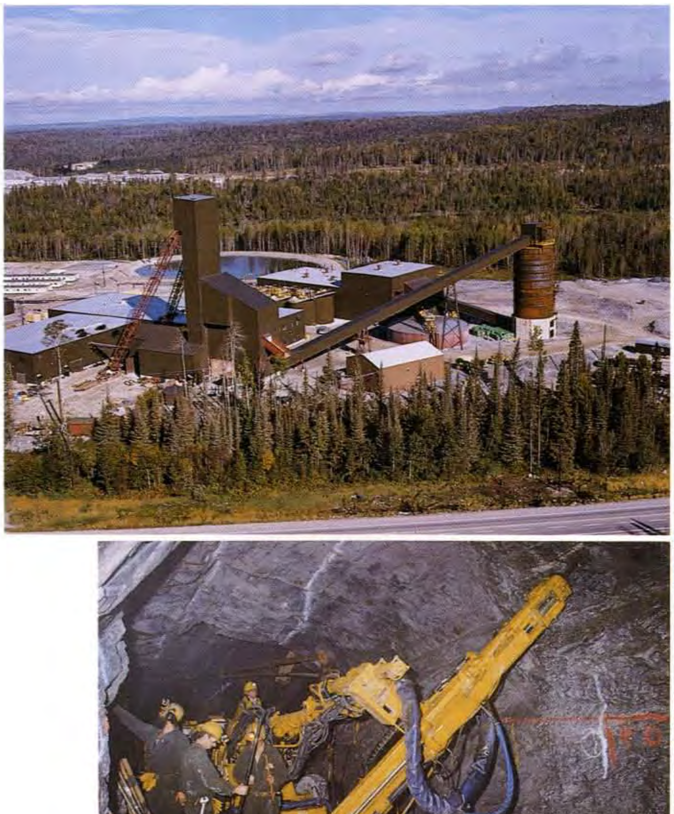
CK CORPORATION ANNUAL REPORT 1985



The Company

Teck Corporation operates seven producing mines throughout Canada and produces oil and natural gas in Saskatchewan and Alberta. Mine products include coal, copper, zinc, gold, silver and niobium. The company also has a 22% share interest in Lornex Mining Corporation, a copper-molybdenum and coal producer, and a 30% share interest in Trilogy Resources Corporation, an independent oil and gas company.

Principal Holdings

Divisions

Oil and Gas	100%
Teck Explorations	100%
Mines	
Lamaque; gold	100%
Beaverdell; silver	100%
Afton; copper, gold	73%
Newfoundland Zinc; zinc	63%
Granville; gold	60%
Hemlo; gold	55%
Bullmoose; coal	51%
Niobec; niobium	50%
Highmont; copper, molybdenum	50%

Investments

Trilogy Resource Corporation	30%
Lornex Mining Corporation	22%

Annual Meeting

The annual meeting of the Shareholders will be held at 10:00 a.m., January 28, 1986, in Salon A of the Harbour Castle Hilton Hotel in Toronto, Ontario.

Cover

Four stages of the Hemlo Mine

Underground Drilling
Surface plant facility
Pouring gold
Gold bar

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Afton Mine

Year at a Glance
(dollar amounts in thousands except for per share data)

	1985	1984
Revenue	**217,940**	202,980
Earnings (loss) before extraordinary items	**16,064**	(2,039)
Working capital	**70,522**	24,746
Total assets	**489,292**	434,099
Long-term debt	**109,326**	157,485
Shareholders' equity	**326,775**	221,648
Long-term debt as a percentage of shareholders' equity	**33%**	71%
Capital expenditures	**46,859**	51,586
Cash flow from operations	**55,914**	24,960
Per share data (1)		
Earnings (loss) before extraordinary items	**$0.30**	($0.17)
Cash flow	**$1.89**	$0.86
Dividends	**$0.15**	$0.15
Number of employees	**1,475**	2,030
Number of shareholders (1)	**10,775**	11,926
Shares outstanding at year-end (1)	**30,182,472**	29,282,922

(1) Class A common and Class B subordinate voting shares.

To the Shareholders

HIGHLIGHTS

- Net earnings of $16.1 million or 30¢ a share, after several years of losses.
- Cash flow up from $25 million to $56 million or $1.89 per share.
- Working capital up from $25 million to $71 million.
- First gold poured at new Hemlo mine.

The company returned to profitability in the year ended September 30, 1985, after several years of losses beginning with the recession.

This achievement was notable in that it occurred despite the fact that most commodity prices were lower than those prevailing a year earlier. Copper and oil were only modestly improved, with natural gas, gold, silver, zinc, niobium and molybdenum all down.

Norman B. Keevil Jr., President and Chief Executive Officer

Net earnings were $16.1 million or 30¢ per share, compared with a loss before extraordinary items of $2.0 million or 17¢ the previous year. Cash flow was up from $25 million or 86¢ per share to $56 million or $1.89 per share.

The improvement in earnings over fiscal 1984 was the result of a full year's production at Bullmoose, the shutdown of Highmont and a return to average grade at the Afton copper-gold mine, after two years of a low grade cycle.

In a capital-intensive industry such as mining, which requires periodic investment in new mines to replace reserves, let alone grow, relatively high debt positions are normal for most progressive companies. In a growing economy this can be accommodated. Conversely, in a recession environment with high interest rates and low commodity prices, it can result in a high debt level coupled with current losses. This is or has been a problem for most North American mining companies.

There are three basic ways to resolve this: sale of assets, preferably non-core assets, to reduce debt; cutting of costs or losses; and the establishment of profitable new income sources. This has been Teck's strategy over the last few years.

The program to sell non-core assets began in 1981, as interest rates reached 20%. It was not a matter of foreseeing the depth of the coming recession, but rather that the company was uncomfortable with rates this high, and took steps to begin reducing debt.

Details of this two year programme have been covered in previous reports but David Thompson, Teck's Chief Financial Officer, is again to be commended for his leadership role in this respect.

As to cutting costs, Robert Hallbauer and his mine staffs have worked hard to cut unit costs or improve productivity, and the results show this.

The single biggest saving in terms of earnings was the shutdown of the Highmont copper-molybdenum mine in October, 1984. This was unfortunate, because the mine workforce had done all they could and were efficient, but the mine could not continue to operate with depressed prices of copper and, particularly, molybdenum.

The third part of the strategy, new income sources, included development of the Bullmoose coal mine last year, and the new Hemlo gold mine this year. Both were put into production on schedule and under budget.

A $50 million, 7.25% convertible preferred share issue was completed in August. The funds are earmarked for new development opportunities or acquisitions. The company's cash balance at year end stood at $65 million, with working capital at $71 million.

As a result of this combined programme, the company is once again in a strong financial position and with positive earnings, despite low commodity prices.

While we have created new jobs at new mines in the process, a high priority is to re-establish some of the jobs lost, particularly in the Highland Valley. Negotiations are being pursued with the owners of a nearby, higher grade ore deposit with a view to re-opening the Highmont mill to process ore from that deposit.

The **outlook** for the coming year is for continued improvement in earnings assuming steady metal prices, with Hemlo making its initial contribution beginning January 1, 1986. However, Hemlo will not operate at full capacity until the shaft and underground development on the lower levels have been completed. This improvement could be enhanced if commodity prices begin to recover.

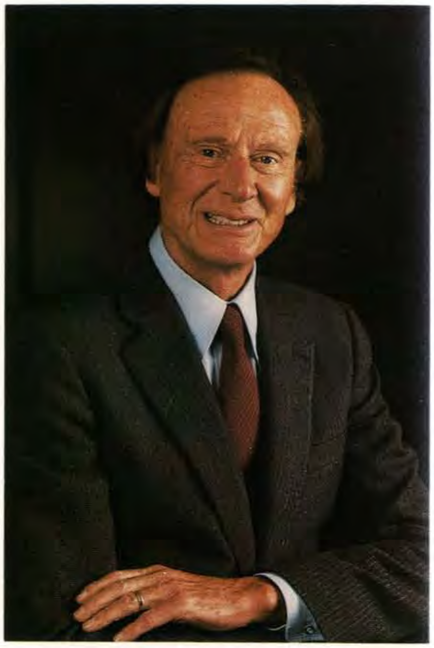
Subsequent to the year end, exploratory drilling on the Estrades Project, 13 miles east of the Casa Berardi gold property in northwestern Quebec, encountered massive sulphides containing significant amounts of gold, silver, copper and zinc. Further drilling is now in progress.

In conclusion, I would like to thank all the people who work for your company for their diligent efforts over the last few difficult years. Each and every one deserves our appreciation.

On behalf of the board,

N.B. Keevil Jr.
President and Chief Executive Officer

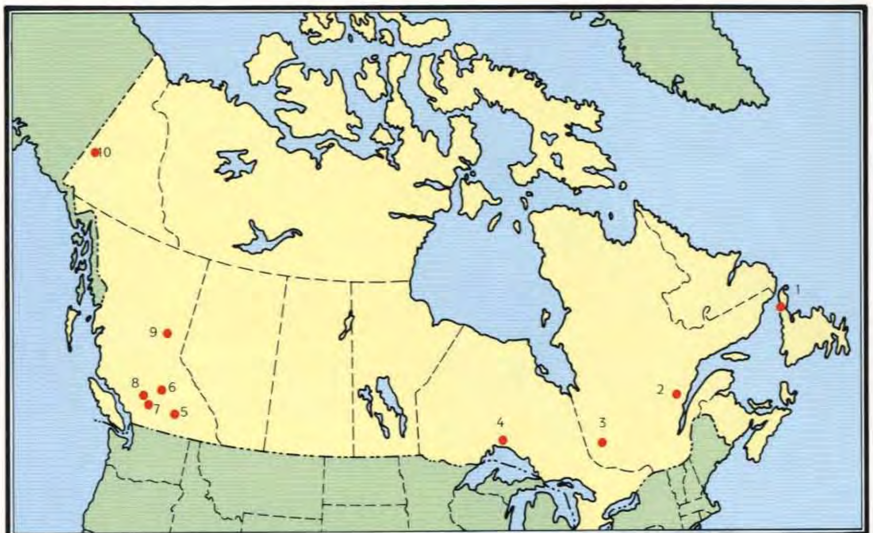
December 5, 1985



Norman B. Keevil, Chairman of the Board and Executive Committee

Rt. Hon. D. Roland Michener, Honorary Chairman

Mining Operations



1. Newfoundland Zn
2. Niobec Nb
3. Lamaque Au
4. Hemlo Au
5. Beaverdell Ag
6. Afton Cu Au
7. Highmont Cu Mo
8. Lornex Cu Mo
9. Bullmoose Coking Coal
10. Granville Joint Venture Au

Teck's share of mine operating profits in the fiscal year was $61 million, up from $36.5 million last year and $9.1 million in 1983. Net earnings from mining after tax but before exploration expenses were $10.5 million, compared with a net loss of $3.1 million in 1984. All figures exclude earnings from Lornex.

The improvement was the result of a full year's production at the Bullmoose coal mine, the shutdown of the Highmont mine, higher grade ore at Afton and continuing efforts to control costs and improve productivity.

AFTON (copper, gold)
The Afton mine is a joint venture between Teck (73%) and an affiliate of Metallgesellschaft Canada Limited. It is an open pit copper mine with by-product gold production, located just west of Kamloops, British Columbia.

Afton produced 49.3 million pounds of copper and 48,600 ounces of gold, up from 33 million pounds and 29,600 ounces last year. The average grade of ore treated in the concentrator was 0.98% copper, compared with 0.68% in 1984.

Teck's share of net earnings was $4.9 million, compared with a net loss of $3.2 million the previous year.

Ore reserves at year end were 9.2 million tons grading 0.69% copper and 0.013 ounces of gold per ton. This includes 5.7 million tons grading 0.94% copper in place, and 3.5 million tons at 0.3% copper in low grade stockpiles. Additional reserves beneath the open pit are estimated to be 10.5 million tons grading 1.5% copper and 0.03 ounces of gold per ton.

