

**12. Related party transactions**

The Company provides management, technical and administrative services at cost to certain of its subsidiary and associated companies. Services are also provided for two associated companies for which fees are received. The Company engages in other transactions with these companies in the ordinary course of business and on similar terms as with unrelated parties.

The Company is associated with the Noranda group of companies. Transactions with this group are limited to certain marketing arrangements and purchasing in the normal course of business.

Aggregate direct remuneration paid by the Company and its subsidiaries to its directors and senior officers in 1981 was \$1,924,000 (1980 — \$1,265,000, 1979 — \$1,055,000) of which \$111,000 (1980 — \$107,000, 1979 — \$107,000) consisted of fees paid to directors.

Accounts receivable at December 31, 1981 include \$9,016,000 (1980 — \$5,090,000) owing by associated companies. At December 31, 1981 other investments include interest free loans made in 1981 to employees and officers, including a director, of \$2,188,000. This amount is secured by Company shares held in trust and by mortgages.

**13. Information on United States accounting principles**

The significant differences between accounting principles used in these financial statements and those generally accepted in the United States are set forth below.

Items affecting net earnings:

	Years ended December 31		
	1981	1980	1979
	(per share)		
Reclassification to contributed surplus of after-tax earnings of associated companies attributable to an increase in the book value of the Noranda investment (Note 3) as a result of Noranda's treasury share issues . . . . .	\$ (.47)	\$ (.05)	\$ —
Interest expense on indirect debt attributable to major construction projects not capitalized, net of income taxes . . . . .	.09	.13	—
Unrealized foreign exchange gains (losses) on long-term debt not included in earnings . . . . .	.06	(.03)	(.06)
Net (decrease) increase . . . . .	(.32)	.05	(.06)
Net earnings as reported . . . . .	<u>1.37</u>	<u>2.52</u>	<u>3.12</u>
Net earnings under United States practice . . . . .	<u>\$1.05</u>	<u>\$2.57</u>	<u>\$3.06</u>

Items not affecting net earnings:

The restated presentation for the former Fox Manufacturing Division (Note 2) would be reported in the United States for each year as discontinued operations rather than as an associated company accounted for by the equity method (Note 3).

The 1980 gain on the sale of Northern Cattle Company would be reported as part of current operating results rather than as an extraordinary item.

## 14. Subsidiaries

Subsidiaries of the Company at December 31, 1981 are as follows:

Active	Inactive
Canadian Export Gas & Oil Inc.	Beluga Coal Company
Canadian Export Gas & Oil (U.K.) Ltd.	Canadian Exploration Limited
Cuisson Lake Mines Ltd.	Canadian Export Gas & Oil Ltd.
Equity Silver Mines Limited	Canex Aerial Exploration Limited
Fox Manufacturing Company (New Zealand) Limited	Canex Placer Limited (in voluntary liquidation)
Fox Manufacturing Company Pty. Limited*	Fox Manufacturing Company (South Africa) Pty. Limited
Gibraltar Mines Limited	Fraser Lake Development Limited (in voluntary liquidation)
Kidston Gold Mines Limited (formerly Placer Austex Pty. Limited)	Minera Placer Argentina S.A.M.I.C.T.y F.
Molybond Laboratories Limited	Minera Placer S.A.
Placer Amex Inc.	Placer Internationaal, B.V.
Placer CEGO Petroleum Limited	Placer Nominees Pty. Limited
Placer Coal Inc.	Plarex Limited (formerly Kidston Gold Mines Limited)*
Placer Exploration Limited	
Placer Holdings Pty. Limited	
Placer Pacific Pty. Limited*	
Placer (P.N.G.) Pty. Limited	
Sociedad Placer Development y Compania Limitada	

\*Incorporated in 1981.

## Auditors' Report

To the Shareholders of Placer Development Limited:

We have examined the consolidated balance sheets of Placer Development Limited as at December 31, 1981 and 1980 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the years ended December 31, 1981, 1980 and 1979. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1981 and 1980 and the results of its operations and the changes in its financial position for each of the three years in the period ended December 31, 1981 in accordance with generally accepted accounting principles consistently applied.

