# Placer Development Limited

# 1982 Annual Report

***Cover***

*The new Golden Sunlight mill as seen from location close to the Mineral Hill open pit shortly before operations began. The first gold bar was poured at this new 100%-owned mine on February 7, 1983. Ore from the pit is delivered to a primary crusher below centre foreground in photo. The coarse ore pile, not in place at time photo was taken, will be located at extreme left. From it, a reclaim conveyor leads under tower to the secondary crushing plant. Behind this building is the fine ore stockpile and to right of that is the large concentrator building with rows of leach tanks extending to lower right. Maintenance shop and warehouse building is at right.*

***Below***

*Silver-bearing ore is accumulated on an outside stockpile at the mine of Minera Real de Angeles in Mexico. This mine, in which Placer has a 34% interest, commenced operations in mid-1982 and is expected to be one of the world's major sources of mined silver.*

# Corporate Information

### 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 80% of the issued shares, 8% are held in the United States, 10% are held in Australia and 2% are held in other countries.

### Enquiries

The Company welcomes enquiries from Shareholders. These should be addressed to the Secretary, Placer Development Limited, P.O. Box 49330, Bentall Postal Station, Vancouver, B.C., Canada, V7X 1P1.

### Optional Stock Dividend Plan

The Company has an Optional Stock Dividend Plan under which Shareholders may elect to receive stock dividends on their shares in lieu of cash. A copy of the Plan prospectus and an election form may be obtained from National Trust Company Limited, 510 Burrard Street, Vancouver, B.C., Canada, V6C 2J7.

### Contents



## Comparative Highlights

| | 1982 | 1981 |
|---|---|---|
| **Operating Summary** | | |
| Revenues | **$266,463,000** | $301,880,000 |
| Equity in earnings (losses) of associated companies | **(9,932,000)** | 34,202,000 |
| Net earnings (loss) | **(16,313,000)** | 48,924,000 |
| Cash flow from operations and dividends from associated companies | **94,228,000** | 6,072,000 |
| Exploration expense | **27,021,000** | 28,120,000 |
| **Financial Status** | | |
| Working capital | **$140,546,000** | $ 93,089,000 |
| Property, plant and equipment additions | **105,466,000** | 72,713,000 |
| Total assets | **877,608,000** | 818,086,000 |
| Long-term liabilities | **295,795,000** | 207,110,000 |
| Shareholders' equity | **415,253,000** | 430,072,000 |
| Return on average shareholders' equity | **(3.9)%** | 11.9% |
| **Per Common Share** | | |
| Net earnings (loss) | **$(0.45)** | $ 1.37 |
| Dividends paid | **0.20** | 0.45 |
| Book value | **11.24** | 11.95 |
| Price on the Toronto Stock Exchange — High | **21.87** | 26.75 |
| — Low | **10.75** | 14.00 |
| **Statistical Data** | | |
| Number of shareholders | **6,606** | 6,844 |
| Number of employees | **1,630** | 2,651 |

### Metrification

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. A conversion table is provided below.

| To convert from | To | Multiply by |
|---|---|---|
| tonnes (t) | short tons (concentrate) | 1.1023 |
| kilograms (kg) | pounds (metals) | 2.2046 |
| grams (g) | troy ounces (precious metals) | 0.0322 |
| metres (m) | feet (mineral bodies) | 3.2808 |
| cubic metres ($m^3$) | thousand cubic feet (mcf) (gas) | 0.0353 |
| cubic metres ($m^3$) | barrels (oil) | 6.2929 |
| kilometres (km) | miles (distance) | 0.6214 |
| hectares (ha) | acres (land) | 2.4710 |

**Other Units**

| | |
|---|---|
| flask (mercury) | contains 34.4734 kilograms or 76 pounds |
| barrel (oil) | contains 0.1589 cubic metres or 35 Imperial gallons |

Note: $10^3m^3$ means one thousand cubic metres

# Directors' Report
## to the Shareholders

A profit in the fourth quarter resulting from an improvement in the price of silver, and gains from the sale of assets, reduced the consolidated loss for the year ended December 31, 1982 to $16,313,000 or $0.45 per share. In 1981, consolidated earnings were $48,924,000 or $1.37 per share, which included Placer's share of non-operating gains of $27,600,000 by Zinor and Noranda.

Significant positive events were the commencement of production from two new mines, the Real de Angeles silver mine in June, 1982 and the Golden Sunlight gold mine in January, 1983. These mines should contribute substantially to future results.

Economies continued to weaken through most of 1982 with the metals sector being particularly depressed by poor industrial demand. The prices of molybdenum and copper, Placer's most important products in recent years, were at low levels with demand for molybdenum being extremely weak. The price of silver improved significantly by year-end and this was one of the primary reasons for a $3,848,000 profit in the fourth quarter.

Steps already taken to protect cash reserves were supplemented or extended as it became evident that this was to be an unusually harsh recession. The closure of the Endako molybdenum mine, initially for 13 weeks, became an indefinite closure as the molybdenum market worsened. Mining at Gibraltar was suspended in July although production has continued with milling of low-grade material from stockpiles. Staff reductions and salary freezes were implemented at various offices. As a result of these steps, total employment by the Placer group in British Columbia was reduced by almost 1,000. Hard mineral exploration was significantly reduced and some further budget cut-backs are planned for 1983.

Liquidation of Zinor resulted in Placer receiving for its 36.3% interest, 7,572,889 Noranda common shares (6% of Noranda's outstanding common shares), 292,414 Noranda preferred shares, and 949,595 Brascade preferred shares. Placer subsequently sold the Brascade shares and from the proceeds of $28,868,000 provided $14,746,000 to retire its share of Zinor's bank loan. The Noranda common and preferred shares had an approximate market value on February 9, 1983 of $211,063,000. The Company's interest in Noranda through Zinor was accounted for by the equity method of accounting until September 30, 1982 when the decision was made to distribute Zinor's assets. From that date, Placer is recording only dividend income from Noranda and during the fourth quarter $1,641,000 was received from this source.

The second, one-third payment of $7,456,000 from the 1981 sale of Fox Manufacturing was received in late December, 1982 resulting in a gain of $3,194,000 (1981 — $4,292,000). The final one-third payment will be received in 1984.

Ore reserves at Craigmont were exhausted and operations ceased at the end of 1982. Some revenues will be received from the sale of stockpiled media-grade iron concentrate and the liquidation of assets. Production has ceased at Kentucky Coal.

### Finance

In spite of reduced revenues, Placer finished 1982 in a position of improved liquidity. The principal factor was cash generated from the business, including the sale of investments and additional long-term debt.

Quarterly dividends of $0.05 per share were continued, totalling $0.20 per share (1981 — $0.45). A dividend of $0.05 per share was declared for payment on March 28, 1983.

Bank borrowings increased from $230,758,000 at the end of 1981 to $321,216,000 on December 31, 1982. The increase related mainly to construction costs of the Golden Sunlight mine and oil and gas exploration. During 1982 installment payments of $14,000,000 and a prepayment of $1,000,000 reduced the Equity Silver loan to $65,000,000.

On February 22, 1983 the Company announced a public offering of common shares and common share purchase warrants.* The net proceeds will be used to take advantage of investment opportunities as they arise, to reduce bank debt and to finance working capital requirements.

Marcopper, as a result of the poor copper price and resulting losses, was unable to meet some of its financial commitments. Arrangements with the lending banks for the restructuring of the loan have been concluded and repayment will commence in 1984. In mid-1982, the Philippine government provided a support price of U.S.$1.65 per kilogram to copper mines in that country. This has helped to reduce losses and to avoid mine closure.

### Marketing

Prices for most metals produced by Placer fell during the year to levels which, in constant value, have not been seen since the Great Depression. Molybdenum and copper were the most affected. The prices of gold and silver also declined in the early part of the year, but strengthened toward year-end.

Efforts by some of the major industrial countries to reduce interest rates and

*The $153,000,000 public offering of 6,000,000 units, each consisting of one common share and one-half common share purchase warrant, at a price of $25.50 per unit, was dated March 15, 1983. Each whole warrant entitles the holder to purchase one common share at $28.50 on or before September 30, 1986.

re-establish growth patterns should have a favourable influence on metal demand and prices. Although it is expected to be slow, any such improvement would be beneficial to Placer given its significant position in silver and gold.

**Oil and Gas**

Placer CEGO's net earnings declined to $1,128,000 (1981 — $1,924,000) despite an increase in revenues to $50,594,000 (1981 — $40,266,000). A marked increase in the Petroleum and Natural Gas Revenue Tax more than offset improved prices and a 6% increase in the production of oil and natural gas liquids.

Continuing the Company's intention of increasing oil and gas interests, Placer CEGO commenced a joint-venture exploration programme in south Texas, contributing approximately $26,000,000 in 1982. Of the eight wells drilled during the year, two are producing natural gas, and three will begin production in early 1983. Oil or gas found in this area is readily saleable under a royalty structure more favourable than those in western Canada.

**Exploration**

Hard mineral exploration expenditures were reduced to $15,609,000 in 1982 (1981 — $20,636,000). However, since exploration is basic to Placer's long-term growth, this measure will apply only until the return of improved metal markets. Precious metals continued to be the major exploration target.

**Capital Projects**

In Mexico, the 34%-owned Real de Angeles silver mine, which will be one of the world's largest open pit silver producers, commenced operations in June. The mine was developed at a cost of U.S.$170,000,000, provided in part by a U.S.$110,000,000 loan from an agency of the World Bank and U.S.$12,750,000 from a United States government agency and a Mexican bank. The balance was provided pro rata by the Company and its partners. Annual production of silver is expected to be approximately 220,000 kilograms.

Construction of the Golden Sunlight mine near Butte, Montana progressed rapidly with the first gold poured on February 7, 1983 some five months ahead of schedule. The development cost of this 100%-owned mine, at approximately U.S.$50,000,000, was significantly below original estimates. Project financing was arranged through a number of U.S. and Canadian banks with principal repayment to commence in mid-1984. The annual production of gold is expected to be approximately 2,250,000 grams.

**Personnel**

Placer's strength is its people and the Board gratefully acknowledges the dedicated efforts of all personnel to achieve the necessary economies while maintaining high productivity.

A new collective agreement at Gibraltar covers a period of three years with no wage increase during the first year. The agreement, which recognized the depressed condition of copper and molybdenum markets, should provide the industrial stability which Gibraltar needs to recover from the recession.

Placer and its subsidiaries employed a total of 1,630 persons at the end of 1982 (1981 — 2651). This included 362 directly employed by Placer (1981 — 891). Annual compensation, including benefits, paid by Placer was $27,033,000 (1981 — $33,720,000).

**Directors**

Messrs. James C. Dudley and P. Ritchie Sandwell will not be standing for re-election in 1983. Mr. Dudley's financial knowledge and experience have been of great value to the Company during the 18 years that he has been a Director. Similarly, Mr. Sandwell who is one of Canada's most respected consulting engineers, has contributed significantly to the work of the Board during his ten years as a Director. The appointments of the Hon. John L. Nichol of Vancouver and Mr. William T. Griswold of San Francisco as new Directors were made in February, 1983.

**Forecast**

Some recovery in global economies is expected in 1983 although it will not be strong or rapid. Silver and gold should, however, continue to outperform other metals. New production of these metals will enable Placer to emerge from the recession ready to benefit from economic improvement. Placer will continue to find its primary strength in the mining sector while increasing its interests in oil and gas. The Company's product base has been significantly broadened and it is expected that this will be apparent in the financial results within the next two or three years.

