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TECK

TECK CORPORATION 1978

AFTON MINES OFFICIAL OPENING APR. 27, 1978

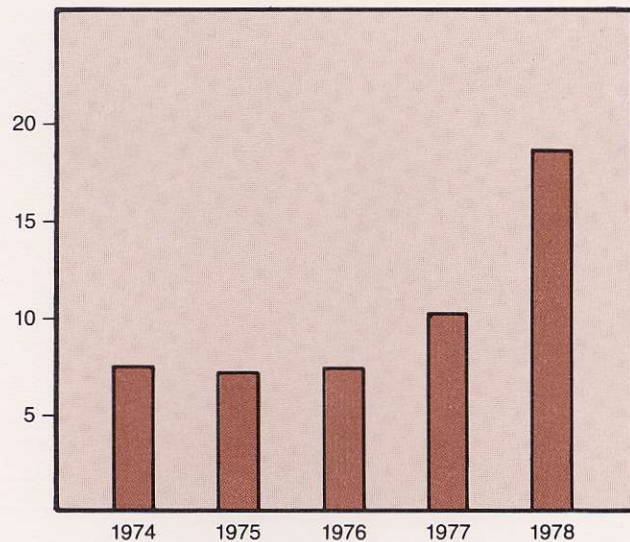
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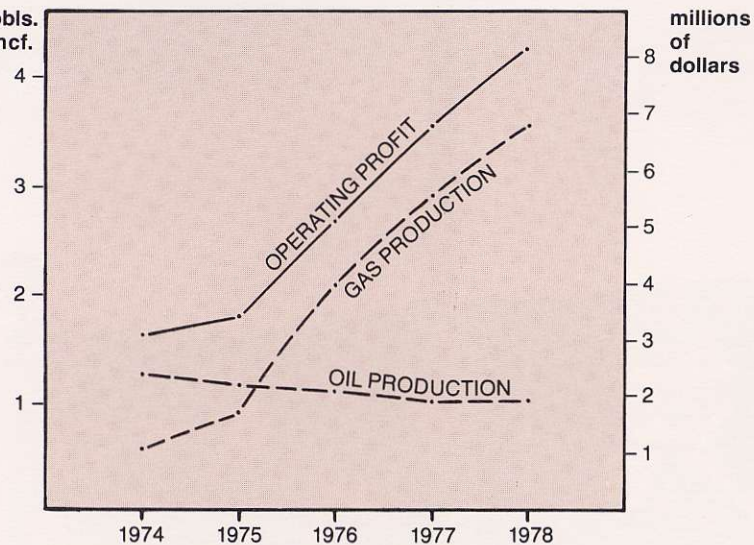
The official opening of the Afton mine and smelter was attended by 600 guests from Kamloops and across Canada, as well as from the United States and Europe. The operation was christened with a 150,000 tons ceremonial blast set off by The Hon. James Chabot, Minister of Mines and Petroleum Resources for British Columbia and The Rt. Hon. Roland Michener, Chairman of Teck Corporation.

millions of dollars



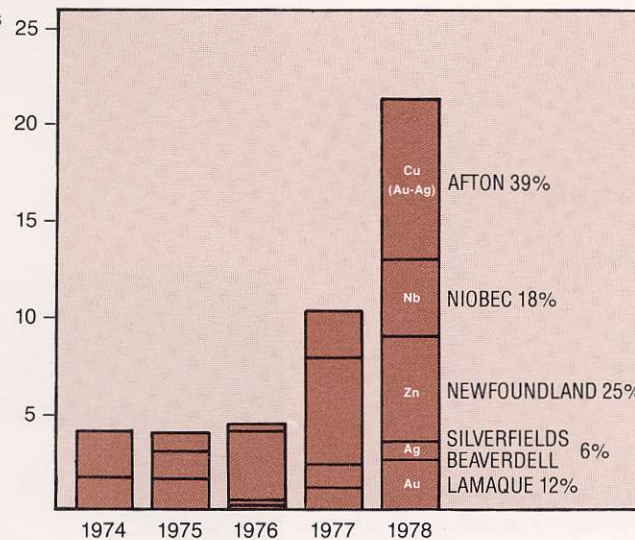
CASH FLOW has increased materially in the last five years. The figures represent consolidated cash flow from operations and investments, before reinvestment in exploration and development.

millions bbls.
millions mcf.



PETROLEUM PRODUCTION AND PROFIT This illustrates our growth in natural gas production, which has contributed materially to our increasing profit from petroleum in the last five years.

millions of dollars



MINE OPERATING PROFIT This chart illustrates the contribution of our three new mines to growth in operating profit in recent years. The figures represent Teck's share, after deducting minority interests.

Report to the Shareholders

It is a pleasure to present the 15th annual report of Teck Corporation, for the year ending September 30, 1978. It was another year of achievement which saw our third new mine brought into production in the last four years, and which produced record cash flow and earnings.