	1985	1984
Tons milled	**2,922,538**	2,909,090
per day	**8,007**	7,950
Grade (% Cu)	**.98**	.68
Recovery (%)	**86.3**	84.0
Production: lbs Cu	**49,307,444**	33,039,120
oz Au	**48,559**	29,621
Operating cost/ton	**$8.72**	$10.02
Average price: Cu	**$0.84**	$0.78
Au	**$431.00**	$465.00
Teck's share of net earnings (73%)	**$4,910,000**	$ (3,229,000)

BEAVERDELL (silver)
The Beaverdell mine is located 40 miles south of Kelowna, British Columbia. It first produced direct shipping ore in 1898 and has been in continuous production since 1900.

Silver production in 1985 was 336,000 ounces, compared with 376,000 ounces the previous year.

The price of silver was substantially lower, averaging $8.81 per ounce compared with $11.18 in 1984. As a result Beaverdell reported a net loss of $61,000, the first loss at this mine in 15 years.

	1985	1984
Tons milled	**41,105**	40,235
per day	**115**	112
Grade (oz Ag/ton)	**9.3**	10.5
Recovery (%)	**88.2**	88.9
Production oz Ag	**336,426**	375,709
Operating cost/ton	**$61.12**	$67.01
Average price Ag	**$8.81**	$11.18
Net earnings (loss)	**$ (61,000)**	$344,000

BULLMOOSE (coal)
The Bullmoose open pit coal mine is located 20 miles northwest of Tumbler Ridge in northeastern British Columbia. Ownership is 51% Teck Corporation, 39% Lornex Mining Corporation and 10% Nissho-Iwai Canada Limited. Teck has a 22% share interest in Lornex, making the company's net interest in Bullmoose 59.5%.

The mine was placed in production as of January 1, 1984, and fiscal 1985 marks the first full year of production.

The mine, washing plant, trucking, rail and port operations all performed extremely well during the year.

13.6 million bank cubic metres of waste were moved and 2.9 million tonnes of coal were delivered to the plant. This resulted in 2.2 million tonnes of clean coal, for a plant yield of 75%. Net earnings attributable to Teck's direct 51% interest were $6.6 million.

The coal is sold under long term contracts to a group of Japanese steel mills, with the price established according to a formula until March 31, 1989. The contracted tonnage is 1.7 million tonnes per year, plus or minus 5% at the buyer's option. The contract was amended early in the fiscal year to provide for a tonnage increase to 2.0 million tonnes per year and a price reduction of $10 per tonne for the period April, 1984 through March, 1986, after which the original terms again take effect.

Reserves at year end were 51,000,000 tonnes of saleable metallurgical coal, compared with 53,000,000 tonnes the previous year.

	1985	1984
Tonnes washed	**2,904,000**	1,950,000
per day	**7,956**	7,143
Recovery (%)	**75**	73
Production tonnes coal	**2,172,000**	1,424,000
Teck's direct share of net earnings (51%)	**$6,555,000**	$5,011,000

HEMLO (gold)

Teck has a 55% joint venture interest in the new Teck-Corona gold mine near Marathon, Ontario. The remaining 45% is held by International Corona Resources, the discoverer of the Hemlo gold camp.

Construction of the processing plant was essentially completed in April and, after a short tune-up period, the first gold was poured on May 29, 1985. The capital cost to the start of production was $80 million, or $10 million under budget.

The shaft had reached a depth of 3,528 feet by the fiscal year end, and will reach the final depth of 3,800 feet in December. In the meantime, the upper three levels of the mine have been developed to provide production while the shaft, ore and waste pass systems and underground crushing facilities are being completed.

The mill has a rated capacity of 1,000 tonnes per day. The production schedule in the feasibility study calls for 750 tonnes per day over the next fiscal year while mine development continues on the lower levels, but it is expected that this will be improved upon as crews are trained and additional stopes brought into production.

To September 30, 97,800 tonnes were milled with a grade of 0.22 ounces per tonne and recovery of 96%, for production of 20,989 ounces of gold. Most of the production has been from development ore with relatively high dilution, and grade will improve once initial stope preparation has been completed.

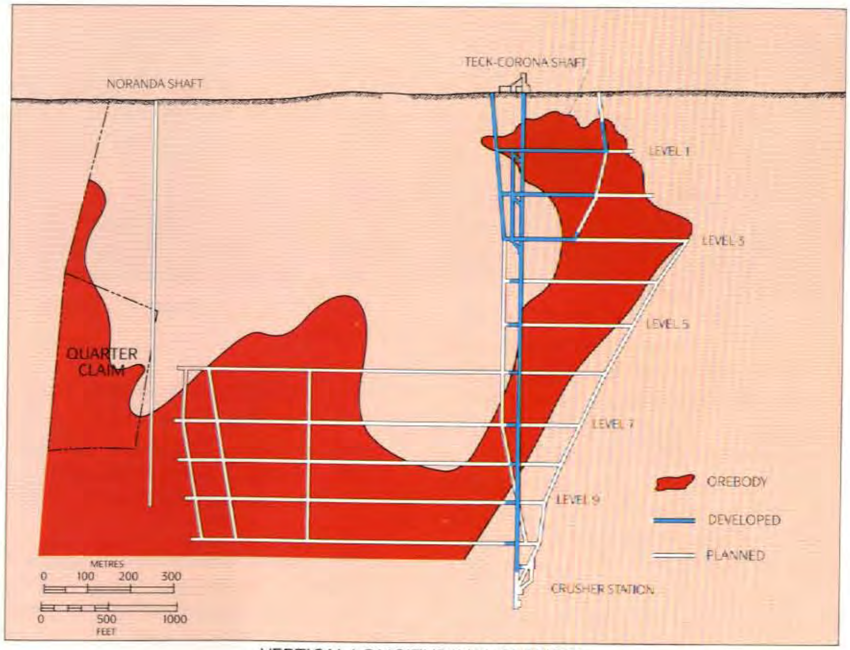
In addition to the main operation, Teck and Corona share a 50% net profits interest in a quarter claim optioned to the Noranda Group, which is developing an adjoining property. Noranda's latest schedule predicts that production from the quarter claim will begin in mid 1986.

Mineable reserves at year end were 6,200,000 tonnes grading 0.35 oz/tonne. In addition, the quarter claim geological reserves are 2,100,000 tonnes grading 0.32 oz/tonne.

Ongoing mine development expenditures are being financed partly out of operating profits and partly under the financing line of credit. The project will be put on stream for accounting purposes as of January 1, 1986.

Robert E. Hallbauer, Senior Vice-President

	1985
Tonnes milled	**97,800**
per day	**670**
Grade (oz/tonne)	**.224**
Recovery (%)	**96**
Production oz Au	**20,989**

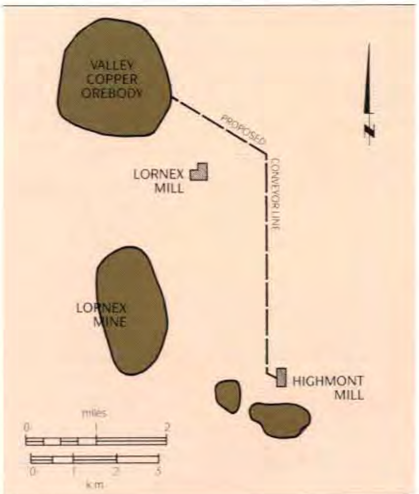


VERTICAL LONGITUDINAL SECTION
TECK-CORONA PROPERTY

HIGHMONT (copper, molybdenum)
The Highmont copper-molybdenum mine is located in the Highland Valley district, 50 miles south of Kamloops, British Columbia. Ownership is 50% Teck, 30% Redclay Holdings Ltd. and 20% by an affiliate of Metallgesellschaft A.G.

The mine was shut down on October 19, 1984, due to low prices for both copper and molybdenum. Although the fundamentals for copper are improving, molybdenum prices are not expected to recover in the near term due to chronic over-supply conditions. Teck's share of the net loss in fiscal 1985 was $3.4 million, compared to $10.4 million in 1984.

The plant is being maintained and efforts made to reach a milling arrangement to process higher grade copper ore from a nearby deposit.



LAMAQUE (gold)
The Lamaque mine at Val d'Or, Quebec was shut down in February, just three months short of its 50th anniversary. The decision was reached because of lower gold prices, $427 per ounce in 1985 compared with $478 the previous year, and the loss of a custom milling contract with a nearby producer which elected to build its own mill.

During the year 167,000 tons were milled to produce 30,583 ounces of gold. Gold recovered during clean-up offset earlier operating losses and the mine reported a net profit of $48,000.

The plant is being maintained for reopening should the gold price improve, current surface exploration efforts be successful in locating higher grade ore, or new custom milling contracts become available.

Reserves at year end were 352,000 tons grading 0.148 ounces per ton, compared with 425,000 tons at the same grade last year.

	1985	1984
Tons milled	**166,727**	301,805
per day	**813**	843
Grade: % Au	**.190**	.113
Recovery	**94.29**	94.66
Production: oz Au	**30,583**	32,414
Operating cost/ton	**$54.59**	$55.31
Average price	**$427.00**	$478.00

LEITCH (gold)
This operation, based on the treatment of dumps from the old Leitch mine, near Beardmore, Ontario, was shut down during the year because of the drop in the price of gold and problems with both ore grade and recovery.

NEWFOUNDLAND ZINC (zinc)
The Newfoundland Zinc mine near Daniel's Harbour is a joint venture in which Teck holds a 63% interest, with the remainder being held by Amax Lead and Zinc Inc.

The Newfoundland Zinc mine produced 88 million pounds of zinc compared to 90 million pounds last year. The average grade of ore treated was 8.3% zinc, compared to 8.5% in 1984.

Teck's share of net earnings was $2.5 million compared with $4.0 million a year earlier. The price of zinc averaged 51¢ a pound, compared to 55¢, and at year end had declined to 43¢.

The T Zone discovered in 1984 continued to be a major source of mill feed. Exploration in the immediate mine area added sufficient ore to maintain reserves at 1,100,000 tons grading 7.7% zinc, the same tonnage as at the end of the previous year.

	1985	1984
Tons milled	**549,353**	541,118
per day	**1,561**	1,537
Grade (% Zn)	**8.3**	8.5
Recovery (%)	**97.2**	97.6
Production lbs Zn	**88,012,448**	89,729,884
Operating cost/ton	**$27.35**	$25.24
Average price Zn	**$0.51**	$0.55
Teck's share of net earnings (63%)	**$2,456,000**	$3,992,000

NIOBEC (niobium)
The Niobec niobium mine at Chicoutimi, Quebec is a 50/50 joint venture with Soquem Ltee.

The operation was closed by a strike from October 19 through November 24, 1984. Production during the year was 6,443,000 pounds of niobium oxide, from 746,000 tons of ore milled at a grade of 0.70% Nb_2O_5. Recovery was 61.7%, up from 60% in 1984.

Ore reserves at year end were 12,062,000 tons grading 0.66% Nb_2O_2, compared with 11,841,000 tons at the same grade a year earlier.

	1985	1984
Tons milled	**745,724**	819,772
per day	**2,382**	2,240
Grade (% Nb_2O_5)	**.70**	.71
Recovery (%)	**61.71**	60.00
Production lbs Nb	**6,442,859**	6,943,811

YUKON GOLD (gold)
The Granville Joint Venture (Teck 60%) operates a placer gold mine near Dawson City in the Yukon Territory. The project is a seasonal one, operating only in the summer months.

This year 135,000 cubic yards of pay gravel were sluiced to produce 4,732 ounces of gold. Teck's share of the net loss was $33,000.

	1985	1984
Cu Yds. pay gravel sluiced	**134,857**	125,567
Production oz Au	**4,732**	3,817
Teck's share of net loss (60%)	**$ 33,000**	$257,000

LORNEX MINING CORPORATION

Teck holds a 22% share interest in Lornex, whose copper-molybdenum mine in the Highland Valley area of British Columbia is Canada's largest metal mine.

The plant operated at an average of 88,000 tons per day during Teck's fiscal year, producing 209,097,000 pounds of copper and 7,678,000 pounds of molybdenum.