T.H. McClelland

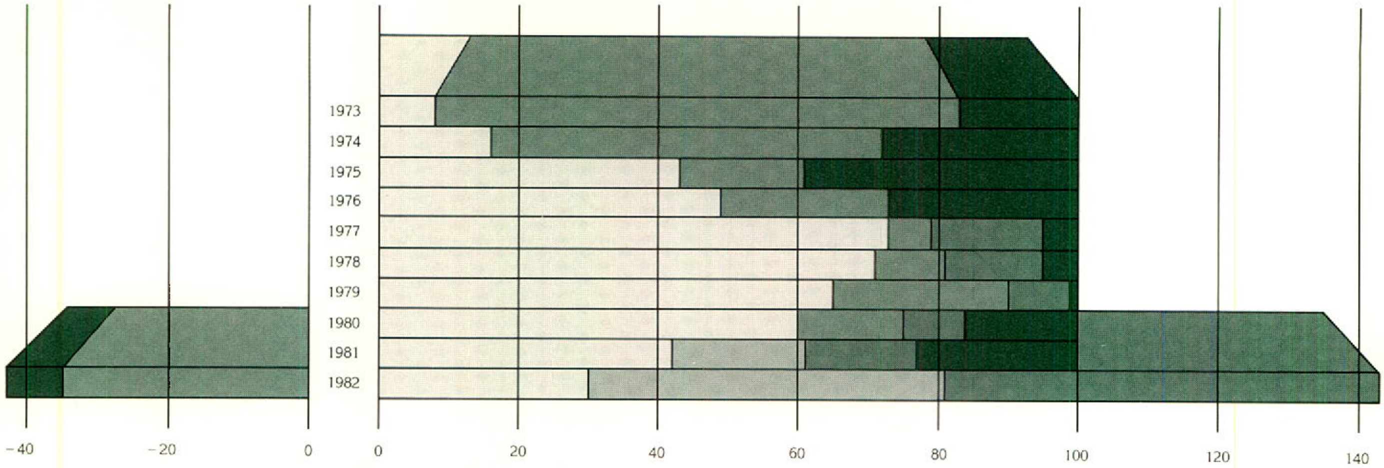
T.H. McClelland, *Chairman*

C. Allen Born

C. Allen Born, *President and Chief Executive Officer*

Vancouver, B.C.
February 22, 1983

## Contribution to Operating Earnings* by Product — %




*Includes earnings of associated companies and excludes oil and natural gas revenue taxes.

## Composition of Net Earnings Per Share

| Operation | Endako | Equity* | Gibraltar | Zinor/ Noranda | Marcopper | Placer CEGO | McDermitt | Other** | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1982 — $ | 0.11 | 0.11 | (0.12) | (0.11) | (0.09) | 0.03 | 0.04 | (0.42) | (0.45) |
| 1981 — $ | 0.61 | 0.08 | — | 1.04 | (0.05) | 0.05 | 0.10 | (0.46) | 1.37 |

*For common shareholders after requirements for preferred share dividends.
**Primarily represents other minor operations, exploration, interest and other corporate expenses.

## Return on Shareholders' Equity — %

| 1982 | 1981 | 1980 | 1979 | 1978 | 1977 | 1976 | 1975 | 1974 | 1973 |
|---|---|---|---|---|---|---|---|---|---|
| (3.9) | 11.9 | 25.0 | 40.8 | 8.9 | 10.0 | 8.7 | 8.1 | 23.4 | 50.9 |

# Mining Operations

### General

Poor economic conditions persisted through 1982 with resource industries, particularly mining, severely affected. With few exceptions, mining operations in North America have been forced to adopt measures for survival as their first priority.

### CANADA

**Endako Mines Division**
(100% interest)

Deterioration in world molybdenum markets through 1981 continued and became worse in 1982. With the growth of its own inventory matching that of the international industry, Endako first moved its mining operations to low grade areas, then reduced production in January, 1982 by 20%. A further 60%-cutback in March was of little help in the face of continuing erosion in demand.

By mid-year unit costs at the lower production levels had risen unacceptably and Endako ceased mining, milling and roasting on June 5, 1982 initially for 13 weeks and eventually for an indefinite period. One roaster was re-started on September 8 as some toll roasting business was available from other mines.

The roaster processed a total of 4,253,000 kg of contained molybdenum during the year including 2,892,000 kg on a toll basis. Operation of the Ultra Pure plant was continued with 185,000 kg of this high-purity, lubricant additive produced.

The labour agreement expired on September 30, 1982 and no negotiations for a new agreement are presently in progress.

**Gibraltar Mines Limited**
(71.9% interest)

A loss was incurred due to lower copper and molybdenum prices. Measures to limit the loss and conserve cash included suspension of mining operations at mid-year and deferral of ore development. As a result, the workforce was reduced by approximately 50%. Production was continued at a reduced level using millfeed from low-grade stockpiles which are sufficient to sustain operations at current levels until August, 1983.

Most of the ore produced prior to the suspension of mining was from Stage II of the East pit. The concentrator operated at full capacity and additional measures were taken to improve cost-efficiency. Exploration was carried out both on and off the property with additional ore delineated in the Pollyanna zone.

A significant increase in the price of copper is needed before development of ore for mining may resume. The schedule for the development programme is being re-examined and alternatives to the existing mining plan are under consideration.

The collective agreement expired on September 30, 1982 and members of the bargaining unit voted in November to accept a new contract. The terms provide for a total compensation increase of 11.8% over three years ending September 30, 1985 with no wage increase in the first year.

**Equity Silver Mines Limited**
(70% interest)

A profitable operation was achieved due to increased sales volume and

**Endako**

| | Years ended December 31 1982* | 1981 |
|---|---|---|
| FINANCIAL | | |
| Revenues | **$46,538,000** | $82,328,000 |
| Net earnings | **$ 4,161,000** | $21,685,000 |
| OPERATIONS | | |
| Ore milled — t | **2,948,000** | 10,492,000 |
| Daily average — t | **19,300** | 28,900 |
| Grade — % molybdenum | **0.055** | 0.066 |
| Recovery of molybdenum — % | **78.6** | 76.9 |
| Molybdenum in concentrate | | |
| Produced — kg | **1,277,000** | 5,338,000 |
| Shipped — kg | **2,574,000** | 3,420,000 |
| Inventory at year-end — kg | **3,843,000** | 5,143,000 |
| Ore reserves — t | **202,000,000** | 230,000,000 |
| Grade — % molybdenum | **0.081** | 0.081 |

*Molybdenum production has been suspended since June, 1982.

**Gibraltar**

| | Years ended December 31 1982 | 1981 |
|---|---|---|
| FINANCIAL | | |
| Revenues | **$52,575,000** | $80,211,000 |
| Loss | **$ 5,931,000** | $ 96,000 |
| OPERATIONS | | |
| Ore milled — t | **13,379,000** | 13,258,000 |
| Daily average — t | **37,100** | 36,700 |
| Grade — % copper | **0.30** | 0.38 |
| Recovery of copper — % | **76.84** | 82.04 |
| Concentrate produced — t | **123,500** | 155,200 |
| Copper in concentrate — kg | **31,296,000** | 40,909,000 |
| Molybdenum in concentrate — kg | **725,100** | 900,400 |
| Copper concentrate shipped — t | **126,000** | 167,100 |
| Inventory at year-end — t | **14,800** | 18,200 |
| Ore reserves — t | **234,000,000** | 234,000,000 |
| Grade — % copper | **0.35** | 0.35 |
| — % molybdenum | **0.009** | 0.009 |

improved precious metal prices in the fourth quarter. As a new mine with significant loan obligations, Equity Silver's financial performance was very satisfactory in 1982.

Mining operations continued in the Southern Tail pit, with overburden removal proceeding on the Main Zone in preparation for the transfer of mining operations in late 1983. The lower grade and more finely mineralized ore of the Main Zone requires additional capacity to maintain production. Grinding, flotation, dewatering equipment and mobile equipment, expected to cost approximately $7,000,000, will be added during 1983.

The leach plant began operating in August, 1981 although work continued on the system in 1982. Production of leached concentrate has increased steadily and by mid-February, 1983 was above 70% of design capacity.

**Craigmont Mines Limited**
(44.6% interest)

Craigmont completed mining of its last copper ore reserves at the end of March, 1982. The up-grading of by-product coarse iron concentrate to media grade commenced in late 1981 and was completed in December, 1982. All production operations and exploration have now ceased.

Preparations to liquidate the assets are proceeding although the stockpile of media grade iron concentrate, at 550,000 t, represents about ten years of market requirements. Other assets include buildings, plant, equipment and parts inventory, oil and gas and other mineral properties. Craigmont's directors have stated that, following liquidation of the assets, they will recommend that the company be wound up.

## UNITED STATES

**Golden Sunlight Mines, Inc.**
(100% interest)

The development of this new, open pit gold mine was completed well ahead of schedule and under budget at U.S.$50,000,000. Ore processing commenced in January and the first gold was poured on February 7, 1983.

In its initial years this mine will operate at 4,500 t per day and will annually produce approximately 2,250,000 g of gold.

Ore reserves are estimated at 23,400,000 t grading 1.71 g/t, mineable by open pit with a waste to ore ratio of 2:1. When open pit mining ends in the thirteenth year there is a possibility of an extension by underground mining.

**Equity Silver**

| | Years ended December 31 1982 | 1981 |
|---|---|---|
| FINANCIAL | | |
| Revenues | **$84,734,000** | $59,830,000 |
| Net earnings | **$12,580,000** | $ 9,945,000 |
| Required for preferred share dividends | **$ 6,509,000** | $ 5,661,000 |
| Earnings for common shareholders | **$ 6,071,000** | $ 4,284,000 |
| OPERATIONS | | |
| Ore milled — t | **2,073,000** | 1,910,000 |
| Daily average — t | **5,700** | 5,200 |
| Concentrate produced — t | **36,200** | 35,200 |
| Silver in concentrate — kg | **216,800** | 227,900 |
| Gold in concentrate — g | **927,000** | 643,000 |
| Copper in concentrate — kg | **6,860,000** | 5,740,000 |
| Concentrate sold — t | **43,200** | 26,700 |
| Inventory at year-end — t | **10,100** | 17,100 |
| Ore reserves — t | **23,600,000** | 25,600,000 |
| Grade — g/t silver | **98.2** | 102.9 |
| — g/t gold | **0.88** | 0.96 |
| — % copper | **0.37** | 0.39 |

**McDermitt**

| | Years ended December 31 1982 | 1981 |
|---|---|---|
| FINANCIAL | | |
| Company's share of earnings before taxes | **$2,685,000** | $3,481,000 |
| OPERATIONS | | |
| Ore milled — t | **273,000** | 237,000 |
| Grade — kg/t | **4.06** | 4.51 |
| Recovery of mercury — % | **83.57** | 86.20 |
| Mercury produced — kg | **886,100** | 958,500 |
| Mercury shipped — kg | **793,700** | 948,500 |
| Ore reserves — t | **1,200,000** | 1,400,000 |
| Grade — kg/t | **4.44** | 5.15 |

**McDermitt Mine**
(51% interest)

Operations continued satisfactorily through the year with production of mercury slightly below the prior year due to a lower average grade of ore processed. The average price of mercury was down somewhat from the 1981 level although demand held steady. The exploration programme was expanded and geophysical targets on nearby claims were drilled with modestly encouraging preliminary results.