Vancouver, B.C.  
February 25, 1982

PRICE WATERHOUSE  
Chartered Accountants





# Five-Year Summary (in thousands, except number of shareholders and employees)

Financial Data	1981	1980	1979	1978	1977
<b>Revenues:</b>					
Sales .....	\$273,075	267,421	250,347	130,455	134,156
Interest and other income .....	10,083	10,072	13,387	9,411	7,783
	<u>283,158</u>	<u>277,493</u>	<u>263,734</u>	<u>139,866</u>	<u>141,939</u>
<b>Expenses:</b>					
Cost of sales .....	121,898	79,627	73,259	66,927	77,427
Depreciation and depletion .....	33,246	23,482	14,019	13,750	13,570
Selling, general and administrative .....	15,330	11,056	7,543	6,831	6,399
Interest .....	45,337	20,824	8,473	6,354	4,763
Exploration .....	28,120	24,155	17,674	12,106	9,916
	<u>243,931</u>	<u>159,144</u>	<u>120,968</u>	<u>105,968</u>	<u>112,075</u>
Earnings before taxes and other items .....	39,227	118,349	142,766	33,898	29,864
Income and resource taxes .....	25,389	63,804	72,765	21,575	15,806
Earnings before the following .....	13,838	54,545	70,001	12,323	14,058
Equity in earnings of associated companies .....	34,202	33,302	13,929	13,217	7,411
Minority interests .....	884	(6,561)	(9,402)	669	40
Earnings before extraordinary items .....	48,924	81,286	74,528	26,209	21,509
Extraordinary items .....	—	8,068	38,588	(6,025)	—
Net earnings .....	<u>\$ 48,924</u>	<u>89,354</u>	<u>113,116</u>	<u>20,184</u>	<u>21,509</u>
Return on shareholders' equity — % .....	11.9	25.0	40.8	8.9	10.0
<b>Operating Data</b>					
Placer's share of:					
Copper produced — kg					
Gibraltar — 72% .....	29,454	26,904	26,127	11,755	28,342
Marcopper — 40% .....	14,511	13,782	17,809	21,610	18,895
Craigmont — 45% .....	3,784	4,976	6,354	10,694	9,698
Equity — 70% .....	3,990	998	—	—	—
	<u>51,739</u>	<u>46,660</u>	<u>50,290</u>	<u>44,059</u>	<u>56,935</u>
Molybdenum produced — kg					
Endako — 100% .....	5,338	7,294	2,697	6,363	6,905
Gibraltar — 72% .....	648	562	388	93	102
	<u>5,986</u>	<u>7,856</u>	<u>3,085</u>	<u>6,456</u>	<u>7,007</u>
Silver produced — g; Equity — 70% .....	159,600	37,100	—	—	—
Oil and natural gas liquids produced — m <sup>3</sup> .....	261	236	230	162	127
Natural gas produced — m <sup>3</sup> .....	211,500	261,700	270,200	242,200	295,800
<b>Other Data</b>					
Working capital .....	\$ 93,089	61,884	41,911	50,243	56,951
Working capital ratio .....	1.9:1	1.8:1	1.5:1	2.0:1	2.8:1
Total assets .....	\$818,086	699,901	535,338	359,778	320,649
Property, plant and equipment additions .....	\$ 77,443	116,824	91,714	32,589	21,749
Long-term liabilities .....	\$207,110	157,692	59,390	44,477	33,261
Average shares outstanding .....	35,723	35,525	36,231	36,300	36,225
Number of shareholders .....	6,844	5,996	4,908	5,088	5,196
Number of employees .....	2,651	2,961	2,507	2,389	2,640
<b>Per Common Share</b>					
Earnings before extraordinary items .....	\$1.37	2.29	2.06	0.72	0.59
Net earnings .....	\$1.37	2.52	3.12	0.56	0.59
Dividends paid .....	\$0.45	0.60	0.42	0.30	0.26
Price range on the Toronto Stock Exchange — High .....	\$26¾	32½	18¾	9½	7½
— Low .....	\$14	13¾	8½	6¾	5½