Lornex also holds a 39% joint venture interest in the Bullmoose Project.

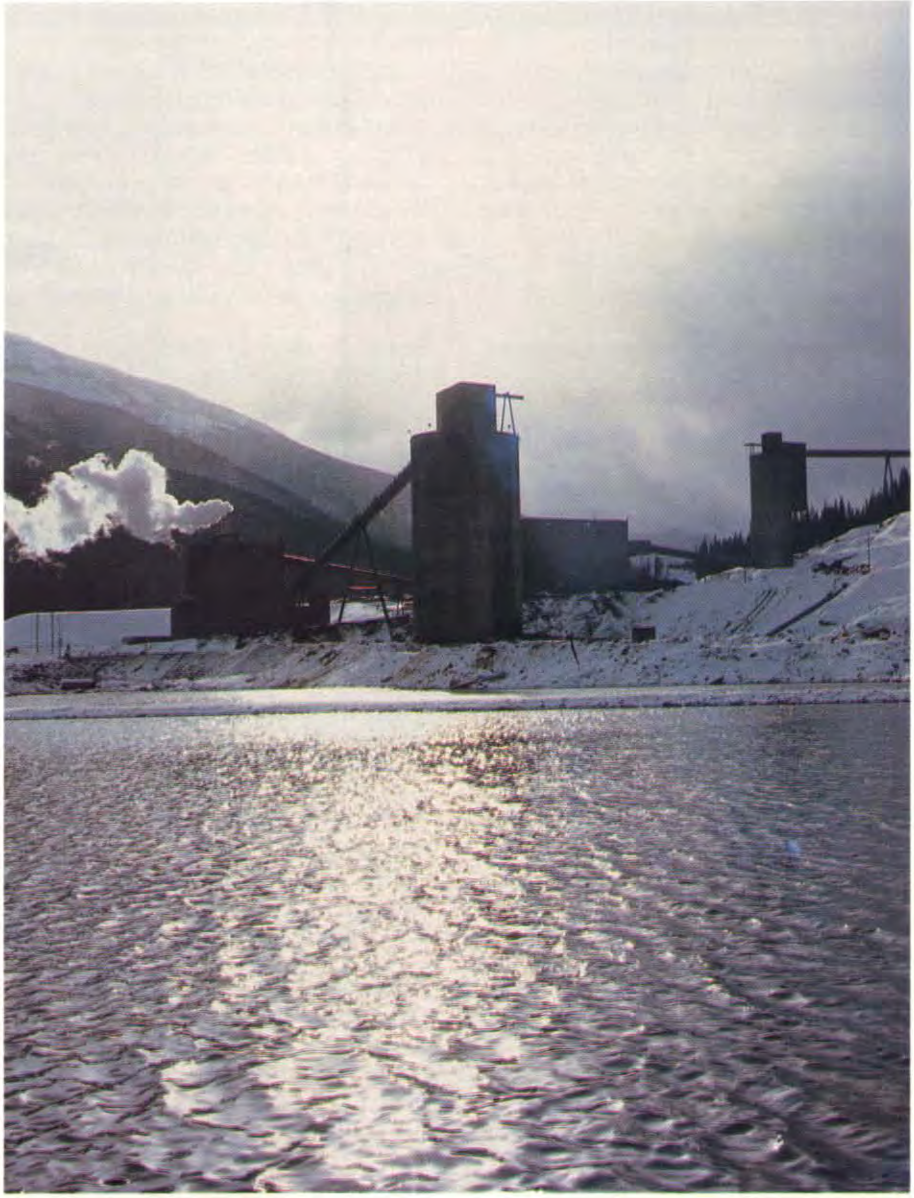
Lornex reported an unaudited net profit of $17.3 million for the year ending September 30, compared with a loss of 4.3 million a year earlier. Teck's share of Lornex results is included in earnings on an equity accounting basis.

	1985	1984
Tons milled	**32,149,000**	30,851,000
per day	**88,087**	84,500
Grade: % Cu	**.385**	.350
% Mo	**.016**	.017
Recovery: % Cu	**87.17**	87.84
% Mo	**74.05**	67.60
Production: lbs Cu	**209,097,000**	180,567,000
lbs Mo	**7,678,000**	7,406,000
oz Ag	**777,000**	718,000
Average price: Cu	**$0.85**	$0.80
Mo	**$4.50**	$4.48
Net Earnings (loss)*	**$17,274,000**	$(4,334,000)
Teck's Equity (22%)	**$3,800,280**	$(953,000)

*Includes 39% of Bullmoose Mine.

OTHER INTERESTS

During the year, Teck received $222,981 in royalty income from Kirkland Lake claims leased to a local gold producer, and $205,000 in royalties from geothermal power production in The Geysers area north of San Francisco.



Bullmoose Plant

Mineral Markets

Metal prices were again depressed during the last fiscal year. The current world capacity to produce most commodities including the products of our company exceeds demand. Growth in consumption and the exhaustion of ore reserves through production at existing mines will gradually eliminate this imbalance and the result should be reflected in higher prices.

Copper
The drawdown of copper inventories which started in 1984 continued until early 1985. In April, stocks of copper on the London Metal Exchange fell below 90,000 tonnes, which is the lowest level in ten years. As was expected, copper prices increased in most of the major consuming and producing countries during this period.

Not expected was the increase in value of the U.S. and Canadian dollars which more than offset the price increases being experienced elsewhere in the world, and resulted in a continuation of low prices in these two currencies.

The U.S. and Canadian dollars began to weaken against other currencies in March 1985, but by that time demand had slackened and inventories began rising. Copper prices remained at very low levels for the balance of the fiscal year.

Zinc
The European Producer Price of zinc, which had risen to U.S. 49 cents per pound by mid 1984, declined to U.S. 41 cents per pound by the end of that year. A minor price rally occurred in early 1985 when the price reached U.S. 44 cents per pound, but it declined dramatically during the balance of the fiscal year and closed at U.S. 35 cents per pound, which is the lowest price in over two years.

Demand for zinc has weakened somewhat but the main problem is a surplus of production capacity. In an effort to correct the oversupply situation, several zinc mines reduced production levels by extending summer shutdowns. In spite of these efforts, zinc prices remained weak at the end of the fiscal year. However, the capacity-demand imbalance is not large, and further restraint on the part of major producers could result in improved prices over the next year.

Gold
The price of gold, which was over U.S. $340 per ounce at the beginning of the fiscal year, dropped to below U.S. $300 in February 1985 but rallied to average U.S. $323.50 per ounce for the month of September 1985. The increase in gold prices between February and September is almost identical to the change in value of the U.S. dollar during the same period.

Silver
The price of silver dropped from an average of U.S. $7.50 per ounce in November 1984 to U.S. $6 per ounce in March 1985. Although the price increased to nearly U.S. $6.50 per ounce with the weakening of the U.S. dollar, it finished the fiscal year at a very low level, averaging US. $6.05 per ounce in September 1985.

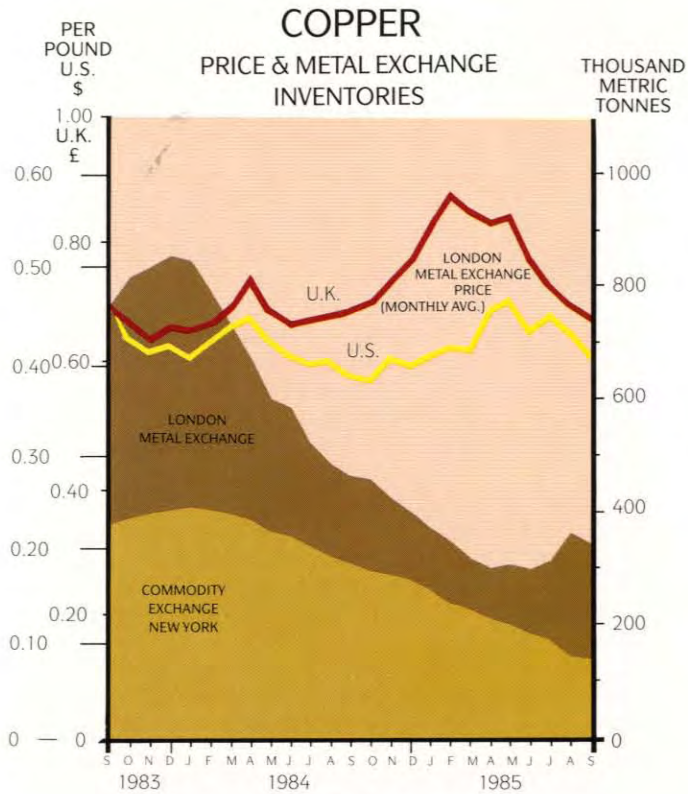
Niobium
Demand for niobium continued to grow during the last fiscal year with the increased use of high strength low alloy steels and through development of new uses for the metal.

Keith E. Steeves,
Vice-President, Marketing

Prices have not increased with demand because sufficient production capacity exists to meet consumption.

Coal
Steel production increased during the fiscal year but production capacity of metallurgical coal mines exceeds demand for the product. Long term sales contracts with the Japanese steel mills allowed the Bullmoose mine to operate at satisfactory levels during the year.