**Cortez Gold Mines**
(39.6% interest)

The Horse Canyon orebody will be developed and placed in production at a capital cost of U.S.$6,600,000, including a 23-km haul road. An additional U.S.$6,700,000 in pit equipment will be obtained on a lease basis. Commencing in mid-1983, the 3,100,000-t orebody, with an average recoverable grade of 1.89 g/t, will be milled at a rate of 1,800 t per day, to produce 1,250,000 g of gold per year. The Gold Acres property provided low grade material for heap leaching and milling during 1982 and will be mined until the Horse Canyon start-up.

One of the partners sold its 20.6% interest to the other partners in 1982 and Placer's interest in the joint venture increased to 39.6%.

## PHILIPPINES

### Marcopper
(39.9% interest)

Weak copper prices through 1982 produced a second year of losses for this mine. The Philippine government assisted copper mines during the last six months of 1982 with a subsidy for the difference between the market price and U.S.$1.65 per kg. Marcopper has agreed to sell 8,165,000 kg of copper to the government at U.S.$1.68 per kg (U.S.$0.76 per lb.) during February, March and April, 1983.

An additional grinding mill was installed at the beginning of the year, increasing concentrator throughput. Copper production, however, was about the same as last year due to a lower grade of ore. At year-end, dredging operations on the San Antonio ore zone were suspended to conserve cash. For the same reason, exploration has been limited to completion of the current programme.

As part of the restructuring of a term note of U.S.$14,600,000 and short-term notes of U.S.$16,500,000, payments on the term loan will begin in April, 1984 and the short-term notes will be converted to a second bank loan under a revolving line of credit of U.S.$22,000,000.

The operations of Mar Fishing (70%-owned by Marcopper) continued to be unprofitable due to insufficient supplies of economical raw tuna, depressed export prices for canned tuna, and high interest rates. Two new purse seiners were added to the fleet in late 1982 with significant improvement in fishing operations and plant productivity.

**Cortez Gold Mines**

| | Years ended December 31 1982 | 1981 |
|---|---|---|
| FINANCIAL | | |
| Company's share of earnings before taxes | **$687,000** | $972,000 |
| OPERATIONS | | |
| Ore treated — t | **1,392,000** | 1,224,000 |
| Grade — g/t | **0.92** | 0.84 |
| Gold produced — g | **764,600** | 665,000 |
| Ore reserves — t | **3,700,000** | 4,500,000 |
| Grade — g/t | **1.66** | 1.59 |

**Marcopper**

| | Years ended December 31 1982 | 1981 |
|---|---|---|
| FINANCIAL | | |
| Revenues | **$68,536,000** | $77,556,000 |
| Loss | **$11,133,000** | $ 5,619,000 |
| OPERATIONS | | |
| Ore milled — t | **10,341,000** | 9,753,000 |
| Daily average — t | **28,300** | 26,700 |
| Grade — % copper | **0.43** | 0.44 |
| Recovery of copper — % | **80.1** | 80.9 |
| Concentrate produced — t | **132,000** | 126,900 |
| Copper in concentrate — kg | **36,699,000** | 36,277,000 |
| Gold in concentrate — kg | **1,112** | 935 |
| Silver in concentrate — kg | **5,613** | 5,861 |
| Copper concentrate shipped — t | **130,800** | 133,000 |
| Inventory at year-end — t | **5,600** | 4,400 |
| Ore reserves* — t | **285,500,000** | 295,600,000 |
| Grade — % copper | **0.53** | 0.53 |

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

## MEXICO

### Real de Angeles
(34% interest)

Operations commenced in June and the level of silver production increased steadily through the balance of the year. This large, open pit mine has estimated ore reserves of 57,600,000 t at an average grade of 74 g/t silver, 1.0% lead and 0.92% zinc with minor values of cadmium. The overall stripping ratio will be 1.88 t of low grade and waste to 1 t of ore. The mill, processing 10,000 t of ore per day, will annually produce 220,000 kg of silver, 31,000 t of lead, 26,000 t of zinc and 415 t of cadmium.

Payments due on all bank debt have been met by the company except for a principal and interest payment of U.S.$14,600,000 due on December 15, 1982 which was paid in February, 1983. The delay was caused by a combination of significant devaluations of the Mexican peso and the shortfall of U.S. dollars in Mexico resulting from exchange controls.

## AUSTRALIA

### Placer Exploration Limited
(100% interest)

The manufacturing interests of Placer in Australia are held by Placer Exploration Limited whose net earnings in 1982 amounted to $241,000. On December 31 the second sale of a one-third interest in the Fox Manufacturing Division was completed for $7,456,000. The sale resulted in a gain of $3,194,000 which was partially offset by losses in the value of Placer Exploration's interest in Fox Mexicana S.A. de C.V.

The recession had a significant effect on sales of both the Associated Plywood and Molybond Divisions in 1982. High interest rates and reduced investment caused a marked downturn in the building industry and sales of $11,408,000 (1981 — $14,253,000) by Associated Plywood were 80% of the previous year. Molybond is marketed in Australia and Canada where reduced industrial activity led to a decline in sales from $3,697,000 in 1981 to $3,251,000 in 1982.

# Oil and Gas

**Placer CEGO Petroleum Division**
(100% interest)

The Placer CEGO Petroleum Division of Calgary, Alberta administers Placer's oil and gas interests which are primarily in Alberta and British Columbia, with some producing properties in Saskatchewan and Texas.

**Highlights**

Net earnings declined although gross income and cash flow were higher. The improvement in income and cash flow reflected better oil prices and sales volume but was offset by a pronounced decline in natural gas sales.

**Production**

A total of 32 development wells (1981 — 25) were drilled resulting in 17 oil wells, 9 gas wells, 4 dry holes and 2 wells drilling at year-end. Five wells in which we have a 50% interest, were drilled in the Fort St. John area and resulted in oil production from four which qualify for the higher world price.

**Exploration**

Placer CEGO participated in 29 exploration wells (1981 — 29) resulting in 16 gas wells, 4 oil wells and 7 dry holes with 2 still drilling at year-end. Of these, 8 wells were in south Texas where Placer has 30% and 85% interests in areas totalling approximately 47,000 ha. At year-end two of the Texas wells were producing gas with Placer CEGO's net share being approximately 17 $10^3m^3$ per day. Three will become producers following pipeline hookup in 1983, one is being tested and two have been abandoned. Two wells completed in 1983 will become commercial gas producers.

Development drilling in Texas commenced early in 1983 on the Central Mestena prospect, Jim Hogg County, where Queen City and Yegua gas have been discovered. Development of a Yegua gas discovery on the Escondido

Placer CEGO

| | Years ended December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| | | (in thousands) | |
| RESULTS OF OPERATIONS | | | |
| Sales | **$ 49,245** | $ 38,078 | $ 31,203 |
| Production (lifting) costs | **7,044** | 6,019 | 4,647 |
| Depreciation and depletion | **8,078** | 8,274 | 7,974 |
| General and administrative | **2,912** | 1,998 | 1,399 |
| | **18,034** | 16,291 | 14,020 |
| Operating earnings | **31,211** | 21,787 | 17,183 |
| Exploration expenses | **(11,412)** | (7,484) | (7,091) |
| Revenue taxes | **(7,236)** | (3,656) | — |
| Income taxes | **(11,332)** | (9,563) | (5,191) |
| Earnings from oil and gas producing activities(1) | **$ 1,231** | $ 1,084 | $ 4,901 |
| COSTS INCURRED | | | |
| Unproved property acquisition costs | **$ 14,616** | $ 5,294 | $ 2,182 |
| Exploration costs | **23,370** | 7,713 | 4,445 |
| Development costs | **4,193** | 6,669 | 13,483 |
| | **$ 42,179** | $ 19,676 | $ 20,110 |

| | December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| | | (in thousands) | |
| CAPITALIZED COSTS | | | |
| Proved properties | **$107,399** | $ 86,173 | $ 79,082 |
| Unproved properties | **23,156** | 15,942 | 14,667 |
| Equipment | **31,818** | 29,624 | 26,164 |
| | **$162,373** | $131,739 | $119,913 |
| Accumulated depreciation and depletion | **$ 43,218** | $ 35,206 | $ 27,101 |

(1) Earnings from oil and gas producing activities exclude after-tax interest and other income and interest expense experienced by Placer's oil and gas division as well as corporate overhead and interest incurred to acquire oil and gas assets. Substantially all oil and gas producing activities are in Canada except for exploration expenses incurred in the United States of $9,316,000 in 1982 (1981 — $2,818,000).

GROSS PROVED DEVELOPED RESERVES(1)

| | Oil and natural gas liquids (cubic metres) | | | Natural gas (thousands of cubic metres) | | |
|---|---|---|---|---|---|---|
| | **1982** | 1981 | 1980 | **1982** | 1981 | 1980 |
| January 1 | **1,725,900** | 1,619,600 | 1,481,900 | **3,444,400** | 3,742,600 | 3,650,600 |
| Revisions of previous estimates | **275,300** | 36,700 | 30,900 | **(33,600)** | (164,300) | (66,600) |
| Extensions, discoveries and other additions | **12,900** | 334,100 | 342,300 | **232,800** | 77,600 | 420,300 |
| Production | **(275,200)** | (260,700) | (235,500) | **(187,200)** | (211,500) | (261,700) |
| Sale of minerals in place | **—** | (3,800) | — | **—** | — | — |
| December 31 | **1,738,900** | 1,725,900 | 1,619,600 | **3,456,400** | 3,444,400 | 3,742,600 |

(1) Proved reserves are estimates which to a high degree of certainty are recoverable at commercial rates under present depletion methods and operating conditions, current prices and costs. No proved undeveloped reserves are provided since a report by independent engineers indicates that all reserves are developed. Substantially all the reserves are situated in Canada. United States reserves are not presented separately as there are no oil reserves and natural gas reserves are less than 4% of the total.

prospect, also in Jim Hogg County, will begin early in 1983. Placer CEGO has respectively an 85% and a 42.5% working interest in these prospects. In addition, wells on the Aquilares and Driscoll prospects in which Placer CEGO has a 30% interest, will be drilled in 1983 to further evaluate the Wilcox and younger formations.

Placer CEGO's Canadian land position improved significantly with a number of licences purchased and farm-ins negotiated in the Peace River and Golden-Lubicon Red Earth areas of Northern Alberta. Seismic work to refine leads uncovered in the 1982 winter will continue in early 1983 and the first of several wells scheduled in these areas is now drilling.

**Markets**

Gas production fell 12% in 1982 due primarily to declining exports to the United States. Little improvement is expected in 1983. The net price for gas sold by Alberta producers at the beginning of 1982 was $2.31 per gigajoule (1,000,000 British Thermal Units equals one gigajoule or Gj). Increases during 1982 resulted in a net Alberta price of $2.52 per Gj at year-end.

In 1982, production of oil and natural gas liquids increased by 6%. Under the "conventional old oil" price structure, pre-1974 production received a scheduled increase of $2.25 per barrel on July 1, 1982 and remained at $25.75 for the balance of the year. On January 1, 1983 a $4 increase raised the price of this category to $29.75 per barrel. This is close to the approximate $30 per barrel price granted post-1974 production, designated "special old oil", and based on 75% of the world oil price as of July, 1982.