## Directors

<sup>1,2</sup>C. ALLEN BORN,  
Vancouver, Canada,  
*President and Chief Executive  
Officer.*

THOMAS A. BUELL,  
Vancouver, Canada,  
*Chairman, President and  
Chief Executive Officer,*

<sup>3</sup>*Weldwood of Canada Limited.*

<sup>2</sup>PETER A. CHERNIAVSKY,  
Vancouver, Canada,  
*President and Chief Executive  
Officer,*  
*B.C. Sugar Refinery, Limited.*

JAMES C. DUDLEY,  
New York, U.S.A.,

<sup>5</sup>*Chairman, Dudley & Wilkinson, Inc.*

DONALD R. GETTY,  
Edmonton, Canada,  
*President,*  
*D. Getty Investments Ltd.*

WILLIAM JAMES,  
Toronto, Canada,  
*Executive Vice-President,*  
*Noranda Mines Limited.*

<sup>1</sup>THOMAS H. McCLELLAND,  
Vancouver, Canada,  
*Chairman of the Board.*

<sup>1</sup>ALFRED POWIS,  
Toronto, Canada,  
*Chairman, President and  
Chief Executive Officer,*  
*Noranda Mines Limited.*

BARTHOLOMEW C. RYAN,  
Sydney, Australia,  
*Non-Executive Director,*  
*Renison Gold Fields Consolidated  
Limited.*

<sup>2</sup>P. RITCHIE SANDWELL,  
Vancouver, Canada,  
*Chairman of the Board,*  
<sup>4</sup>*Sandwell & Company Limited.*

VERNON F. TAYLOR, JR.,  
Denver, U.S.A.,  
*President, Westhoma Oil Company.*

<sup>1,2</sup>H. RICHARD WHITTALL,  
Vancouver, Canada,  
*Deputy Managing Partner,*  
*Richardson Securities of Canada.*

<sup>1</sup>*Member of the Executive Committee*

<sup>2</sup>*Member of the Audit Committee*

<sup>3</sup>*Forest Products Company*

<sup>4</sup>*Consulting Engineers*

<sup>5</sup>*Investment Consultants*

## Directors Emeritus

ALBERT E. GAZZARD,  
Vancouver, Canada

JOHN D. SIMPSON,  
Vancouver, Canada

## Officers

THOMAS H. McCLELLAND,  
*Chairman of the Board*

C. ALLEN BORN,  
*President and Chief Executive  
Officer*

JAMES L. McPHERSON,  
*Senior Vice-President and  
Chief Financial Officer*

ANTHONY J. PETRINA,  
*Senior Vice-President  
and Chief Operating Officer*

LAWRENCE ADIE,  
*Vice-President, Exploration*

JOHN A. BUTTERFIELD,  
*Vice-President, Marketing*

JAMES H. EASTMAN,  
*Vice-President, Project  
Developments*

LORY C. FAIRFIELD II,  
*Vice-President, Personnel and  
Industrial Relations*

HOWARD F. GOUGEON,  
*Vice-President, Administration*

JOHN M. McCONVILLE,  
*Vice-President, Corporate Affairs  
and General Counsel*

ROBERT NEEDHAM,  
*Vice-President, Australasian  
Operations*

JOHN RACICH,  
*Vice-President, Finance*

DONALD HALLAM,  
*Secretary*

DAVID MICHAELIS,  
*Sydney Secretary*

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## Stock Exchange Listings

Toronto Stock Exchange  
Vancouver Stock Exchange  
Montreal Stock Exchange  
Sydney Stock Exchange  
American Stock Exchange  
Stock Exchange Association of  
New Zealand

## Auditors

Price Waterhouse,  
Chartered Accountants  
Vancouver, Canada

## 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.



Equity leach plant operators Sharon Madsen and Theresa Degenhardt at the filter presses.



**Placer Development  
Limited**