Although demand for thermal coal is increasing, there continues to be an excess of production capacity and prices are weak. The Bullmoose mine concentrated on producing the metallurgical coal required to meet its contract commitments and did not make any thermal coal sales during the fiscal year.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PRICE & METAL EXCHANGE INVENTORIES
PER POUND U.S. $
U.K. £
THOUSAND METRIC TONNES
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0.80
0.50
0.40
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LONDON METAL EXCHANGE
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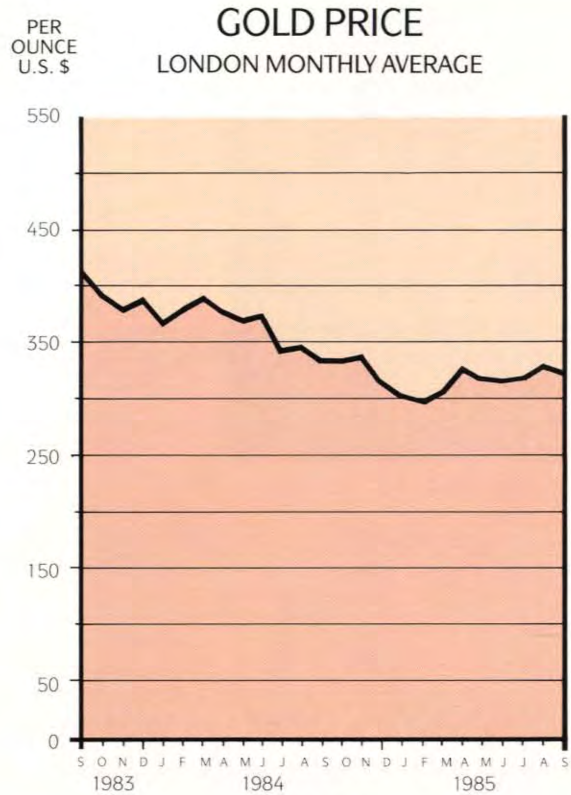
GOLD PRICE
LONDON MONTHLY AVERAGE
PER OUNCE U.S. $
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250
150
50
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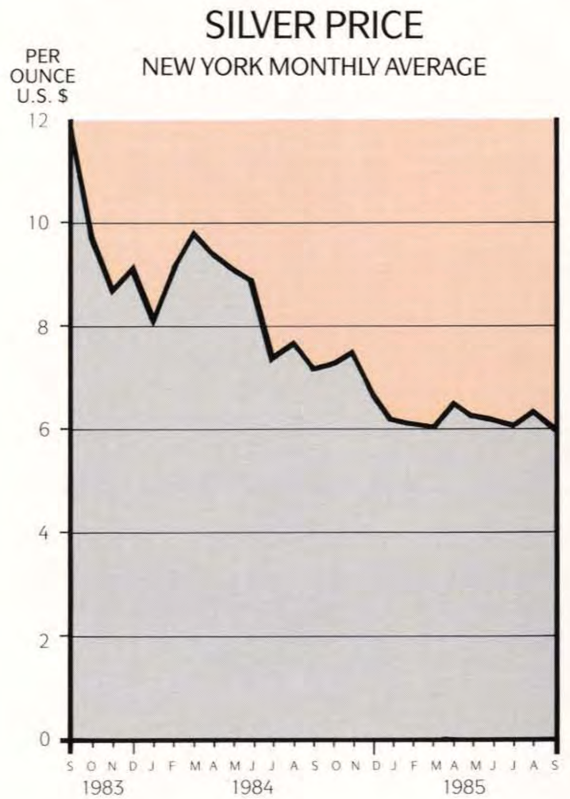
1984
1985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NEW YORK MONTHLY AVERAGE
PER OUNCE U.S. $
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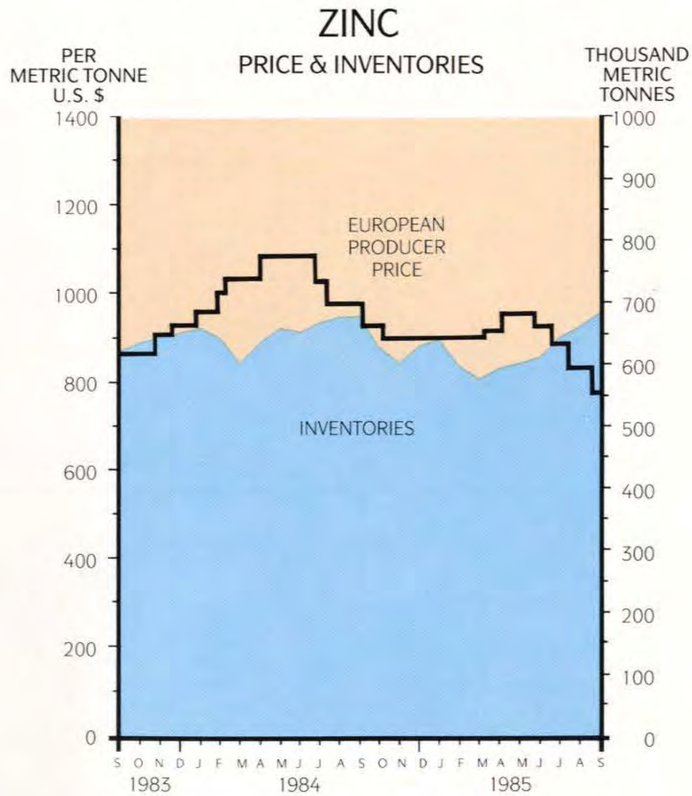
ZINC
PRICE & INVENTORIES
PER METRIC TONNE U.S. $
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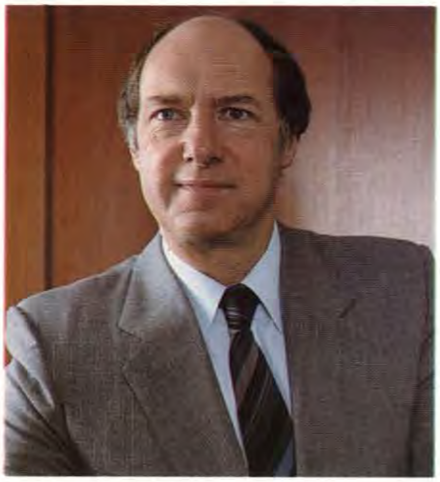
Mining Exploration



John L. May, President of Teck Explorations Limited

Gold

Teck held a 12% share interest in Golden Knight Resources at year end, and is negotiating to increase this.

Golden Knight holds 40% of the Casa Berardi gold discovery in northwestern Quebec, with the balance held by Inco. Two separate areas of mineralization have been outlined, with combined drill-indicated reserves of 6.3 million tons grading 0.255 ounces of gold per ton. A decline is presently being driven on the Golden Pond east zone to obtain a bulk sample and assess mining conditions.

Teck is also managing a large gold and base metal exploration programme for Golden Group Resources Inc. on six properties north and east of Casa Berardi. Teck can acquire a 50% interest in these properties by undertaking certain commitments.

In late November, 1985, a potentially important intersection was obtained on one of these, the Estrades property of Golden Hope Resources. Drilling a weak electromagnetic conductor, the hole encountered massive sulphides across a 35.1 foot width, with the average assay 0.20 ounces of gold and 9.15 ounces of silver per ton, and 2.9% copper and 15.4% zinc. Further drilling is in progress.

Teck is financing exploration on the Mt. Calvery Resources property near Likely, British Columbia. Drilling has indicated a zone of widespread, low grade gold mineralization which could be amenable to open pit mining. Teck can earn a 61% interest in Mt. Calvery by continuing exploration and placing the property into production.

Teck is managing a surface exploration programme on a portion of the Lamaque property which has been farmed-out to Golden Pond Resources, which is providing the financing and can earn up to a 50% interest in these claims. The farmed-out portion does not include the area of the plant and main mine workings.

Other gold properties include a disseminated gold prospect in Nevada, currently being drilled, and a property in the Laverton area of Western Australia, farmed out to an Australian company.

Silver

A total of 17,400 feet of surface and underground drilling was carried out on the Porter-Idaho prospect, just south of Stewart, British Columbia. Some encouraging intersections were obtained, but further drilling will be necessary to determine whether the property has sufficient reserves to warrant development. Teck can earn a 50% working interest by spending $5 million in exploration or development by 1988.

Base Metals

Teck will finance exploration on a property held by Golden Eye Resources adjoining the Reeves-Macdonald mine in the Kootenay district of British Columbia. The Reeves-Macdonald mine produced zinc, lead and silver before shutting down in 1973. Drilling will explore at depth for faulted off continuations of the old ore zones.

Coal

Test mining is currently in progress on the Burnt River coal property 20 miles northwest of Bullmoose. The coal reserves are semi-anthracite, unlike the metallurgical coal at Bullmoose. The programme will provide material for trial marketing as well as engineering cost data.

Research and Development

Teck holds a 25% share interest in TDC Technology Development Corporation, whose 65% owned subsidiary Moli Energy Limited is developing a rechargeable molybdenum-lithium battery tradenamed Molicel.

The company has established a pilot plant in Burnaby, British Columbia, which is presently producing 4,000 Molicel AA batteries per month for test marketing purposes.

Following the year end, Teck and Mitsui & Co., Ltd. each agreed to purchase 500,000 shares of Moli Energy for $2.5 million. It is intended that this will be followed by a public underwriting to complete financing requirements for a full production facility at Maple Ridge, B.C.

Exploratory Drilling

Oil and Gas

Comparative Highlights

	1985	1984
Financial ($000's)		
Revenue	**$14,771**	$13,988
Operating profit	**$ 9,636**	$ 9,321
Exploration, depreciation and depletion	**$ 754**	$ 501
Net income before income tax	**$ 8,877**	$ 8,816
Capital expenditures (after PIP grants)	**$ 519**	$ 5,478
Operating		
Production — Oil		
Thousands of barrels	**529**	536
Barrels per day	**1,448**	1,465
Production — Natural gas		
Billions of cubic feet	**1.2**	1.3
Mcf per day	**3,360**	3,624
Reserves — Proven and Probable		
Oil — Thousands of barrels (1)	**4,782**	4,469
Natural gas — Billions of cubic feet (1)	**57.7**	59.1
Wells drilled (gross)	**23**	31
Land		
Gross acres ('000)	**232**	263
Net acres ('000)	**54**	56

(1) Figures are as at September 30 and exclude Teck Frontier lands.

Teck produces oil and natural gas from several fields in western Canada.

Production in 1985 amounted to 528,500 barrels of oil and 1.2 Bcf of natural gas, similar to the 536,200 barrels and 1.3 Bcf produced a year earlier.

Operating profit was $9.6 million, compared to $9.3 million in 1984. Higher oil prices were offset partially by lower production and gas prices.

Gas production is expected to increase in the next fiscal year as a result of expansion of the Monogram Gas Unit and a new plant at the Edson gas field, both located in Alberta.

Reserves
Proven and probable reserves (before royalties) as at September 30, 1985 were 4,781,700 barrels of oil and natural gas liquids and 57.7 Bcf of natural gas, compared with 4,468,600 barrels and 59.1 Bcf of natural gas last year end. An upward revision (net of 1985 production) was made to the oil reserves because of new drilling on the Otter Lake property in Alberta and improved performance of certain Steelman Units in Saskatchewan.

Reserves are located in the following areas:

	Oil and Gas Liquids (Barrels)	Natural Gas (Bcf)
Saskatchewan	4,302,100	3.2
Alberta	471,600	52.5
British Columbia	—	2.0
Manitoba	8,000	—
	4,781,700	57.7

The company also owns land in Western Canada totalling 232,207 gross acres (53,663 net) and interests in certain frontier acreage.

The company's reserves and undeveloped land, excluding frontier lands, were evaluated by Sproule Associates Limited as at September 30, 1985, and their net worth using a pre-tax 15% discount factor was $91 million.

Steelman, Saskatchewan
The Steelman field in southeastern Saskatchewan has been Teck's most important oil producing property since it was developed in the Fifties.

Teck's share of production in the fiscal year was 449,000 barrels of oil and 247,300 Mcf of natural gas. Seven development wells were completed as oil wells during the year. Teck's share of reserves was 4.0 million barrels of oil and 2.2 Bcf of natural gas at year end, compared with 3.6 million barrels and 2.0 Bcf a year earlier.

East Bantry, Alberta
Teck holds a 21.3% interest in the Monogram Gas Unit, which consists of 188 shallow gas wells.

The unit is presently producing at a rate of 12,000 Mcf per day. An $11.5 million development programme is underway to increase deliverability to 40,000 Mcf per day, with an additional 86 wells and expansion of the compressor station. This should be completed in the first half of the current fiscal year. Teck's share of the capital cost is estimated to be $2.5 million.

Teck also has an 11% interest in the Tide Lake Gas Unit in the same area, currently producing at 4,000 Mcf per day.

Edson, Alberta
Teck has an average 12.4% interest in 40,000 acres in the Edson gas field in west central Alberta.

Construction of a gas processing plant with a capacity of 20,000 Mcf per day was started in August, 1985 and is nearing completion. Plant cost is estimated to be $7.2 million, with an additional $2.5 million required for gathering systems and well site equipment, and Teck's share will be approximately $1.3 million.

Gas sales will be under industrial contracts which guarantee a minimum price of 62.5% of the Alberta Border Price.

Otter Lake, Alberta
This prospect covers 17,280 acres in north central Alberta, of which 2,560 acres were acquired during the year. Teck's interests in the area vary from 6 to 40%.

Twelve wells were drilled in 1985 with seven being completed as oil wells. An eighth was completed after the year end, bringing the total drilled to date to thirteen.

Teck's share of production this year was 18,200 barrels of oil.

Teck's share of reserves at the fiscal year end were estimated to be 172,300 barrels, compared with 16,700 barrels a year earlier.

South Pierson, Manitoba
Teck has a 5% interest in this new, 1,280 acre prospect in southwestern Manitoba.

One well was drilled this year and completed as an oil discovery. It was placed on production in July, and averaged 20 barrels per day for the balance of the fiscal year. Further drilling is planned for 1986.

Exploration and Development
During fiscal 1985 Teck was involved in the drilling of 23 exploration and development wells; 16 by way of direct participation and seven resulting from farmouts. This resulted in 11 completed oil wells out of 16 drilled directly, and 4 oil wells out of 7 drilled through farmouts, for a total of 15 new wells during the year.