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES(1)

| | December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| | (in thousands) | | |
| Future cash inflows(2) | **$453,568** | $375,979 | $306,928 |
| Future production and development costs(3) | **(201,457)** | (200,186) | (131,497) |
| Future income tax expense(4) | **(168,891)** | (154,611) | (84,801) |
| Future net cash flows | **83,220** | 21,182 | 90,630 |
| 10% annual discount for estimating timing of cash flows | **30,402** | 8,197 | 32,383 |
| Standardized measure of discounted future net cash flows | **$ 52,818** | $ 12,985 | $ 58,247 |

(1) The "Standardized Measure" complies with United States Financial Accounting Standard No. 69 — Disclosures about Oil and Gas Producing Activities.

(2) Computed by applying year-end prices to the year-end quantities of proved oil and gas reserves.

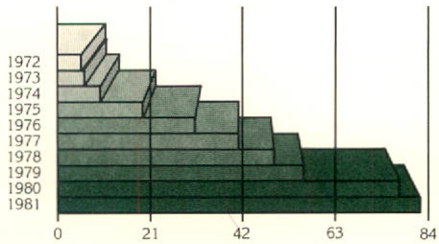
(3) Computed by estimating the expenditures to be incurred in developing and producing the proved oil and gas reserves based on year-end costs and assuming continuation of existing economic conditions.

(4) Computed by applying year-end statutory tax rates to the future pre-tax net cash flows relating to the proved oil and gas reserves, less the tax basis of the properties involved and adjusted for permanent differences and tax credits and allowances.

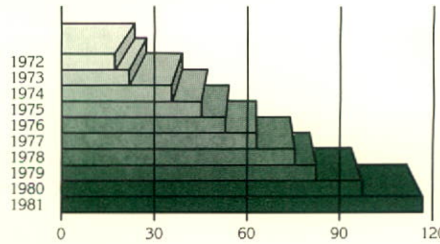
The principal sources of change in the standardized measure of discounted future net cash flows during 1981 and 1982 are:

| | December 31 | |
|---|---|---|
| | **1982** | 1981 |
| | (in thousands) | |
| Net changes in prices and production costs less sales of oil and gas produced net of production costs | **$33,268** | $ 30,740 |
| Extensions, discoveries and improved recoveries less related costs | **1,975** | (470) |
| Development costs incurred and changes in estimates | **(2,713)** | 5,369 |
| Revisions of previous estimates | **15,729** | (33,598) |
| Accretion of discount | **224** | 1,016 |
| Net change in income taxes | **(8,650)** | (48,319) |
| | **$39,833** | $(45,262) |

**Yearly Average Natural Gas Wellhead Plant Prices**
Canadian dollars per thousand cubic metres




**Yearly Average Crude Oil Wellhead Prices**
Canadian dollars per cubic metre

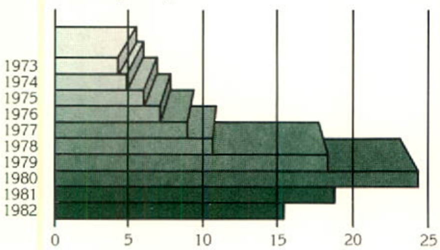


# Markets

## General

Most metals experienced lower prices and reduced demand in 1982 although a recovery in the precious metals sector was underway at year-end.

**Yearly Average Molybdenum Prices**
U.S. dollars per kg




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

## Molybdenum

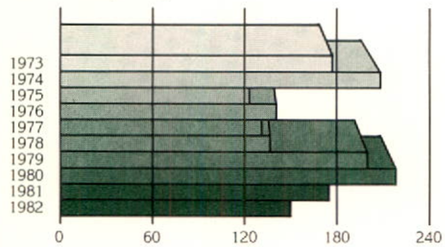
Demand for molybdenum in western industrialized countries declined from 73,000 t in 1981 to 63,000 t in 1982. Reduced demand and increased production capacity led to lower prices for molybdenum in all markets. The effective producer price declined from U.S.$15.43 per kg in January to U.S.$13.23 per kg (U.S.$7 — $6 per lb.) by year-end. Merchant prices fell in the same period from U.S.$12.24 per kg in January to U.S.$5.18 per kg (U.S.$5.55 — $2.35 per lb.) by year-end.

Most major primary producers, including Endako, have suspended operations, but world inventories still amount to approximately one year's consumption although they are now declining. This large inventory, plus declining consumption and increased production capacity indicate that prices, while stabilizing, will remain poor through 1983.

## Copper

Consumption of refined copper declined 5% to about 6,900,000 t in 1982. Despite curtailed production by Canadian and American producers, re-

**Yearly Average Copper Prices**
U.S. cents per kg

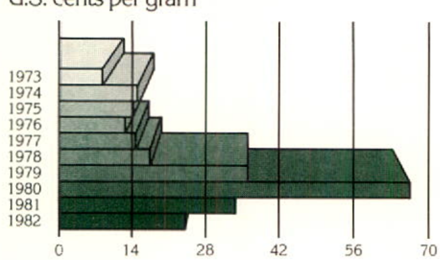



*L.M.E. cash settlement wirebar and high grade cathode*

fined stocks held by producers and metal exchanges increased by about 400,000 t. These factors, together with high interest rates, led to lower prices in 1982. The average price on the London Metal Exchange fell from U.S.$1.74 per kg in 1981 to U.S.$1.48 per kg (U.S.$0.79 — $0.67 per lb.) in 1982.

Some countries have continued to produce copper despite weak demand and the low level of economic activity. For this reason, prices may remain below an economic level during the first half of 1983.

**Yearly Average Silver Prices**
U.S. cents per gram



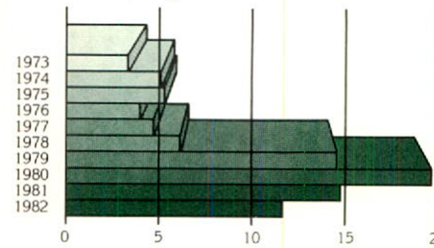

*Handy & Harman*

## Silver

The silver market appeared to be in reasonable balance over the year. Lower by-product supplies from copper, lead and zinc mines, and reduced supplies of scrap tended to offset falling industrial consumption.

Prices fell during the first part of the year, but rose in the last quarter as investor demand increased. The average price was U.S.$0.26 per g compared to the 1981 average of U.S.$0.34 per g (U.S.$7.95 and $10.53 per troy oz.). During February, 1983 the average price was approximately U.S.$0.45 per g (U.S.$14 per troy oz.).

**Yearly Average Gold Prices**
U.S. dollars per gram




*London Afternoon Fix*

## Gold

Jewellery fabrication tended to increase as prices fell in 1981 and the first half of 1982. Investors stopped selling in the second quarter and began buying on balance in the third quarter of the year. The average London final bullion price in 1982 was U.S.$11.50 per g compared to U.S.$14.79 per g in the previous year (U.S.$358 and $460 per troy oz.).

## Mercury

Consumption declined about 3% in 1982 primarily due to the poor economy. In September the U.S. General Services Administration stopped disposing of surplus government stocks at discount prices which tended to stabilize the market in the last quarter of the year. The average Metals Week, N.Y. Dealer Price declined from U.S.$414 per flask in 1981 to U.S.$371 in 1982.

# Exploration

Expenditures of $15,609,000 on hard mineral exploration in 1982 were lower than in the previous year when they amounted to $20,636,000. The 1982 programme directed 38% of exploration expenditures to Canada, 29% to Australasia, and 33% to the United States and other countries. These were principally on-going, relatively advanced precious metals projects, whereas earlier-stage, higher risk activities and base metal exploration were somewhat curtailed.

At Placer's 100%-owned Kidston gold property in northeastern Queensland, Australia, measured and indicated reserves in the Wise's Knob area are estimated at 38,810,000 t grading 1.78 g/t gold and 2.14 g/t silver, based on a 0.59 g/t cut-off for oxide and 0.82 g/t for sulphide ore. Along the extensions of this zone an additional 17,000,000 t are indicated and inferred from widely spaced diamond drill holes. A potential Stage I area of higher grade measured reserves is calculated at 10,149,000 t grading 2.11 g/t gold and 2.25 g/t silver, with a waste to ore ratio of 0.37:1. A Stage II pit area is estimated to contain an additonal 8,377,000 t of measured and indicated reserves grading 1.89 g/t gold and 2.31 g/t silver with a waste to ore ratio of 0.76:1. Metallurgical testing has established gold recoveries ranging from 74% to 89% with the higher recoveries from the weathered, near-surface mineralization. The 1981 feasibility study was updated to reflect current economic conditions and prepare for a development decision. Engineering studies of a concept combining heap leaching of oxidized ore with milling of sulfide ore only, are in progress to assess the possibility of reducing capital requirements. Development will be subject to favourable gold prices and Placer arranging the sale of a 45% interest in the property to comply with Australian foreign investment regulations.

At the 33.3%-owned Porgera gold property in Papua New Guinea, investigations were conducted on a sequential open pit and underground development of the higher grade portions of the deposit. While the total reserves estimate, at a cutoff grade of 1.5 g/t gold, is unchanged at 59,000,000 t containing an average of 3.56 g/t gold and 14.4 g/t silver, a higher variable cutoff grade was used to analyze the economics of a smaller tonnage, higher grade operation. Six zones of better grade mineralization are indicated, of which for purposes of economic analysis, the upper portion of two were investigated for possible extraction by open pit mining, and the remainder by underground methods. At a 3 g/t cutoff for open pit reserves, and a 4 g/t cutoff and 20% dilution factor for underground, indicated and inferred reserves were computed at 11,363,000 t at an average grade of 6.5 g/t gold and 15 g/t silver. Nearby, geological mapping and surface prospecting resulted in the discovery of a new zone of better-than-average grade mineralization. An initial six hole diamond drill programme on this zone indicates continuity of gold values over a strike length of 200 m with an average width of 50 m. The average undiluted grade indicated by this limited drilling is 8 g/t gold with the zone being open along strike to the east and to depth. Further drilling is proposed for 1983.

At the 50%-owned Misima Island project in Papua New Guinea, reverse circulation rotary drilling and diamond drilling was carried out during the year. The main Umuna lode has now been tested by 43 rotary and 51 diamond drill holes. Computerized calculations of indicated and inferred open pit reserves, using a 0.75 g/t cutoff, are approximately 30,000,000 t at an average grade of 1.3 g/t gold and 18.6 g/t silver. Studies are underway to define higher grade zones within the lode and potentially mineable limits. Metallurgical tests indicate a good recovery of gold, ranging from 93% — 96%, and 70% — 78% for silver. Further work to assess the economic viability of this property will be undertaken in 1983.

In Canada a number of gold properties were evaluated. Diamond drill exploration and ground geophysical surveys were carried out on the 100%-owned Eastmain property in north central Quebec. To date, 14 of 34 diamond drill holes have intersected ore-grade mineralization. Undiluted, indicated and inferred reserves are calculated at 700,000 t assaying 14 g/t gold, 16 g/t silver and 0.26% copper. Other occurrences of gold mineralization have been identified in the discovery area. A joint venture agreement provides for a crown corporation to earn a 30% interest in the Eastmain property by spending $4,000,000 over the next three years. The crown corporation can earn a 45% interest in an adjacent geologically favourable block by spending another $1,000,000 over the same period.

On the Beluga coal property in Alaska, a preliminary feasibility study for the export of coal to Japan was completed on behalf of the Company and potential customers. Near-term development appears unlikely but in the meantime, other studies on utilization of this deposit are being evaluated or are planned.