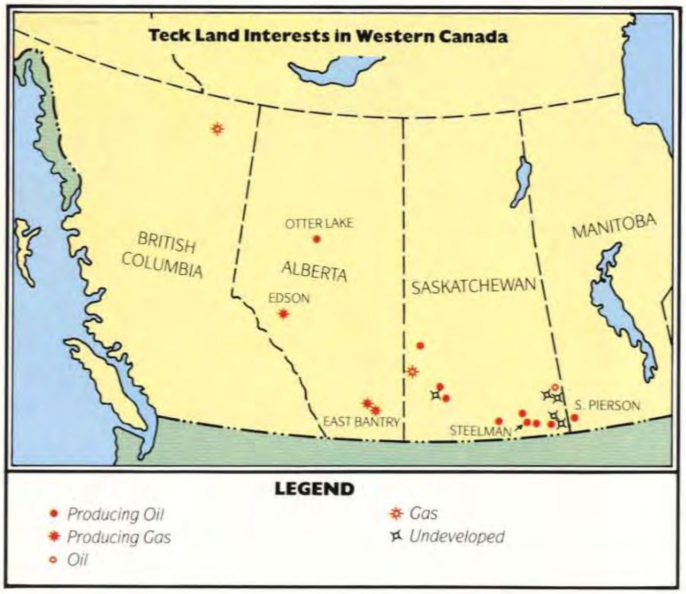
Frontier Exploration
Teck has an 80% interest in Teck Frontier Corporation, a company formed in 1981 to explore in the Beaufort Sea and Labrador Shelf on lands held by Canterra Energy. The farm-in agreement terminated at the end of 1984.

During the period Teck Frontier participated in the drilling of 14 wells, six in the Beaufort Sea and eight off the coast of Labrador, earning interests from 0.75% to 10.4% in approximately one-half million gross acres. Teck's share of reserves established by this drilling total 25 Bcf of gas and 900,000 barrels of oil, but economic development of these reserves remains uncertain at present, and they are not included in conventional reserve calculations.

Trilogy Resource Corporation
Teck is the largest shareholder of Trilogy Resource Corporation, holding approximately 30% of the Calgary oil and gas company's 19.6 million common shares outstanding.

As a result of the acquisition of 99.4% of five oil and gas limited partnerships effective January 1, 1985, Trilogy increased total gross proven and probable reserves to approximately 4.1 million barrels of oil and natural gas liquids and 102.5 billion cubic feet of natural gas, of which 81% and 76% respectively are classed as proven reserves. Trilogy's land holdings total 2.0 million gross acres (300,000 net acres).

During the nine months ended September 30, 1985, cash flow from operations after interest expense amounted to $5.7 million compared to $2.8 million in the same period in 1984.




This advertisement is not to be construed as a public offering in any province of Canada
thereto has been accepted for filing by a Securities Commission or similar authority in such
the prospectus only, copies of which may be obtained from such of the undersigned and ot
these securities.
New Issue
$50,000,000
TECK CORPOR
Series F Cumulative Redeem
Convertible Preferred Sha
Conversion Privilege
Each Series F Cumulative Redeemable Convertible Preferred Share will be
Voting shares of the Company up to the close of business on August 31, 1990 at
Subordinate Voting share.
Price: $25 per share to
The undersigned have agreed to
all of the Preferred Shares as Und
Nesbitt Thomson
Wood Gundy Inc.
Pemberton Houston Willou
August 1985
CDN. $158,000,000
LIMITED RECOURSE PROJECT FINANCING
BULLMOOSE
COAL PROJECT
(British Columbia, Canada)
TECK CORPORATION
Lead Managers
Bank of Montreal
The Bank of Tokyo Canada
European Banking Company Limited
Deutsche Bank
The Fuji Bank, Limited
Sanwa Bank Merchant Banking Group
BANK OF MONTREAL
Agent
TECK CORPORATION
INTERNATIONAL CORONA
HEMLO CANADA GOLD MINE PROJECT
$154,000,000
CANADIAN IMPERIAL
BANK OF COMMERCE
New Issue
TECK CORPORATION
$50,000,000
Series E Preferred Shares
2,000,000 Shares
Price: $25 per share
PEMBERTON HOUSTON
WILLOUGHBY INCORPORATED
NESBITT THOMSON
BONGARD INC.
WOOD GUNDY
INC.

Financial Report

In 1985 the company returned to profitability, doubled its cash flow and took further steps to strengthen its balance sheet and liquidity position.

Cash flow after interest, administration and current taxes, but before exploration costs, increased from $25 million to $56 million. Working capital increased by $45 million to $71 million, and the cash balance rose by $45 million to $65 million.

Earnings
Net earnings for the year amounted to $16 million, compared to a loss of $2 million in 1984. Earnings per share increased from 10¢ per share in the first half of the financial year to 20¢ per share in the second half. This compares with a loss of 17¢ per share for the 12 months ended September 30, 1984.

The main reasons for the improved results were firstly the increase in grade at the Afton mine from an average of 0.68% copper in 1984 to 0.98% copper in the current year. This resulted in an increase in copper and gold production and lower unit operating costs. Teck's share in the net earnings of Afton increased by $8.1 million from a loss of $3.2 million to a profit of $4.9 million.

The company also benefited from the fact that the Bullmoose coal mine was in operation for the full 12 months, as compared with nine months in 1984. Net earnings from Bullmoose increased from $5 million to $6.6 million.

The third reason for the improvement in profitability was the closure of the Highmont mine in October, 1984, which had produced a net loss of $10.4 million the previous year.

Financing
There were two preferred issues during the year, which together raised $100 million. $50 million of Series E 9.25% preferred shares were issued in November, 1984, replacing $50 million of the original Bullmoose bank financing.

These shares are supported by Barclays Bank of Canada, who have in effect guaranteed the dividend and redemption obligations.

The Bullmoose mine met its completion tests under the bank financing agreements in December, 1984.

The second issue was $50 million of Series F 7.25% convertible preferreds, which took place in August, 1985. These shares are convertible into Teck Class B shares at a price of $17 per share. This issue was designed to increase the company's working capital position, and enhance its ability to pursue new opportunities.

The Hemlo project financing agreements were signed formally in December, 1984. This facility provides Teck and its partner, International Corona Resources Ltd., with non-recourse financing for the Hemlo mine. Teck's share of the loan facility amounts to $85 million, of which $41 million was drawn at the year end. The unutilized portion of this facility includes $27 million which can be drawn for general corporate purposes with recourse only to Teck's share of the assets of the Hemlo mine, after the project has met certain completion, construction and cash flow tests.

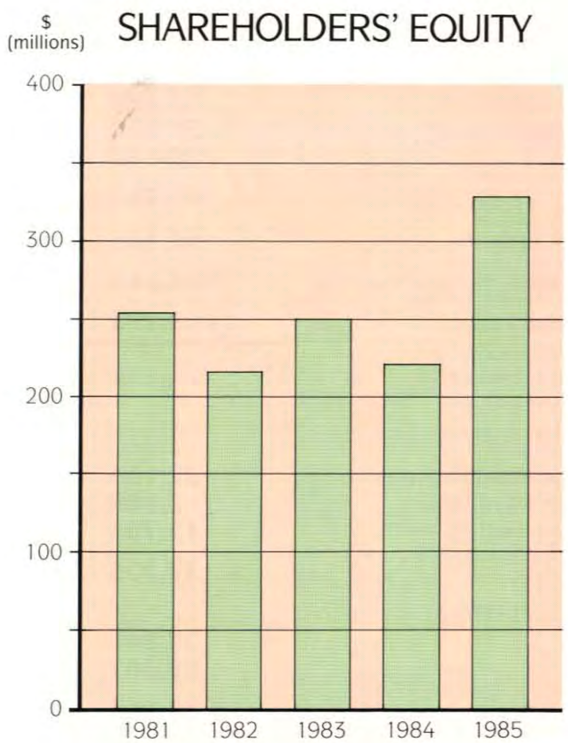
Capital expenditure on Teck's 55% interest in the mine is expected to amount to $10 million in fiscal 1986. It is expected that this expenditure will be financed partly by cash flow from current operations and the remainder by further draws on the existing loan facility.

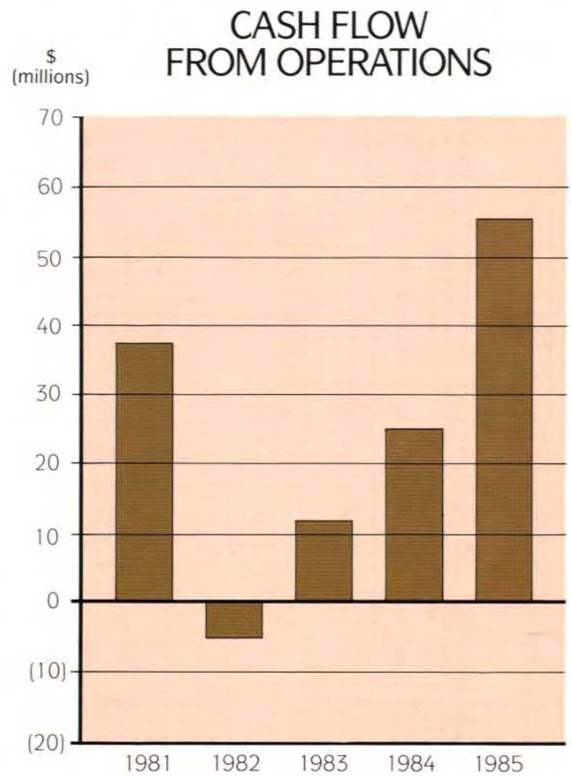
David A. Thompson, Vice-President and Chief Financial Officer

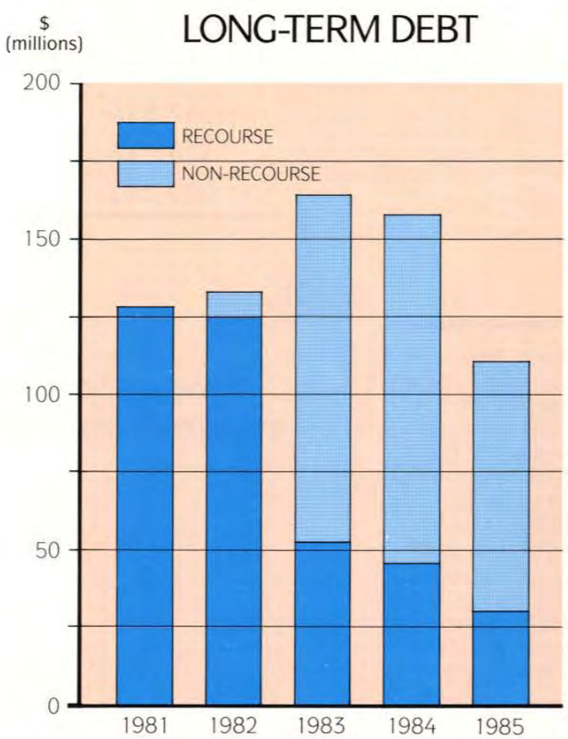
The strong cash flow produced by the company in 1985 enabled Teck to make early repayment of the remaining Afton loan of $18.5 million. In addition, all operating loans were repaid during the year and the working capital ratio improved from 1.5:1 in September, 1984 to almost 3:1 at the year end. In spite of the Hemlo capital investment, long term debt was reduced from $157 million to $109 million at year-end, of which only $29 million was with recourse to the company. The company's debt to equity ratio continued to improve and now is 1:3, or 33% of shareholders' equity.

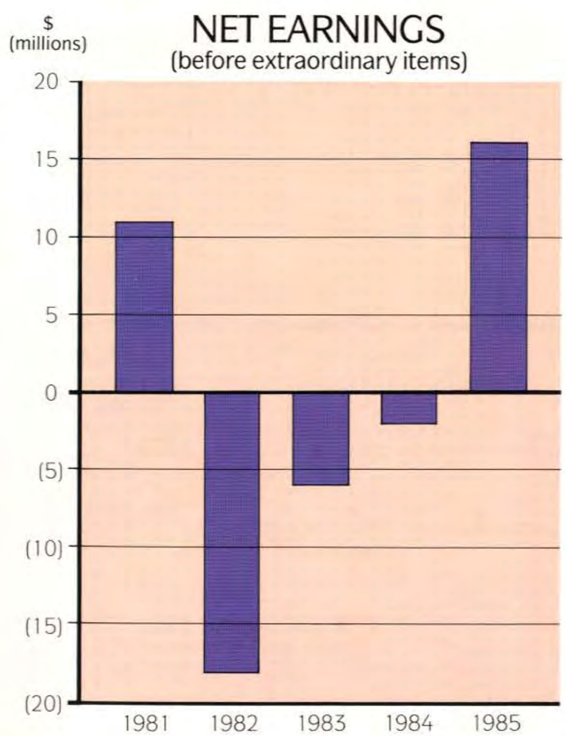
Outlook
It is expected that the company's cash flow and earnings should continue to increase in the coming fiscal year, even without improvement in metal prices. The Hemlo mine will be placed on stream for accounting purposes as of January 1, 1986 and should contribute to profits, although not at full capacity pending completion of the lower level underground development programme.