Work at the Howard's Pass zinc/lead property on the Yukon-Northwest Territories' border consisted of completing an economic evaluation study. A mineral inventory established undiluted, indicated reserves, mineable by underground methods, of 115,000,000 t averaging 5.4% zinc and 2.1% lead. In addition, inferred reserves in excess of 365,000,000 t are projected on the basis of known geology and limited drilling. The evaluation concludes that mining and shipment of concentrate to toll smelters would not be economically viable for some years.

At the 75%-owned Bald Mountain property in eastern Nevada, rotary drilling was concentrated in a new area where fairly thick but eratic intervals of gold mineralization were encountered. Further evaluation drilling on this zone is planned for 1983.

A new company, Placer Development (Technical Services) Limited, has been formed through which Placer's technical resources can be made available on a selective basis to assist exploration and mineral developments anywhere in the world.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

### General

Placer's asset and revenue growth was substantial from 1978 to 1982 reflecting increased resource industry investments, the strong base metal demand through 1980 and the subsequent diversification into precious metals properties. Placer's earnings are very sensitive to the price levels and demand for its base and precious metals products. Fluctuations in the general level of economic activity in the western world influence the demand for and prices of most metals. Demand for metals in 1981 and 1982 was reduced significantly by recessionary conditions and prices were generally very weak. Placer reported a $16,313,000 loss for 1982, its first loss in fifty years. Diversification into increased production of precious metals is expected to cushion the effect that base metal market cycles have on Placer's earnings.

### Review of Operating Results

Sales revenues, operating earnings and net earnings of Placer for the five years ended December 31, 1982 were as follows:

OPERATING RESULTS

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | **1982** | 1981 | 1980 (millions) | 1979 | 1978 |
| Sales Revenues | | | | | |
| Mining | | | | | |
| Endako — molybdenum | **$ 46** | $ 81 | $136 | $120 | $ 83 |
| Equity Silver — silver/copper/gold | **84** | 60 | — | — | — |
| Gibraltar — copper/molybdenum | **52** | 79 | 89 | 94 | 20 |
| Other | **24** | 33 | 27 | 26 | 22 |
| Oil and Gas | **49** | 38 | 31 | 25 | 18 |
| Total | **$255** | $291 | $283 | $265 | $143 |
| Operating Earnings (Loss)(1) | | | | | |
| Mining | | | | | |
| Endako — molybdenum | **$ 10** | $ 52 | $ 99 | $ 83 | $ 43 |
| Equity Silver — silver/copper/gold | **37** | 36 | — | — | — |
| Gibraltar — copper/molybdenum | **(13)** | (1) | 41 | 60 | (5) |
| Other | **3** | 4 | 3 | 2 | — |
| Oil and Gas | **31** | 22 | 17 | 15 | 9 |
| Total | **$ 68** | $113 | $160 | $160 | $ 47 |
| Earnings (Loss) | | | | | |
| Consolidated operations | **$ (6)** | $ 15 | $ 48 | $ 60 | $ 13 |
| Associated companies | | | | | |
| Zinor | **(5)** | 37 | 31 | 6 | — |
| Other | **(5)** | (3) | 2 | 8 | 13 |
| | **(16)** | 49 | 81 | 74 | 26 |
| Extraordinary items | **—** | — | 8 | 39 | (6) |
| Net Earnings (Loss) | **$(16)** | $ 49 | $ 89 | $113 | $ 20 |

(1) Represents sales less cost of sales, depreciation, depletion and allocated general and administrative expenses. Oil and natural gas revenue taxes are included with income and resource taxes.

In 1979 a strengthening in the prices of copper and molybdenum more than offset the effects of a strike at Endako. Earnings were further increased by an extraordinary gain on the exchange of an interest in Mattagami Lake Mines Ltd. (NPL) for an interest in Noranda. Earnings before extraordinary items were maintained in 1980 by increases in Placer's earnings from Zinor.

The worldwide economic downturn that commenced in late 1980 resulted in weakened demand and reduced prices for metals in international metal markets. During 1981 the prices for Placer's primary products, molybdenum and copper, experienced significant declines and the lower earnings were attributable to these declines, reduced sales of molybdenum and increased expenses due to interest, inflation and operating costs of the deeper Gibraltar pit. These declines were in part offset by operating earnings from the new Equity Silver mine, increased oil and gas operations and by large non-operating gains of Zinor.

In 1982 a severe decline in demand for and the price of molybdenum and a further decline in the price of copper required suspension of operations at the Endako mine in June. Operations at the Gibraltar mine were curtailed in July although production at Gibraltar has continued by the milling of low grade material from stock piles. Other factors were the reduction in earnings of Zinor and Marcopper.

### Liquidity and Capital Resources

Cash generated from operations and dividends from associated companies peaked at $153,000,000 in 1979. The subsequent declines in 1980 and 1981 reflect the gradual earnings decrease due to lower metal prices and inflated costs. The cash flow declines were also caused by the need to finance accounts receivable and inventories for the new Equity Silver mine and the molybdenum inventory build-up attributable to weakening markets. In 1982, working capital requirements declined as inventories and accounts receivable were reduced.

The liquidation of Zinor in 1982 was a major source of liquid assets in the form of Noranda Series A Preferred shares, now included as current assets, and Brascade Resources Inc. convertible preferred shares, which were sold in 1982. The Company also received 7,572,889 common shares of Noranda.

The sources of cash (including marketable securities less short-term debt) are summarized as follows:

CASH SOURCES

| | Years ended December 31 | | | | |
|---|---|---|---|---|---|
| | 1982 | 1981 | 1980 (millions) | 1979 | 1978 |
| Operations plus dividends from associated companies | $ 94 | $ 6 | $ 94 | $153 | $72 |
| Sale and liquidation of investments | 48 | 10 | 9 | — | — |
| External financing — net of repayments | 92 | 74 | 81 | 22 | 10 |
| | $234 | $90 | $184 | $175 | $82 |

Long-term debt of $321,200,000 at December 31, 1982 represented 38% of invested capital (defined as total assets less current liabilities excluding the current portion of long-term debt) compared to 31% and 26% in 1981 and 1980. At year-end, the Company had unutilized lines of credit of $96,000,000 and its consolidated subsidiaries had additional unutilized lines aggregating $69,000,000.

Since 1979 large scale capital expenditure programmes have substantially increased consolidated productive facilities. Capital expenditures aggregated $377,000,000 from 1979 to 1982, the main projects being the Equity Silver and Golden Sunlight mines and oil and gas expenditures. Additional demands on cash during the period included investments of $74,510,000 for Zinor and $18,357,000 for Real de Angeles. Planned capital expenditures for Placer's operations for 1983 are $75,300,000, including $45,900,000 for oil and gas.

### 1983 Outlook

In 1983, internally generated cash flow will be restricted primarily to earnings since substantial reductions of accounts receivable and inventories and investment disposals are not planned. Consolidated cash flow from operations in 1983 is expected to be primarily from Equity Silver, Golden Sunlight and oil and gas operations. As cash from each of these 1983 sources is required to be used for related development debt repayment and an ongoing oil and gas investment programme, the Company anticipates a shortfall in cash from operations to finance mineral exploration, development and corporate operations. Unless there is a major increase in molybdenum or copper prices, the Company's liquid assets would again be reduced after debt retirement to a level which would restrict the Company's flexibility. However, as a result of continuing measures to reduce costs and to preserve liquidity, and the receipt in March, 1983 of $146,560,000 net proceeds from the sale of common shares and common share purchase warrants, the Company will be able to continue to expand its business and take advantage of investment opportunities.

### Inflation

Placer's financial statements are based on historical costs which do not reflect the impact of inflation. Applying current costs to certain financial statement amounts is one method of measuring the impact of inflation.

To provide a perspective of current costs, property, plant and equipment and related depreciation and depletion were restated to 1982 dollars using a Statistics Canada index which measures changing costs of business assets. Under this method, the net book value of property, plant and equipment of $444,715,000 becomes $584,000,000. Similarly, depreciation and depletion of $31,025,000 shown in the statement of earnings becomes $51,000,000. Under current cost accounting the additional depreciation and depletion is charged against earnings. In effect, this recognizes that more dollars are required to replace exhausted assets purchased in past years. If, through distributing the higher earnings reported under historical cost accounting, productive capacity cannot be maintained by a combination of retained earnings and debt, the Company would become smaller. The possibility of capital erosion is a prime reason for this type of analysis.

Non-renewable natural resource companies are unique because capital maintenance is dependent on the availability of reserves. Information on Placer's ore reserves for developed mines and oil and gas reserves is presented in the preceding sections of this report.

# Management's Report

The management of Placer Development Limited is responsible for the preparation, presentation and integrity of all information in the Annual Report. Management has prepared the Company's consolidated financial statements in conformity with generally accepted accounting principles consistently applied and has ensured that financial and operating data in the Annual Report are consistent with the consolidated financial statements.

Management has established systems of internal control designed to assure reliable accounting records and protect the Company's assets. The Company's auditors provide an independent review of the internal control system and perform such other auditing procedures as they deem necessary for the purpose of expressing their opinion on the consolidated financial statements. The Audit Committee of the Board of Directors, consisting mainly of non-employee Directors, meets with the independent auditors and management to review the scope of the audit, audit results and the financial statements prior to their submission to the Board of Directors.

The Board of Directors has approved the Directors' Report to the Shareholders and the consolidated financial statements contained in the Annual Report.

C. Allen Born

C. ALLEN BORN
President and Chief Executive Officer

# Auditors' Report

To the Shareholders of Placer Development Limited:

We have examined the consolidated balance sheets of Placer Development Limited as at December 31, 1982 and 1981 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for each of the three years in the period ended December 31, 1982. 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, 1982 and 1981 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, 1982 in accordance with generally accepted accounting principles consistently applied.

February 24, 1983
Except for note 11,
the date for which is March 15, 1983.
Vancouver, B.C.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants

## Consolidated Statement of
# Earnings

Placer Development Limited

| | Years ended December 31 1982 | 1981 (in thousands) | 1980 |
|---|---|---|---|
| REVENUES | | | |
| Sales | **$255,332** | $291,025 | $283,370 |
| Interest and other income | **11,131** | 10,855 | 10,446 |
| | **266,463** | 301,880 | 293,816 |
| EXPENSES | | | |
| Cost of sales | **147,378** | 136,552 | 92,585 |
| Depreciation | **18,036** | 17,886 | 11,807 |
| Depletion | **12,989** | 15,360 | 11,675 |
| Selling, general and administrative | **19,118** | 19,398 | 14,421 |
| Interest | **44,935** | 45,337 | 20,824 |
| Exploration | **27,021** | 28,120 | 24,155 |
| | **269,477** | 262,653 | 175,467 |
| EARNINGS (LOSS) BEFORE TAXES AND OTHER ITEMS | **(3,014)** | 39,227 | 118,349 |
| Income and resource taxes (Note 6) | **3,273** | 25,389 | 63,804 |
| | **(6,287)** | 13,838 | 54,545 |
| Equity in after-tax earnings (losses) of associated companies including non-operating gains of $27,600,000 in 1981 (1980 — $5,400,000) (Note 3) | **(9,932)** | 34,202 | 33,302 |
| Minority interests in losses (earnings) of subsidiaries | **(94)** | 884 | (6,561) |
| EARNINGS (LOSS) BEFORE EXTRAORDINARY ITEM | **(16,313)** | 48,924 | 81,286 |
| Gain on sale of Northern Cattle Company | **—** | — | 8,068 |
| NET EARNINGS (LOSS) | **$ (16,313)** | $ 48,924 | $ 89,354 |
| PER COMMON SHARE | | | |
| Earnings (loss) before extraordinary item | **$(0.45)** | $1.37 | $2.29 |
| Net earnings (loss) | **$(0.45)** | $1.37 | $2.52 |

Prior years are reclassified to conform with 1982 presentation.

## Consolidated
# Balance Sheet

Placer Development Limited

| ASSETS | December 31 1982 (in thousands) | 1981 |
|---|---|---|
| CURRENT ASSETS | | |
| Cash and time deposits | **$ 67,553** | $ 31,302 |
| Marketable securities, at cost (market — $27,585,000) | **26,483** | — |
| Accounts receivable (Note 10) | **42,987** | 63,894 |
| Concentrate inventories | **64,987** | 73,410 |
| Supplies and other inventories | **23,636** | 23,138 |
| | **225,646** | 191,744 |
| INVESTMENTS (Note 3) | **207,247** | 252,747 |
| PROPERTY, PLANT AND EQUIPMENT (Note 4) | | |
| Buildings and equipment | **282,818** | 232,536 |
| Properties and development | **161,897** | 141,059 |
| | **444,715** | 373,595 |
| | **$877,608** | $818,086 |

**LIABILITIES AND SHAREHOLDERS' EQUITY**

| | 1982 | 1981 |
|---|---|---|
| CURRENT LIABILITIES | | |
| Short-term debt | **$ 9,961** | $ 34,681 |
| Accounts payable and accrued liabilities | **31,596** | 29,982 |
| Income taxes payable | **1,439** | 2,220 |
| Long-term debt due within one year | **42,104** | 31,772 |
| | **85,100** | 98,655 |
| LONG-TERM LIABILITIES (Note 5) | **295,795** | 207,110 |
| DEFERRED INCOME TAXES | **56,866** | 57,751 |
| MINORITY INTERESTS IN SUBSIDIARIES | **24,594** | 24,498 |
| SHAREHOLDERS' EQUITY (Note 7) | | |
| Share capital | **26,301** | 23,452 |
| Earnings reinvested in the business | **388,952** | 412,520 |
| | **415,253** | 435,972 |
| Less the Company's pro-rata interest in its shares held by Noranda Mines Limited | — | 5,900 |
| | **415,253** | 430,072 |
| CONTINGENCY (Note 12) | | |
| | **$877,608** | $818,086 |

Approved by the Board:

T.H. McClelland, Director

C.A. Born, Director

## Consolidated Statement of
# Changes in Financial Position

Placer Development Limited

| | Years ended December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| | | (in thousands) | |
| CASH FROM THE BUSINESS | | | |
| Operations | **$ 56,820** | $ 83,378 | $110,061 |
| Decrease (increase) in accounts receivable, inventory and other non-cash working capital | **29,664** | (90,250) | (39,150) |
| Sale and liquidation of investments | **47,970** | 9,927 | 8,777 |
| Associated companies' dividends | **7,744** | 12,944 | 23,163 |
| Net cash from the business | **142,198** | 15,999 | 102,851 |
| EXTERNAL FINANCING | | | |
| Long-term debt issued | **127,722** | 83,752 | 141,532 |
| Long-term debt repaid | **(38,294)** | (13,805) | (61,018) |
| Common shares issued | **2,849** | 3,634 | 1,013 |
| | **92,277** | 73,581 | 81,527 |
| Total cash provided | **234,475** | 89,580 | 184,378 |
| CASH USED | | | |
| Property, plant and equipment — | | | |
| New mines | **51,360** | 34,699 | 67,754 |
| Oil and gas development | **30,767** | 12,192 | 13,019 |
| Other | **23,339** | 25,822 | 30,254 |
| | **105,466** | 72,713 | 111,027 |
| Exploration expenses | **27,021** | 28,120 | 24,155 |
| Investments | **7,279** | 7,385 | 50,455 |
| Dividends paid — | | | |
| Company shareholders | **7,255** | 16,060 | 21,315 |
| Subsidiary minority shareholders | **—** | — | 8,337 |
| | **147,021** | 124,278 | 215,289 |
| CASH INCREASE (DECREASE) | **$ 87,454** | $ (34,698) | $ (30,911) |

"Cash" comprises cash, time deposits and marketable securities less short-term debt.

"Operations" comprises earnings (loss) before extraordinary items, equity in after-tax earnings of associated companies, exploration expenses and items not affecting cash.

## Consolidated Statement of
# Earnings Reinvested in the Business

| | Years ended December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| | | (in thousands) | |
| BALANCE, BEGINNING OF YEAR | **$412,520** | $379,656 | $311,617 |
| Net earnings (loss) | **(16,313)** | 48,924 | 89,354 |
| Dividends — $0.20 per share (1981 — $0.45, 1980 — $0.60) | **(7,255)** | (16,060) | (21,315) |
| BALANCE, END OF YEAR | **$388,952** | $412,520 | $379,656 |

# Notes
**to Consolidated Financial Statements**
December 31, 1982 and 1981

## 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 except for Minera Real de Angeles, S.A. de C.V. (Note 3). Under this method 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.

### Capitalization of interest

Interest costs on debt for major capital expenditures are capitalized during the construction period.

### 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 8%,
— 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. Operations

The Endako mine was shut down indefinitely on June 5, 1982. Gibraltar Mines Limited processed low-grade ore stockpiles during the last half of 1982 after deferring ore development and mining pending an improved copper price.

Equity Silver Mines Limited began producing flotation concentrate in October, 1980 and completed the start-up phase of its leach plant on September 30, 1982.

Golden Sunlight Mines, Inc. facilities were constructed during 1982. Operations commenced in January, 1983.

## 3. Investments

| | % owner-ship | Investment December 31 1982 | 1981 | Equity in net earnings (loss) Years ended December 31 1982 | 1981 | 1980 | Dividends received Years ended December 31 1982 | 1981 | 1980 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | (in thousands) | | | | | |
| Associated companies — at equity | | | | | | | | | |
| Zinor | 36 | **$ —** | $193,354 | **$(4,800)** | $37,300 | $30,800 | **$6,272** | $10,453 | $10,453 |
| Marcopper | 40 | **17,215** | 20,611 | **(3,396)** | (1,905) | 4,636 | **—** | — | 8,182 |
| Fox | 33 | **5,129** | 8,544 | **(1,854)** | (1,650) | (5,763) | **—** | — | — |
| Craigmont | 45 | **3,373** | 4,726 | **118** | 457 | 3,006 | **1,472** | 2,491 | 4,528 |
| Other | | **—** | — | **—** | — | 623 | **—** | — | — |
| | | **25,717** | 227,235 | **$(9,932)** | $34,202 | $33,302 | **$7,744** | $12,944 | $23,163 |
| — at cost | | | | | | | | | |
| Real de Angeles | 34 | **18,357** | 13,779 | | | | | | |
| | | **44,074** | 241,014 | | | | | | |
| Noranda Mines, at cost | 6 | **151,005** | — | | | | | | |
| Other assets, at cost | | **12,168** | 11,733 | | | | | | |
| | | **$207,247** | $252,747 | | | | | | |

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. The Company contributed cash and Noranda common shares for a 36.3% interest in Zinor which represented an indirect interest in Noranda of 6% at December 31, 1981 and at the date of liquidation (1980 — 7.7%). On liquidation in the 1982 fourth quarter, Zinor's assets were distributed to its shareholders and the Company received 7,572,889 Noranda common shares, 292,414 Noranda preferred shares (included in marketable securities) and 949,595 Brascade Resources Inc. preferred shares which were sold.

The cost of the Company's investment in Noranda Mines Limited at December 31, 1982 represents the Company's investment in Zinor at September 30, 1982 after deducting the cost of the Noranda and Brascade preferred shares. The quoted market price for the Company's investment at December 31, 1982 is $147,671,000.

In 1981 equity in net earnings of associated companies included non-operating gains of $27,600,000 (1980 — $5,400,000) which represented the Company's share of Zinor gains related to the issue and sale of Noranda common shares and to Noranda's sale of investments.

Minera Real de Angeles, S.A. de C.V. began operating a silver/lead/zinc mine in Mexico in 1982. Because of the uncertain impact of exchange controls established on September 1, 1982 and the nationalization of Mexican banks, the investment is carried at cost.

Marcopper Mining Corporation operates an open pit copper mine in the Philippines. The quoted market price for the Company's investment at December 31, 1982 is $19,680,000.

One-third interests of Fox Manufacturing Company were sold in 1981 and 1982 at gains of $4,292,000 and $3,194,000. Under the sales agreement the remaining one-third will be sold in 1984 at a similar gain. Fox manufactures mining and industrial equipment in Australia.

Craigmont Mines Limited exhausted its ore reserves and completed operations during 1982. The quoted market price for the Company's investment at December 31, 1982 is $4,890,000.

Combined financial information for associated companies accounted for by the equity method is summarized below:

| | Years ended December 31 1982 | 1981 (in thousands) | 1980 |
|---|---|---|---|
| Earnings — | | | |
| Revenues | **$118,106** | $188,490 | $145,371 |
| Equity in Noranda earnings (loss) | **(28,327)** | 28,554 | 90,363 |
| Expenses and taxes | **(117,196)** | (138,174) | (131,211) |
| Net earnings (loss) | **$ (27,417)** | $ 78,870 | $104,523 |

| | December 31 1982 | 1981 (in thousands) | 1980 |
|---|---|---|---|
| Balance sheet — | | | |
| Current assets | **$ 63,188** | $ 68,604 | $ 93,347 |
| Investments and other assets | **16,948** | 622,669 | 494,826 |
| Property, plant and equipment, net | **93,077** | 98,109 | 86,057 |
| | **$173,213** | $789,382 | $674,230 |
| Current liabilities | **$ 38,601** | $ 76,433 | $ 39,051 |
| Long-term liabilities | **59,343** | 68,370 | 33,555 |
| Shareholders' equity | **75,269** | 644,579 | 601,624 |
| | **$173,213** | $789,382 | $674,230 |

**4. Property, plant and equipment**

| | December 31 1982 | 1981 (in thousands) |
|---|---|---|
| Buildings and equipment, at cost | | |
| Mining — | | |
| Buildings and machinery | **$254,868** | $248,454 |
| Mobile equipment | **66,615** | 61,726 |
| Construction in progress | **51,360** | — |
| Oil and gas equipment | **31,818** | 29,624 |
| | **404,661** | 339,804 |
| Less accumulated depreciation | **121,843** | 107,268 |
| | **$282,818** | $232,536 |
| Properties and development, at cost | | |
| Mining | **$ 92,942** | $ 87,101 |
| Oil and gas | **130,555** | 102,115 |
| | **223,497** | 189,216 |
| Less accumulated depletion | **61,600** | 48,157 |
| | **$161,897** | $141,059 |

**5. Long-term liabilities**

| | December 31 1982 | 1981 (in thousands) |
|---|---|---|
| Long-term debt | | |
| Bank loans (including U.S. $207,460,000, 1981 — U.S. $46,750,000) due 1983-1989 | **$321,216** | $230,758 |
| Less amounts due within one year | **(42,104)** | (31,772) |
| | **279,112** | 198,986 |
| Other obligations | **16,683** | 8,124 |
| | **$295,795** | $207,110 |

Interest rates fluctuate with the lenders' prime commercial rates and for U.S. dollar loans, with London or Nassau inter-bank rates. The weighted average interest rate was 15.5% for 1982 (1981 — 19.4%, 1980 — 15.3%). In 1982, interest and exchange loss on long-term debt amounted to $37,843,000 and $1,032,000 (1981 — $37,454,000 and $552,000, 1980 — $19,576,000 and $1,250,000) excluding interest capitalized in 1982 of $2,255,000.