The company is financially strong and in a good position to take on new development opportunities or acquisitions.


$
(millions)
SHAREHOLDERS' EQUITY
400
300
200
100
0
1981
1982
1983
1984
1985


$
(millions)
CASH FLOW
FROM OPERATIONS
70
60
50
40
30
20
10
0
(10)
(20)
1981
1982
1983
1984
1985


$
(millions)
LONG-TERM DEBT
RECOURSE
NON-RECOURSE
200
150
100
50
0
1981
1982
1983
1984
1985


$
(millions)
NET EARNINGS
(before extraordinary items)
20
15
10
5
0
(5)
(10)
(15)
(20)
1981
1982
1983
1984
1985

Consolidated Balance Sheet
as at September 30, 1985

	1985 $	1984 $
	(in thousands)	
ASSETS		
Current Assets		
Cash and short-term deposits	**64,574**	19,770
Accounts receivable	**12,489**	22,174
Product inventories and settlements receivable	**20,011**	22,864
Supplies and prepaids	**10,673**	9,734
	107,747	74,542
Investments (Notes 2 and 4)	**65,101**	56,999
Property, Plant and Equipment (Notes 3 and 4)	**316,444**	302,558
	489,292	434,099
LIABILITIES		
Current Liabilities		
Bank loans	**–**	14,619
Accounts payable and accrued liabilities	**22,135**	23,637
Income and mining taxes payable	**2,385**	1,540
Current portion of long-term debt	**12,705**	10,000
	37,225	49,796
Long-term Debt (Notes 4 and 7(b))		
Recourse loans	**28,944**	44,865
Non-recourse loans	**80,382**	112,620
Deferred Income Taxes	**15,966**	5,170
	162,517	212,451
SHAREHOLDERS' EQUITY		
Capital Stock (Note 5)	**251,637**	149,798
Contributed Surplus	**27,602**	27,602
Retained Earnings	**47,536**	44,248
	326,775	221,648
	489,292	434,099

Approved by the Directors:

Norman B. Keevil, Jr., Director

D. A. Thompson.

David A. Thompson, Director

Consolidated Statement of Earnings

for the year ended September 30, 1985

	1985 $	1984 $
	(in thousands)	
Revenues		
Mining	**200,076**	187,534
Petroleum	**14,771**	13,988
Investment and other income	**3,093**	1,458
	217,940	202,980
Costs and Expenses		
Mining operations	**139,101**	151,082
Petroleum operations	**5,135**	4,667
Administration and general	**4,527**	3,668
Depreciation and amortization	**21,125**	23,042
Exploration	**6,134**	1,296
Interest on long-term debt	**10,719**	16,471
Other interest	**566**	823
Foreign currency loss	**3,293**	2,106
	190,600	203,155
	27,340	(175)
Income and Mining Taxes (Note 6)		
Current	**1,978**	1,309
Deferred (recovery)	**12,512**	(245)
	14,490	1,064
Earnings (loss) before the following	**12,850**	(1,239)
Equity in net earnings (losses) of associated companies (Note 2)	**3,214**	(800)
Earnings (Loss) before extraordinary items	**16,064**	(2,039)
Extraordinary items	**—**	(23,026)
Net Earnings (Loss)	**16,064**	(25,065)
Earnings (Loss) per share (after preferred share dividends)		
Before extraordinary items	**$0.30**	($0.17)
After extraordinary items	**$0.30**	($0.96)

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Teck Corporation as at September 30, 1985 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as explained in the following paragraph.

As described in Note 2(b), investments in associated companies and equity in earnings of these companies include earnings of $3,565,000 which represents the portion of the results of their operations which have not been audited.

In our opinion, except for the effect of adjustments, if any, which might have been required had the audited financial information of the investee companies been available, these consolidated financial statements present fairly the financial position of the company as at September 30, 1985 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Coopers & Lybrand

CHARTERED ACCOUNTANTS

Vancouver, B.C.
November 8, 1985

Consolidated Statement of Changes in Financial Position

for the year ended September 30, 1985

	1985 $	1984 $
	(in thousands)	
Cash from Operations		
Earnings		
Earnings (loss) from operations	**16,064**	(2,039)
Depreciation and amortization	**21,125**	23,042
Equity in earnings of associated companies	**(3,214)**	800
Exploration	**6,134**	1,296
Foreign currency loss	**3,293**	2,106
Deferred income taxes	**12,512**	(245)
	55,914	24,960
Net Decrease in Receivables, Inventories, Supplies and Payables	**10,942**	5,027
Dividends Paid	**(11,473)**	(7,089)
	55,383	22,898
External Financing		
Long-term debt	**30,414**	44,579
Repayment of long-term debt	**(80,765)**	(17,069)
Issue of Class B subordinate voting shares	**8,845**	4,757
Issue of preferred shares, net of expenses	**97,397**	–
Conversion of preferred shares	**(7,006)**	–
	48,885	32,267
Investments		
Petroleum properties	**(2,878)**	(15,483)
Petroleum incentive payments received	**2,359**	10,005
Plant and equipment	**(33,409)**	(37,076)
Exploration and development costs	**(6,417)**	(2,110)
Investments	**(6,514)**	(6,922)
Sale of investments and marketable securities	**2,014**	3,016
	(44,845)	(48,570)
Increase in Cash	**59,423**	6,595
Cash – Beginning of Year	**5,151**	(1,444)
Cash – End of Year	**64,574**	5,151

Note: The statement of changes in financial position is prepared in accordance with the new format recommended by the Canadian Institute of Chartered Accountants.

Consolidated Statement of Retained Earnings

for the year ended September 30, 1985

	1985 $	1984 $
	(in thousands)	
Balance at Beginning of Year	**44,248**	76,402
Net earnings (loss)	**16,064**	(25,065)
Dividends on preferred shares	**(7,071)**	(2,802)
Dividends on Class A common and Class B subordinate voting shares	**(4,402)**	(4,287)
Cost of issuing preferred shares, net of tax of $1,300,000	**(1,303)**	–
Balance at End of Year	**47,536**	44,248

Notes to Consolidated Financial Statements

for the year ended September 30, 1985

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

These consolidated financial statements include the accounts of the company and all of its subsidiaries. Significant subsidiaries included in the consolidation are:

Teck-Bullmoose Coal Inc., Teck-Hemlo Inc., Teck Explorations Limited, Teck Mining Group Limited, Teck Frontier Corporation.

Investments in associated companies

The company follows the equity method of accounting for its investments in companies in which it owns from 20% to 50% and over which it exercises significant influence. Under this method the company includes in its earnings its share of the earnings and losses of these associated companies. All of the significant accounting policies followed by the investee companies conform to those of the company. The excess costs of the investments over the related underlying equity in the net assets of the investee companies relate to specific resource properties and are amortized over the estimated life of the properties.

Joint ventures and partnerships

The company conducts substantially all of its petroleum and mining activities on joint venture and partnership bases and the accounts reflect the company's proportionate interest in such activities.

Product inventories and settlements receivable

Product inventories are recorded at estimated net realizable value except where there is no contract for sale in which case they are recorded at the lower of cost and net realizable value. Settlements receivable are recorded at estimated net realizable value.

Net realizable value is based upon current metal prices less provision for possible adverse changes in metal prices and foreign exchange rates.

Property, plant and equipment

(a) *Oil and gas properties*

The costs of producing properties are amortized on a unit of production method based on estimated recoverable reserves.

Exploration costs in frontier areas, the Beaufort Sea, the Arctic Islands and East Coast offshore, are deferred and will be amortized on a unit of production basis upon commencement of commercial production, or written off if the properties are abandoned or when there is impairment in value.

(b) *Mineral properties and deferred costs*

Mineral properties are carried at cost less amortization. Exploration costs are charged to earnings in the year in which they are incurred, except where these costs relate to specific areas having indicated economically recoverable reserves, in which case they are deferred.

Deferred costs also include financing costs relating to the construction of plant and equipment and operating costs net of concentrate revenue prior to the commencement of commercial production of a new mine.

Mineral properties and deferred costs are amortized over the estimated life of the orebody upon commencement of production, or written off if the property is abandoned or when there is impairment in value.

(c) *Plant and equipment*

Plant and equipment are depreciated over the estimated life of the assets on a unit of production basis.

Income and mining taxes

The company records income and mining taxes on the tax allocation basis. Differences in amounts reported for tax purposes and accounting purposes result in deferred income and mining taxes which are shown separately in the statement of earnings and balance sheet. Deferred income taxes relate primarily to the depreciation and amortization of property, plant and equipment costs. Tax savings from investment tax credits are recognized when realized and are deducted from the related asset costs.

Translation of foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the year end rates of exchange. Foreign currency revenue and expense items are translated at average monthly rates of exchange. Exchange gains and losses are included in determining current earnings except those arising from the translation of long-term debt which are deferred and amortized over the term of the debt.

2. INVESTMENTS

	% Ownership	**1985 $**	1984 $
		(in thousands)	
Investments carried on an equity basis			
Lornex Mining Corporation Ltd.	22	**36,610**	33,036
Trilogy Resource Corporation	30	**10,639**	10,984
		47,249	44,020
Investments and advances at cost			
Other investments — quoted		**7,457**	4,784
Other investments — not quoted		**7,054**	3,846
Advances		**3,341**	4,349
		17,852	12,979
		65,101	56,999

(a) At September 30, 1985, investments carried on an equity basis have a quoted market value of $60,280,000 and other quoted investments have a market value of $12,379,000.

(b) The company accounts for its investments in Lornex Mining Corporation Ltd. and Trilogy Resource Corporation on the equity method and includes in earnings the company's share of earnings and losses of these companies net of amortization of any excess of cost of the investment over the underlying value of assets. Since these companies have December 31 year ends, their earnings (losses) for the nine months ended September 30, 1985 were unaudited as at the audit report date.

	1985 $	1984 $
	(in thousands)	
Equity in earnings (losses) of associated companies		
— audited	**(351)**	33
— unaudited	**3,565**	(833)
	3,214	(800)

3. PROPERTY, PLANT AND EQUIPMENT

	1985			1984
	Cost **$**	**Accumulated depreciation and amortization** **$** (in thousands)	**Net** **$**	Net $
Oil and Gas				
Western Canada	**25,749**	**12,836**	**12,913**	10,664
Frontier areas	**8,911**	**–**	**8,911**	10,373
	34,660	**12,836**	**21,824**	21,037
Mining				
Mineral properties and deferred costs	**84,086**	**13,434**	**70,652**	72,475
Plant and equipment	**255,401**	**71,581**	**183,820**	192,264
Construction in progress	**40,148**	**–**	**40,148**	16,782
	379,635	**85,015**	**294,620**	281,521
	414,295	**97,851**	**316,444**	302,558

4. LONG-TERM DEBT

	1985 **$**	1984 $
	(in thousands)	
Recourse debt		
Bullmoose mine (a)	**14,628**	12,468
Highmont mine (c)	**19,970**	18,961
Afton mine	**–**	18,536
Other	**1,881**	–
	36,479	49,965
Less: amount due within one year	**7,535**	5,100
	28,944	44,865
Non-recourse debt		
Bullmoose mine (a)	**38,806**	98,000
Teck-Corona mine (b)	**40,975**	13,475
Other	**5,771**	6,045
	85,552	117,520
Less: amount due within one year	**5,170**	4,900
	80,382	112,620
	109,326	157,485

Recourse debt is a general obligation of the company. Non-recourse debt represents loans made in respect of specific projects and is secured only by project assets and the payment of interest and principal is entirely dependent upon cash flow from the particular project with no further obligation of the company.

(a) The Bullmoose bank loan totals $53,434,000 including the current portion. Of this amount $38,806,000 is a non-recourse debt secured only by the company's share of mine assets. Certain petroleum properties have been pledged as additional security for the balance of the loan.

The interest rate is at 1¼% above the U.S. dollar L.I.B.O. rate or at ¾% above the bank prime lending rate.

The loan is repayable in semi-annual instalments on June 15 and December 15 with each instalment being the lesser of the company's share of cash flow from the mine for the preceding six month period and fixed amounts calculated by reference to the total advances made. Any unpaid balance of the loan is due on December 15, 1994 unless extended by agreement of the banks.

This credit facility provides that on December 15, 1990 a further $50 million will be advanced on a non-recourse basis to provide funds for the redemption of the Series E preferred shares.

(b) A consortium of banks has agreed to lend up to $85 million including an overrun facility, on a non-recourse basis, in respect of the company's share of the Teck-Corona mine project of which $40,975,000 has been advanced as at September 30, 1985. A maximum of $27 million of the credit facility may be used for general corporate purposes subject to meeting certain completion tests, cash flow and construction cost criteria. The loan is secured only by the company's share of mine assets.

Semi-annual repayments will commence at the earlier of six months after satisfying certain completion tests or March 31, 1988 in the amount of the lesser of cash flow for the preceding six month period and amounts calculated to repay the loan in 14 equal instalments.

The maximum interest rate is ⅞% over the U.S. dollar L.I.B.O. rate or at ⅜% above the bank prime lending rate.

(c) The Highmont bank loan (U.S.$14,577,187) is secured by the company's share of mine assets and certain other securities of the company. The interest rate is at ⅞% above the U.S. dollar L.I.B.O. rate. Repayment is scheduled in equal amounts over three years commencing in 1986.

(d) Interest of $2,284,000 on long-term debt relating to the Teck-Corona mine project was capitalized as a deferred cost during the year.

(e) The amounts estimated to meet repayment provisions in each of the next five fiscal years are:

	Recourse Debt	Non-Recourse Debt	Total
	$	$ (in thousands)	$
1986	7,535	5,170	12,705
1987	7,853	9,249	17,102
1988	7,852	12,120	19,972
1989	1,200	13,031	14,231
1990	1,350	13,942	15,292
	25,790	53,512	79,302

5. CAPITAL STOCK

(a) *Authorized*

An unlimited number of preferred shares without nominal or par value issuable in series.

An unlimited number of Class A common shares without nominal or par value.

An unlimited number of Class B subordinate voting shares without nominal or par value.

The Class A common shares carry the right to 100 votes per share and the Class B subordinate voting shares carry the right to one vote per share; in all other respects the Class A common and Class B subordinate voting shares rank equally.

(b) *Issued and Fully Paid*

	1985	1984
	$ (in thousands)	$
70,000 Series A 7.5% preferred shares	—	7,000
222,692 Series C 8.36% preferred shares	**12,248**	12,254
250,000 Series D 5% preferred shares	**25,000**	25,000
2,000,000 Series E 9.25% preferred shares	**50,000**	—
2,000,000 Series F 7.25% preferred shares	**50,000**	—
	137,248	44,254
2,341,118 Class A common shares	**6,696**	6,696
27,841,354 Class B subordinate voting shares	**107,693**	98,848
	114,389	105,544
	251,637	149,798

Included in Class B subordinate voting shares are 310,283 shares available for issue on a share exchange basis to the shareholders of certain former subsidiary companies.

(c) Capital stock transactions during the year are as follows:

i) On November 7, 1984 the company issued 2,000,000 Series E preferred shares for cash proceeds of $50,000,000 and on August 23, 1985 the company issued 2,000,000 Series F preferred shares for cash proceeds of $50,000,000.

	Shares	$ (in thousands)
ii) Class B subordinate voting shares		
Balance at September 30, 1984	26,941,804	98,848
Exercise of stock options	229,900	1,839
Conversion of Series A preferred shares	669,400	7,000
Conversion of Series C preferred shares	250	6
Balance at September 30, 1985	27,841,354	107,693

(d) In 1984, stock options were granted to senior employees allowing the acquisition of 599,000 Class B subordinate voting shares at $8.00 per share. The options expire July 31, 1989.

Balance at September 30, 1984	599,000
Cancelled during the year	(3,500)
Exercised during the year	(229,900)
Balance at September 30, 1985	365,600

(e) The Series A preferred shares were held by Metallgesellschaft Canada Investments Limited and on May 15, 1985 were converted into 669,400 Class B subordinate voting shares (Note 7(a)(i)).

(f) The Series C preferred shares are redeemable at prices between $55.00 and $60.00 per share but prior to July 1, 1986 redemption may only occur if certain conditions are satisfied relating to the market price of the Class B subordinate voting shares. Each share may be converted into Class B subordinate voting shares at the following rates:

To June 30, 1986	2.5 Class B subordinate voting shares
To December 31, 1991	2.3 Class B subordinate voting shares

(g) The Series D preferred shares are held by Metallgesellschaft Canada Limited (Note 7(a)(i)) and are to be redeemed for $100 each in four equal annual amounts commencing July 31, 1992. The dividend rate is subject to increase by a maximum of 6% if molybdenum and copper prices exceed U.S.$7.50 and U.S.$0.90 per pound respectively. Each share may be converted into 4.54 Class B subordinate voting shares subject to certain restrictions.

(h) The Series E preferred shares are to be redeemed for $25 each on December 15, 1990. Funds required for the redemption will be provided as a non-recourse advance under the Bullmoose credit facility (Note 4(a)).

In the event that the company fails to pay a dividend or to redeem the shares, a Canadian bank will offer to purchase the shares for $26 each plus 133% of any accrued and unpaid dividends to the date of purchase.

(i) The Series F preferred shares are convertible at any time prior to September 1, 1990 on the basis of 1.47 Class B subordinate voting shares for each Series F preferred share.

The Series F preferred shares are redeemable after September 1, 1987. From that date until August 31, 1990, the Series F preferred shares may be redeemed at $26 per share if certain conditions are satisfied relating to the market price of the Class B subordinate voting shares. The Series F preferred shares are redeemable at any time on and after September 1, 1990, at $25 per share plus accrued and unpaid dividends.

(j) Earnings (loss) per share are calculated using the weighted average number of Class A common and Class B subordinate voting shares outstanding during the year of 29,560,000 (1984 – 28,912,768).

6. INCOME TAXES

The reconciliation of income taxes calculated at the statutory rate to the actual tax provision is as follows:

	1985 $	1984 $
	(in thousands)	
Income taxes at statutory rate (52%)	**14,217**	(91)
Tax effect of:		
Resource and depletion allowances, net of non-deductible government royalties and resource tax	**(4,759)**	(450)
Non-taxable dividends	**(255)**	(184)
Non-deductible foreign exchange loss	**856**	540
Non-deductible exploration expense	**995**	430
	11,054	245
Mining taxes	**3,436**	819
Tax provision	**14,490**	1,064

7. OTHER INFORMATION

(a) *Related party transactions (Note 7(b))*

i) Metallgesellschaft Canada Limited and Metallgesellschaft Canada Investments Limited (subsidiaries of Metallgesellschaft AG) own directly and indirectly approximately 12% of the non-preferred share capital of the company (16% with conversion of Series D preferred shares (Note 5(g))). During the year the company issued 669,400 Class B subordinate voting shares to Metallgesellschaft Canada Investments Limited on the conversion of 70,000 Series A convertible preferred shares (Note 5(e)).

ii) Included in accounts receivable is the amount of $2,789,727 advanced to senior employees to enable them to purchase shares of the company.

iii) The Chairman of the Board of the company is a shareholder and Chairman of the Board of TDC Technology Development Corporation (TDC). During the year the company exercised an option converting advances of $1,875,000 previously made to TDC into a 25% share interest. Remaining advances of $1.4 million are repayable with interest at the bank prime lending rate before January 20, 1987.

(b) *Contingent liability*

In prior years customers of the Highmont mine advanced funds by way of price support loans to the mine. The company's share of these advances totalled U.S.$19,113,000 of which U.S.$10,889,000 was advanced by Metallgesellschaft AG, a related party. As a result of the shutdown of the mine in 1984, these advances were reclassified from long-term debt to a contingent liability. These advances are subordinate to the project term loan ($75 million) which is secured by a first mortgage on the company's share of the mine assets. After the project term loan has been repaid in full, the support loans are repayable but only out of cash flow from the project. A wholly-owned subsidiary of the company is the holder of $56 million of the project term loan (which is eliminated in the consolidated accounts of the company) and a Canadian bank holds the balance.

(c) *Pension plan*

As at September 30, 1985, there was no unfunded past service liability.

(d) *Segmented information*

The principal classes of business of the company are mining and petroleum. Financial information relating thereto is disclosed in the Consolidated Statement of Segmented Information, which forms part of these financial statements.

Consolidated Statement of Segmented Information

for the year ended September 30, 1985

	1985				1984			
OPERATIONS	**Mining $**	**Petroleum $ (in thousands)**	**Other $**	**Total $**	Mining $	Petroleum $ (in thousands)	Other $	Total $
Revenue								
Export	**180,888**	**–**	**–**	**180,888**	163,346	–	–	163,346
Domestic	**19,188**	**14,771**	**3,093**	**37,052**	24,188	13,988	1,458	39,634
	200,076	**14,771**	**3,093**	**217,940**	187,534	13,988	1,458	202,980
Costs and expenses								
Cost of operations	**139,101**	**5,135**	**–**	**144,236**	151,082	4,667	–	155,749
Administration and general	**–**	**–**	**4,527**	**4,527**	–	–	3,668	3,668
Depreciation and amortization	**20,688**	**437**	**–**	**21,125**	22,664	378	–	23,042
Exploration	**5,817**	**317**	**–**	**6,134**	1,173	123	–	1,296
Interest expense and foreign currency loss	**14,775**	**5**	**(202)**	**14,578**	19,426	4	(30)	19,400
	180,381	**5,894**	**4,325**	**190,600**	194,345	5,172	3,638	203,155
	19,695	**8,877**	**(1,232)**	**27,340**	(6,811)	8,816	(2,180)	(175)
Income and mining taxes	**(10,739)**	**(4,791)**	**1,040**	**(14,490)**	2,688	(4,519)	767	(1,064)
	8,956	**4,086**	**(192)**	**12,850**	(4,123)	4,297	(1,413)	(1,239)
Equity in earnings (losses) of associated companies	**–**	**–**	**3,214**	**3,214**	–	–	(800)	(800)
Net earnings (loss) before extraordinary items	**8,956**	**4,086**	**3,022**	**16,064**	(4,123)	4,297	(2,213)	(2,039)
WORKING CAPITAL	**13,074**	**–**	**57,448**	**70,522**	19,107	–	5,639	24,746
INVESTMENTS	**–**	**–**	**65,101**	**65,101**	–	–	56,999	56,999
PROPERTY, PLANT AND EQUIPMENT	**289,384**	**21,824**	**5,236**	**316,444**	275,026	21,037	6,495	302,558
CURRENT CAPITAL EXPENDITURES	**39,826**	**519**	**6,514**	**46,859**	39,186	5,478	6,922	51,586

OTHER: Includes equity in earnings of associated companies and items not allocated to mining or petroleum.