Certain 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 $65,000,000 and short-term debt of $9,000,000 of Equity Silver Mines Limited are secured by the assets of that company. A $50,000,000 line of credit is secured by specific producing oil and gas properties.

The Company has arranged that loans under its operating line of credit are repayable thirteen months after demand and loans of $8,000,000 on this line are classified as long-term debt in 1982.

Scheduled repayment of the above loans (excluding the operating line with an indefinite maturity) for each of the five years through 1987 is as follows: 1983 — $42,104,000, 1984 — $63,194,000, 1985 — $63,751,000, 1986 — $73,171,000, 1987 — $37,686,000.

At December 31, 1982 the Company and its subsidiaries had unused long-term bank credit lines of $81,000,000. Commitment fees are ¼% to ⅜% per annum. Interest rates are generally equivalent to rates on the outstanding loans. These companies also had unused lines of credit providing $84,000,000 for additional short-term borrowings of which $51,000,000 provide for the issue of banker's acceptances.

**6. Income and resource taxes**

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

| | Years ended December 31 **1982** | 1981 (in thousands) | 1980 |
|---|---|---|---|
| Income taxes — | | | |
| Current | **$ (3,078)** | $12,202 | $58,768 |
| Deferred | **(885)** | 9,531 | 5,036 |
| Oil and natural gas revenue taxes | **7,236** | 3,656 | — |
| | **$ 3,273** | $25,389 | $63,804 |

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

| | Years ended December 31 **1982** | 1981 | 1980 |
|---|---|---|---|
| Combined Canadian income tax rate | **(52.0)%** | 52.0% | 51.0% |
| Resource and depletion allowances, net of non-deductible government royalties and resource taxes | **(56.3)** | (4.5) | (1.6) |
| Foreign exploration, net of foreign earnings from operations | **50.2** | 4.9 | (1.9) |
| Depletion not deductible | **16.3** | 5.0 | 1.6 |
| Inventory valuation allowances | **(11.1)** | (1.9) | — |
| Other | **14.2** | 5.6 | 4.8 |
| Effective income tax rate | **(38.7)%** | 61.1% | 53.9% |

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 1982 | 1981 | 1980 |
|---|---|---|---|
| | (in thousands) | | |
| Exploration, depreciation and depletion | | | |
| — mining operations | **$(1,982)** | $ 5,767 | $ 5,711 |
| — oil and gas | **1,425** | 3,580 | 2,121 |
| Other | **(328)** | 184 | (2,796) |
| Deferred income taxes | **$ (885)** | $ 9,531 | $ 5,036 |

At December 31, 1982, earned depletion of approximately $45,000,000 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 $64,000,000.

## 7. Shareholders' equity

### Share capital

Authorized share capital is 60,000,000 common shares without par value.

Common shares outstanding and changes are:

| | Years ended December 31 1982 | 1981 | 1980 |
|---|---|---|---|
| Beginning of year | **36,735,970** | 36,512,781 | 36,396,144 |
| Share option plan | **41,300** | 143,200 | 94,850 |
| Share purchase plan | **108,944** | 56,753 | 21,787 |
| Share dividend plan | **45,019** | 23,236 | — |
| End of year | **36,931,233** | 36,735,970 | 36,512,781 |
| Less the Company's pro-rata interest in its shares held by Noranda Mines Limited | **—** | 733,200 | 937,800 |
| Net shares outstanding | **36,931,233** | 36,002,770 | 35,574,981 |

### 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 and terminate the option.

Summary of changes in options outstanding:

| | Shares 1982 | 1981 | 1980 | Average Option Price per share 1982 | 1981 | 1980 |
|---|---|---|---|---|---|---|
| Outstanding January 1 | **184,900** | 127,600 | 151,350 | **$17.60** | $21.79 | $ 6.14 |
| Granted | **114,900** | 346,250 | 86,000 | **18.37** | 18.60 | 29.25 |
| Exercised | **(41,300)** | (143,200) | (94,850) | **18.37** | 14.71 | 5.94 |
| Cancelled or terminated | **(800)** | (145,750) | (14,900) | **7.65** | 26.48 | 6.80 |
| Outstanding December 31 | **257,700** | 184,900 | 127,600 | **17.85** | 17.60 | 21.79 |

### Share purchase and dividend plans

The Company has a share purchase plan for its salaried employees and contributes one-third of the cost of shares purchased. A share dividend plan provides shareholders with the option of receiving dividends in cash or the equivalent in common shares.

**Earnings reinvested in the business**

Reinvested earnings included undistributed earnings of associated companies accounted for by the equity method of $1,660,000 at December 31, 1982 (1981 — $57,050,000).

**8. Pension plans**

Pension expense includes the current service costs of pension plans for salaried employees and the five-year amortization of past service costs of $5,307,000 arising from benefit changes in 1981. Most plans are funded currently. The 1982 expense is $3,020,000 (1981 — $2,794,000 and 1980 — $2,207,000).

The present value of accumulated pension benefits at 1982 valuation dates was $30,451,000 (1981 — $27,148,000) using rates of return between 6% and 7% and provisions for future salary increases of approximately 6%. At these dates, plan net assets available for benefits were $29,977,000 (1981 — $24,565,000).

**9. Line of business information**

The Company operates in the mining and oil and gas industries in Canada and the United States. 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.

| | Years ended December 31 | | |
|---|---|---|---|
| | **1982** | 1981 | 1980 |
| Industry Segments — | | (in thousands) | |
| Sales: | | | |
| Mining | **$206,087** | $252,947 | $252,167 |
| Oil and gas | **49,245** | 38,078 | 31,203 |
| Total sales | **$255,332** | $291,025 | $283,370 |
| Operating earnings:* | | | |
| Mining | **$ 36,448** | $ 90,924 | $142,752 |
| Oil and gas | **31,211** | 21,787 | 17,183 |
| Total operating earnings | **67,659** | 112,711 | 159,935 |
| General corporate expense | **(9,848)** | (10,882) | (7,053) |
| Interest expense | **(44,935)** | (45,337) | (20,824) |
| Exploration expense | | | |
| Mineral | **(15,609)** | (20,636) | (17,064) |
| Oil and gas | **(11,412)** | (7,484) | (7,091) |
| Interest and other income | **11,131** | 10,855 | 10,446 |
| Earnings (loss) before taxes and other items | **$ (3,014)** | $ 39,227 | $118,349 |
| Depreciation and depletion: | | | |
| Mining | **$ 22,226** | $ 24,630 | $ 15,292 |
| Oil and gas | **8,078** | 8,274 | 7,974 |
| General corporate | **721** | 342 | 216 |
| | **$ 31,025** | $ 33,246 | $ 23,482 |
| Capital expenditures: | | | |
| Mining | **$ 73,570** | $ 56,456 | $ 97,131 |
| Oil and gas | **30,767** | 12,192 | 13,019 |
| General corporate | **1,129** | 4,065 | 877 |
| | **$105,466** | $ 72,713 | $111,027 |
| Identifiable assets: | | | |
| Mining | **$446,082** | $426,822 | $332,850 |
| Oil and gas | **127,795** | 104,682 | 94,004 |
| Total identifiable assets | **573,877** | 531,504 | 426,854 |
| General corporate | **108,651** | 45,568 | 56,530 |
| Investments in associated and other companies | **195,080** | 241,014 | 216,517 |
| | **$877,608** | $818,086 | $699,901 |

| | Years ended December 31 1982 | 1981 (in thousands) | 1980 |
|---|---|---|---|
| Geographic Area — | | | |
| Sales: | | | |
| Canadian operations | | | |
| Export sales | | | |
| Japan** | **$ 83,715** | $110,116 | $150,218 |
| Europe | **15,773** | 41,963 | 26,760 |
| Other countries | **65,456** | 32,329 | 14,605 |
| | **164,944** | 184,408 | 191,583 |
| Domestic sales | **66,753** | 73,865 | 64,571 |
| | **231,697** | 258,273 | 256,154 |
| United States operations | **8,976** | 14,802 | 11,267 |
| Australian operations | **14,659** | 17,950 | 15,949 |
| | **$255,332** | $291,025 | $283,370 |
| Operating earnings:* | | | |
| Canadian operations | **$ 65,311** | $109,121 | $156,145 |
| United States operations | **2,966** | 3,187 | 3,249 |
| Australian operations | **(618)** | 403 | 541 |
| | **$ 67,659** | $112,711 | $159,935 |
| Identifiable assets: | | | |
| Canadian operations | **$461,970** | $503,664 | $403,019 |
| United States operations | **99,118** | 16,701 | 13,276 |
| Australian operations | **12,789** | 11,139 | 10,559 |
| | **$573,877** | $531,504 | $426,854 |

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

**Export mining sales to Japan include sales to one customer in 1982 which represent 12% of sales revenues (1981 — 10%).

**10. 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.

Accounts receivable at December 31, 1982 include $3,037,000 (1981 — $9,016,000) owing by associated companies. At December 31, 1982 other assets include interest free loans made to employees and officers, including a director, of $3,000,000 (1981 — $2,188,000). This amount is secured by Company shares held in trust and by mortgages.

Aggregate direct remuneration paid by the Company and its subsidiaries to its directors and senior officers in 1982 was $1,710,000 (1981 — $1,924,000, 1980 — $1,265,000) of which $137,000 (1981 — $111,000, 1980 — $107,000) consisted of fees paid to directors.

**11. Subsequent event**

The Company has entered into an agreement dated March 15, 1983 for sale to the Underwriters on March 29, 1983 of 6,000,000 Units (each consisting of one common share and one-half common share purchase warrant) for an aggregate consideration of $153,000,000.

## 12. Contingency

Financing for the construction of the facilities of Minera Real de Angeles, S.A. de C.V., an associated company, was provided primarily by a loan from the International Finance Corporation ("IFC"), an agency of the World Bank. The Company is a party to a support agreement for a defined "call" period whereby it may be required, if MRA defaults under the terms of its loan from IFC, to make a subordinated deficiency loan to MRA for the amount that may be called by IFC. The Company expects that the call period will not extend beyond 1983. Its commitment would not exceed U.S. $34,000,000.

## 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 **1982** | 1981 | 1980 |
|---|---|---|---|
| | | (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 as a result of Noranda's treasury share issues | $ — | $ (0.47) | $ (0.05) |
| Interest expense on indirect debt attributable to major construction projects not capitalized, net of income taxes | — | 0.09 | 0.13 |
| Unrealized foreign exchange gains (losses) on long-term debt not included in earnings (FAS 8) | **(0.03)** | 0.06 | (0.03) |
| Net (decrease) increase | **(0.03)** | (0.32) | 0.05 |
| Net earnings (loss) as reported | **(0.45)** | 1.37 | 2.52 |
| Net earnings (loss) under United States practice | **$ (0.48)** | $ 1.05 | $ 2.57 |

Items not affecting net earnings:

Non-current marketable securities would be recorded at market value at December 31, 1982 and a valuation allowance of $3,334,000 would be included in shareholders' equity under United States practice.

Fox Manufacturing Company 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.