Comparative Figures

		Year Ended September 30, (in thousands)									
		1985	1984	1983	1982	1981	1980	1979	1978	1977	1976
		$	$	$	$	$	$	$	$	$	$
Balance Sheet											
Total assets		**489,292**	434,099	489,471	438,958	495,632	502,806	367,073	295,194	197,526	108,929
Long-term debt		**109,326**	157,485	165,052	132,497	127,906	178,587	104,120	135,907	81,397	34,349
Shareholders' equity	(1)	**326,775**	221,648	249,045	217,785	254,994	196,668	168,460	59,920	54,155	38,732
Working Capital		**70,522**	24,746	28,472	27,069	22,362	8,195	40,476	29,848	3,497	3,429
Earnings and cash flow											
Mining revenue		**200,076**	187,534	101,824	105,242	134,588	160,288	127,034	64,366	36,305	29,643
Petroleum revenue	(2)	**14,771**	13,988	20,601	16,647	14,224	15,695	11,596	10,630	8,589	6,971
Mining operating profit		**60,975**	36,452	9,127	5,448	46,246	82,476	58,325	22,096	8,507	4,298
Petroleum operating profit		**9,636**	9,321	15,520	10,616	10,317	11,252	8,810	8,198	6,618	5,147
Earnings (loss) before extraordinary items		**16,064**	(2,039)	(6,025)	(17,705)	11,259	31,816	22,506	4,292	4,083	1,786
Extraordinary items	(3)	**–**	(23,026)	(10,963)	(14,146)	40,651	6,372	5,723	316	10,601	216
Net earnings (loss)		**16,064**	(25,065)	(16,988)	(31,851)	51,910	38,188	28,229	4,608	14,684	2,002
Cash flow from operations	(4)	**55,914**	24,960	12,143	(5,176)	37,359	71,878	44,400	18,279	10,170	7,315
Sale of resource properties	(5)	**–**	–	26,874	73,295	50,849	–	–	–	–	–
Sale of investments	(6)	**2,014**	3,016	2,129	2,557	116,921	8,315	7,208	1,097	15,886	–
Capital expenditures excluding investments	(7)	**40,345**	44,664	105,232	54,859	89,720	132,105	30,355	22,818	64,153	17,049
Investments	(8)	**6,514**	6,922	3,057	3,663	56,519	38,990	64,716	32,283	4,219	892
Exploration expense		**6,134**	1,296	2,904	6,971	11,232	10,562	4,616	3,580	1,946	1,246
Per Share	(9)										
Cash flow from operations	(4)	**$1.89**	$0.86	$0.44	($0.20)	$1.48	$2.84	$ 2.37	$ 1.31	$ 0.73	$0.53
Earnings (loss) before extraordinary items		**$0.30**	($0.17)	($0.28)	($0.76)	$0.43	$1.24	$ 1.19	$ 0.31	$ 0.29	$0.13
Net earnings (loss)		**$0.30**	($0.96)	($0.68)	($1.32)	$2.03	$1.49	$ 1.50	$ 0.33	$ 1.05	$0.15
Dividends		**$0.15**	$0.15	$0.15	$0.15	$0.15	$0.15	$0.125	$0.105	$0.045	–

(1) Issue of $50 million 9.25% preferred shares and $50 million 7.25% convertible preferred shares in 1985.

(2) In June 1983 certain oil and gas properties were sold to Trilogy Resources Corporation.

(3) Includes write-down of Highmont and Teck Frontier in 1984, Afton smelter in 1983, loss on sale of 30% of Highmont in 1982, and gain on sale of Coseka Resources Limited shares and 20% of Highmont in 1981.

(4) Cash flow from operations has been restated to conform with the new format of the Consolidated Statement of Changes in Financial Position as recommended by the Canadian Institute of Chartered Accountants.

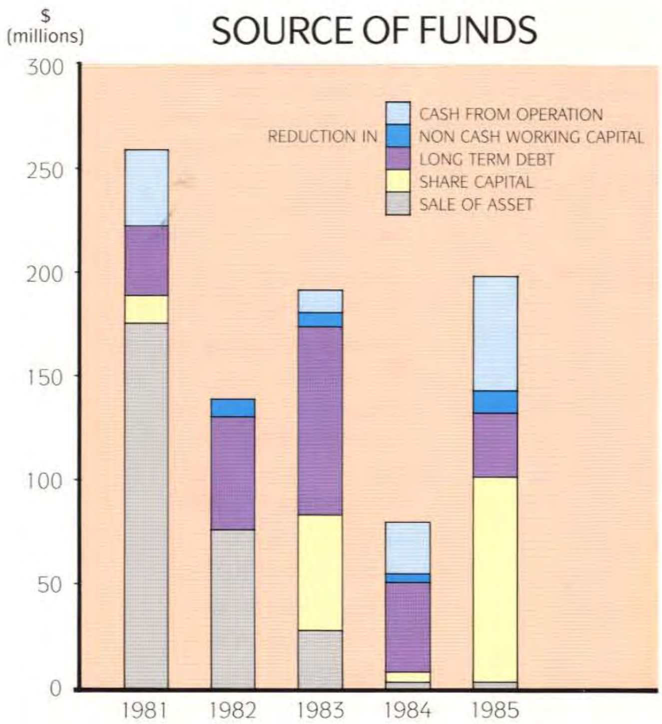
(5) Includes sale of oil and gas properties to Trilogy Resource Corporation in 1983, a 50% interest in Bullmoose and a 30% interest in Highmont in 1982 and a 20% interest in Highmont in 1981.

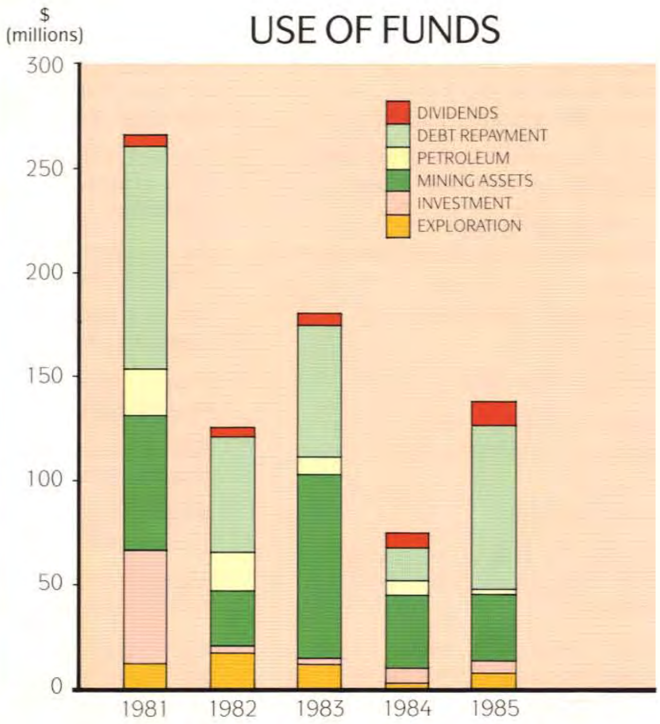
(6) Includes sale of Coseka Resources Limited and MacMillan Bloedel Limited shares in 1981.

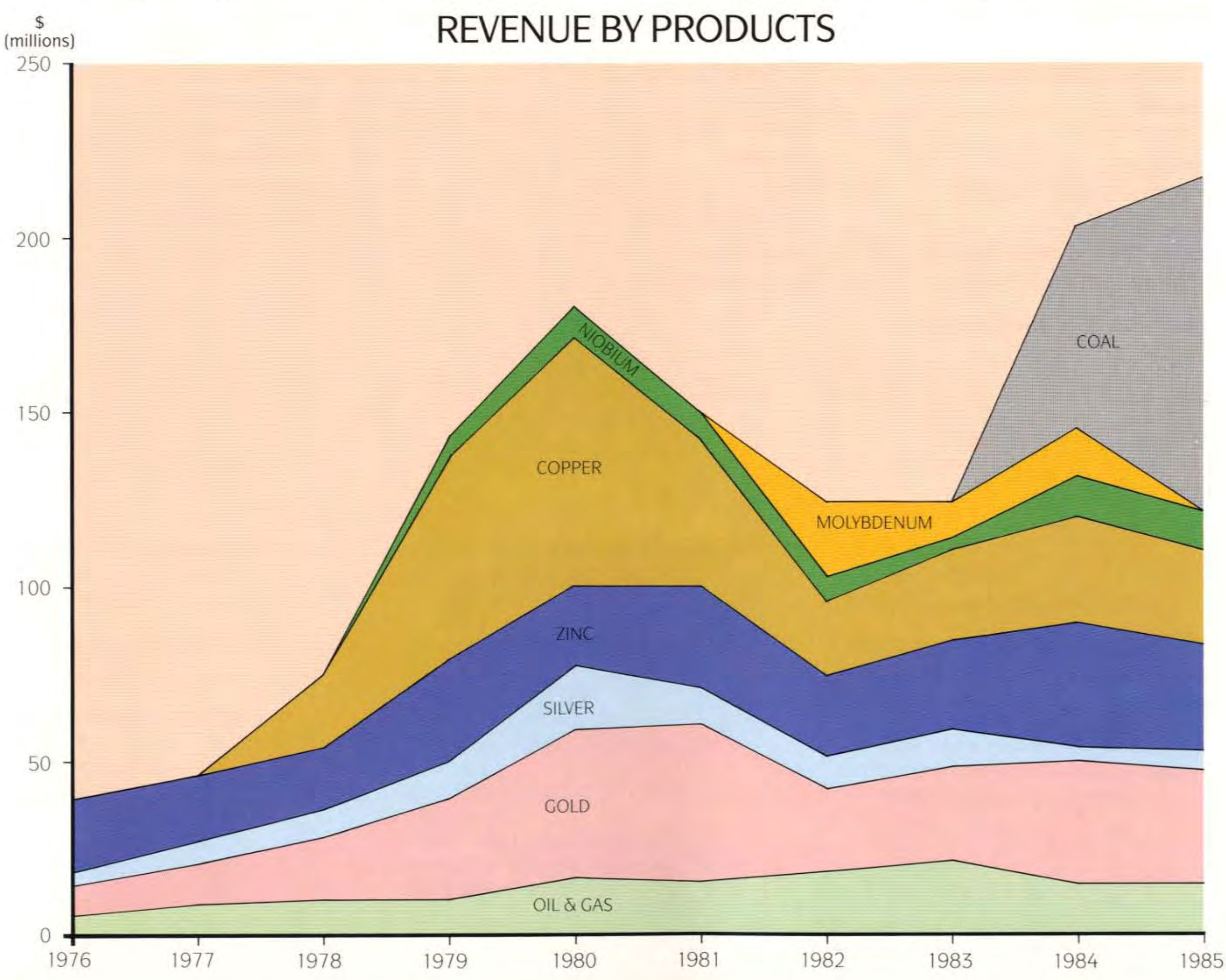
(7) Primarily Hemlo in 1985, Bullmoose and Hemlo in 1984, Bullmoose and Teck Frontier in 1983 and 1982 and Highmont and petroleum properties in 1981.

(8) Primarily $36 million on MacMillan Bloedel Limited shares (sold at $39.5 million) and $12 million on Coseka Resources Limited shares in 1981, $36 million on Coseka Resources Limited shares in 1980.

(9) The number of shares used in the calculation is the weighted average number of Class A common and Class B subordinate voting shares issued and outstanding during the year.


$
(millions)
SOURCE OF FUNDS
300
250
200
150
100
50
0
REDUCTION IN
CASH FROM OPERATION
NON CASH WORKING CAPITAL
LONG TERM DEBT
SHARE CAPITAL
SALE OF ASSET
1981
1982
1983
1984
1985


$
(millions)
USE OF FUNDS
300
250
200
150
100
50
0
DIVIDENDS
DEBT REPAYMENT
PETROLEUM
MINING ASSETS
INVESTMENT
EXPLORATION
1981
1982
1983
1984
1985


$
(millions)
REVENUE BY PRODUCTS
250
200
150
100
50
0
NIOBIUM
COAL
COPPER
MOLYBDENUM
ZINC
SILVER
GOLD
OIL & GAS
1976
1977
1978
1979
1980
1981
1982
1983
1984
1985

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The Class A common, Class B subordinate voting shares and Series F preferred shares are listed on the Toronto, Vancouver and Montreal Stock Exchanges. The Series E preferred shares are listed on the Toronto and Montreal Stock Exchanges.

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