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. Subsidiary companies**

| Active | Inactive (including holding companies not carrying on active operations) |
|---|---|
| Incorporated in British Columbia: | Beluga Coal Company |
| Equity Silver Mines Limited | Canadian Exploration Limited |
| Gibraltar Mines Limited | Canadian Export Gas & Oil Inc. |
| Molybond Laboratories Limited | Canadian Export Gas & Oil (U.K.) Ltd. |
| Incorporated in California, U.S.A.: | Canex Placer Limited (in voluntary liquidation) |
| Golden Sunlight Mines, Inc. | Compañia Minera Placer Development Chile Limitada |
| Placer Amex Inc. | Cuisson Lake Mines Ltd. |
| Placer Coal Inc. | Fox Manufacturing Company (New Zealand) Limited |
| Incorporated in Delaware, U.S.A.: | Fraser Lake Development Limited (in voluntary liquidation) |
| Placer CEGO Petroleum Inc. | Kidston Gold Mines Limited |
| Incorporated in Australian Capital Territory: | Minera Placer Argentina S.A.M.I.C.T.y F. |
| Placer Exploration Limited | Minera Placer S.A. |
| Incorporated in New South Wales, Australia: | Placer CEGO Petroleum Holdings Ltd. |
| Placer Pacific Pty. Limited | Placer CEGO Petroleum Limited (in voluntary liquidation) |
| | Placer Development (Technical Services) Limited |
| | Placer Holdings Pty. Limited |
| | Placer Internationaal B.V. |
| | Placer Nominees Pty. Limited |
| | Placer (P.N.G.) Pty. Limited |
| | Plarex Limited |

## Quarterly Financial Data

| | 1st | 2nd | 3rd | 4th | Year |
|---|---|---|---|---|---|
| | (in thousands, except per share amounts) | | | | |
| **1982** | | | | | |
| Sales | $66,312 | $61,900 | $54,727 | $72,393 | $255,332 |
| Gross profit | 22,979 | 17,751 | 7,975 | 28,224 | 76,929 |
| Net earnings (loss) | (2,982) | (9,294) | (7,885) | 3,848 | (16,313) |
| Per common share: | | | | | |
| Net earnings (loss) | (0.08) | (0.26) | (0.22) | 0.11 | (0.45) |
| Dividends | 0.05 | 0.05 | 0.05 | 0.05 | 0.20 |
| Price on the Toronto Stock Exchange | | | | | |
| — High | 15¾ | 13 | 17¾ | 21⅞ | 21⅞ |
| — Low | 11¼ | 10¾ | 11½ | 15⅝ | 10¾ |
| **1981** | | | | | |
| Sales | $76,084 | $74,690 | $65,820 | $74,431 | $291,025 |
| Gross profit | 35,816 | 33,927 | 30,493 | 20,991 | 121,227 |
| Net earnings | 9,368 | 12,045 | 9,719 | 17,792 | 48,924 |
| Per common share: | | | | | |
| Net earnings | 0.26 | 0.34 | 0.27 | 0.50 | 1.37 |
| Dividends | 0.15 | 0.15 | 0.075 | 0.075 | 0.45 |
| Price on the Toronto Stock Exchange | | | | | |
| — High | 26¾ | 25⅞ | 20¾ | 18 | 26¾ |
| — Low | 21⅜ | 19½ | 15⅝ | 14 | 14 |

# Five-year Summary

(in thousands, except number of shareholders and employees)

| FINANCIAL DATA | 1982 | 1981 | 1980 | 1979 | 1978 |
|---|---|---|---|---|---|
| Revenues: | | | | | |
| Sales | **$255,332** | 291,025 | 283,370 | 264,693 | 143,351 |
| Interest and other income | **11,131** | 10,855 | 10,446 | 13,592 | 8,814 |
| | **266,463** | 301,880 | 293,816 | 278,285 | 152,165 |
| Expenses: | | | | | |
| Cost of sales | **147,378** | 136,552 | 92,585 | 84,918 | 76,596 |
| Depreciation and depletion | **31,025** | 33,246 | 23,482 | 14,019 | 13,750 |
| Selling, general and administrative | **19,118** | 19,398 | 14,421 | 10,435 | 9,461 |
| Interest | **44,935** | 45,337 | 20,824 | 8,473 | 6,354 |
| Exploration | **27,021** | 28,120 | 24,155 | 17,674 | 12,106 |
| | **269,477** | 262,653 | 175,467 | 135,519 | 118,267 |
| Earnings (loss) before taxes and other items | **(3,014)** | 39,227 | 118,349 | 142,766 | 33,898 |
| Income and resource taxes | **3,273** | 25,389 | 63,804 | 72,765 | 21,575 |
| Earnings (loss) before the following | **(6,287)** | 13,838 | 54,545 | 70,001 | 12,323 |
| Equity in earnings (losses) of associated companies | **(9,932)** | 34,202 | 33,302 | 13,929 | 13,217 |
| Minority interests | **(94)** | 884 | (6,561) | (9,402) | 669 |
| Earnings (loss) before extraordinary items | **(16,313)** | 48,924 | 81,286 | 74,528 | 26,209 |
| Extraordinary items | **—** | — | 8,068 | 38,588 | (6,025) |
| Net earnings (loss) | **$ (16,313)** | 48,924 | 89,354 | 113,116 | 20,184 |
| Return on shareholders' equity — % | | | | | |
| Annual average | **(3.9)** | 11.9 | 25.0 | 40.8 | 8.9 |
| Five-year average | **16.5** | 19.3 | 18.7 | 15.3 | 11.8 |
| **OPERATING DATA** | | | | | |
| Placer's share of: | | | | | |
| Copper produced — kg | | | | | |
| Gibraltar — 72% | **22,533** | 29,454 | 26,904 | 26,127 | 11,755 |
| Marcopper — 40% | **14,680** | 14,511 | 13,782 | 17,809 | 21,610 |
| Equity — 70% | **4,802** | 3,990 | 998 | — | — |
| Craigmont — 45% | **667** | 3,784 | 4,976 | 6,354 | 10,694 |
| | **42,682** | 51,739 | 46,660 | 50,290 | 44,059 |
| Molybdenum produced — kg | | | | | |
| Endako — 100% | **1,277** | 5,338 | 7,294 | 2,697 | 6,363 |
| Gibraltar — 72% | **522** | 648 | 562 | 388 | 93 |
| | **1,799** | 5,986 | 7,856 | 3,085 | 6,456 |
| Silver produced — g | | | | | |
| Equity — 70% | **151,760** | 159,530 | 37,100 | — | — |
| Oil and natural gas liquids produced — $m^3$ | **275** | 261 | 236 | 230 | 162 |
| Natural gas produced — $m^3$ | **187,200** | 211,500 | 261,700 | 270,200 | 242,200 |
| **OTHER DATA** | | | | | |
| Working capital | **$140,546** | 93,089 | 61,884 | 41,911 | 50,243 |
| Working capital ratio | **2.7:1** | 1.9:1 | 1.8:1 | 1.5:1 | 2.0:1 |
| Total assets | **$877,608** | 818,086 | 699,901 | 535,338 | 359,778 |
| Property, plant and equipment additions | **$105,466** | 72,713 | 111,027 | 87,686 | 43,630 |
| Long-term liabilities | **$295,795** | 207,110 | 157,692 | 59,390 | 44,477 |
| Average shares outstanding | **36,273** | 35,723 | 35,525 | 36,231 | 36,300 |
| Number of shareholders | **6,606** | 6,844 | 5,996 | 4,908 | 5,088 |
| Number of employees | **1,630** | 2,651 | 2,961 | 2,507 | 2,389 |
| **PER COMMON SHARE** | | | | | |
| Earnings (loss) before extraordinary items | **$(0.45)** | 1.37 | 2.29 | 2.06 | 0.72 |
| Net earnings (loss) | **$(0.45)** | 1.37 | 2.52 | 3.12 | 0.56 |
| Dividends paid | **$ 0.20** | 0.45 | 0.60 | 0.42 | 0.30 |
| Price on the Toronto Stock Exchange | | | | | |
| — High | **$21⅞** | 26¾ | 32½ | 18⅜ | 9⅝ |
| — Low | **$10¾** | 14 | 13¾ | 8½ | 6⅜ |

# Corporate Information

## Directors

[1,2]C. ALLEN BORN,
Vancouver, Canada,
*President and Chief Executive Officer.*

[1]THOMAS A. BUELL,
Vancouver, Canada,
*Chairman, President and Chief Executive Officer,*
*[3]Weldwood of Canada Limited.*

[1,2]PETER A. CHERNIAVSKY,
Vancouver, Canada,
*Chairman, President and Chief Executive Officer,*
*B.C. Sugar Refinery, Limited.*

JAMES C. DUDLEY,
New York, U.S.A.,
*[5]Chairman, Dudley & Wilkinson, Inc.*

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

WILLIAM T. GRISWOLD,
San Francisco, U.S.A.,
*Senior Vice-President,*
*[6]Capital Research Company.*

[1]THOMAS H. McCLELLAND,
Vancouver, Canada,
*Chairman of the Board.*

JOHN L. NICHOL,
Vancouver, Canada
*President,*
*Springfield Investment Co. Ltd.*

[1]ALFRED POWIS,
Toronto, Canada,
*Chairman and Chief Executive Officer,*
*Noranda Mines Limited.*

BARTHOLOMEW C. RYAN,
Sydney, Australia,
*Director,*
*[8]Pioneer Concrete Services Limited.*

[2]P. RITCHIE SANDWELL,
Vancouver, Canada,
*President,*
*[4]Ritchie Developments Limited.*

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

[1,2]H. RICHARD WHITTALL,
Vancouver, Canada,
*Vice Chairman,*
*[7]Richardson Greenshields of Canada Limited.*

ADAM H. ZIMMERMAN,
Toronto, Canada,
*President and Chief Operating Officer,*
*Noranda Mines Limited.*

*[1]Member of the Executive Committee*
*[2]Member of the Audit Committee*
*[3]Forest products company*
*[4]Holding company*
*[5]Investment consultants*
*[6]Investment research company*
*[7]Investment dealers*
*[8]Natural resource company*

## 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*

### Annual General Meeting

The Annual General Meeting of Shareholders of the Company will be held on Thursday, May 5, 1983 at Noon in the Plaza Ballroom, Hyatt Regency Hotel, Vancouver, British Columbia.

### Offices

*Head Office:*
1600, Bentall IV
1055 Dunsmuir Street
Vancouver, B.C., Canada
Tel: (604) 682-7082
Telex: 04-55181

*Mailing Address:*
P.O. Box 49330
Bentall Postal Station
Vancouver, B.C., Canada V7X 1P1

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

*San Francisco Office:*
Placer Amex Inc.
Suite 2500,
1 California Street,
San Francisco, California, U.S.A., 94111.

*Toronto Office (Exploration):*
2600 - 401 Bay Street
P.O. Box 66
Toronto, Ontario M5H 2Z6

### Auditors

Price Waterhouse,
Chartered Accountants,
Vancouver, Canada

### Stock Exchange Listings

*Common Shares:*
Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange
American Stock Exchange
Sydney Stock Exchange
Stock Exchange Association of New Zealand

*Common Share Purchase Warrants:*
Toronto Stock Exchange
Vancouver Stock Exchange
Montreal Stock Exchange

### 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,
New Jersey, U.S.A.

### Trustee for Exercise of Common Share Purchase Warrants

National Trust Company, Limited,
Toronto, Montreal, Vancouver, and
Calgary, Canada.

PLACER
DEVELOPMENT LIMITED