Highlights of the year included:

HIGHLIGHTS

- Production at Teck-managed operations of:
 - 34,780,260 pounds of copper
 - 98,636,220 pounds of zinc
 - 5,707,343 pounds of niobium oxide
 - 90,337 ounces of gold
 - 1,411,819 ounces of silver
 - 1,053,000 barrels of oil
 - 3,556,000 mcf of natural gas
- Cash flow from operations and investments, before reinvestment in exploration and development, of \$18.4 million or \$2.63 a share.
- Net earnings before extraordinary items at a record level of \$4.5 million or 65¢ a share.
- Completion of the Afton mine and smelter, western Canada's first new copper mine since 1972 and its first copper smelter in modern times.
- Acquisition of a significant equity in the Lornex mine, giving Teck an interest in two of the lowest cost copper mines in North America.
- Acquisition, after the year end, of a development contract to acquire 70% of the important Schaft Creek copper-molybdenum-gold deposit in northern British Columbia.
- Revenue at a record \$68 million.
- Continued growth in assets for the 10th consecutive year to a total of \$282 million.

GOLD

Teck's Lamaque mine produced 57,364 ounces of gold during the year and, with gold averaging \$210 an ounce (in Canadian dollars), generated an operating profit of \$2,506,000. We are continuing to develop new ore in flat veins in the northern part of the property adjoining the Sigma mine, and this area has been providing an increasing proportion of our mill feed.

The new Afton mine is also a substantial gold producer, the gold content averaging approximately one ounce per thousand pounds of copper. Afton produced 32,973 ounces of gold from the beginning of tune-up operations in December until the end of the fiscal year. It is expected that the annual output will be comparable to that of Lamaque.



R. E. Hallbauer, Dr. N. B. Keevil and Dr. Dietrich Wolff during an inspection of Metallgesellschaft's Meggen mine in Germany.

SILVER

Our Silverfields mine produced 848,920 ounces of silver during the year, the average price received being \$5.77 an ounce. Operating profit was \$761,000.

The Beaverdell mine continued to perform well with production of 373,190 ounces of silver and an operating profit of \$460,000. Beaverdell produces only modest amounts of gold (138 ounces in 1978), but there are indications of increasing gold content in the lower parts of the vein system. Studies are underway to assess the feasibility of developing this area and making the necessary modifications to the mill.

ZINC

The Newfoundland Zinc mine produced 98,636,220 pounds of zinc during the year. Teck's share of this venture is 64%, the remainder being held by a division of Amax Inc. Our share of operating profit was \$5,374,000.

Our zinc production is sold at the European Producers' Price, which reached a low point of \$550 (US) per tonne or 27¢ (Canadian) a pound in the first half of the year. At this level, most zinc mines in the world are, at the best, marginal, and this had a detrimental effect on our earnings in the first half of the fiscal year. The price has been increasing during the second half and now stands at \$720 (US) a Metric ton or 38¢ a pound.

Newfoundland Zinc is a wet mine, with the ore occurring in porous limestone, and it is necessary to pump approximately 18 million gallons of water a day, which requires considerable power. Hydro rates in Newfoundland have been increasing continuously since the mine opened, and negotiations are underway to try to maintain these at a more reasonable level, commensurate with our other costs of operation, and bearing in mind the contribution this mine makes to the economy of the province.

NIوبيUM

The Niobec mine produced a record 5,707,343 pounds of niobium oxide during the year. This property is held by Niobec Inc., a company owned equally by Teck and Soquem of Quebec. The operation contributed \$969,000 to Teck's earnings in fiscal 1978.

The market for niobium continued to strengthen during the year, the annual consumption now being approximately 32,000,000 pounds of niobium oxide. The largest producer is a Brazilian company, with an output of approximately 22,500,000 pounds a year. Niobec is the world's second-largest producer of the metal, the principal use of which is as an alloying agent in pipeline and other HSLA steels.

COPPER

The new Afton mine began tune-up operations in December 1977, and was opened officially on April 27, 1978.

Performance in the mine and mill has been excellent, with costs below budget. Mill throughput has averaged 7,162 tons a day since the first day of tune-up, and 7,485 tons a day since official production began May 1. The smelter furnace has operated well, producing a high quality of blister copper. However, it has experienced more down time than planned due primarily to problems with ancillary equipment. It will be several more months before it is operating at full capacity.

Production to September 30 consisted of 34,780,260 pounds of copper of which 12,079,400 pounds were converted to blister copper and sold to the U.K. customers under long term sales contracts, with the balance sold as concentrate.

Afton's earnings in its first five months were \$3,059,000 or 81¢ an Afton share, with an average copper price of 65¢ (US) a pound. After amortizing our cost of acquisition, this resulted in a contribution of \$1,419,000 or 20¢ a share to Teck's earnings for the five month period.

Teck recently increased its interest in copper through the purchase, jointly with Brameda Resources, of a majority interest in The Yukon Consolidated Gold Corporation. Yukon holds a 21% share interest in Lornex Mining Corporation, which operates Canada's largest copper mine. Lornex produced approximately 130 million pounds of copper and 4 million pounds of

molybdenum during Teck's fiscal year and, with improving copper prices, is expected to make a material contribution to Teck's earnings.

An added feature is the fact that the Lornex mine is situated in the Highland Valley area, 55 miles southwest of Afton and lies adjacent to the Highmont copper-molybdenum deposit, which Teck Corporation plans to develop in the coming years.

MINING INVESTMENTS

Teck has held a 5% interest in Mattagami Lake Mines for some years. Mattagami has recently announced plans to merge with Noranda Mines and, upon completion, Teck would hold 300,000 shares of Noranda.

OIL & GAS

Natural gas production increased again to a record 3,556,000 mcf, up from 2,883,000 mcf last year. Oil production was 1,053,000 barrels, compared with 1,068,000 barrels a year ago. Combined oil and gas operating income, after deducting provincial royalties, was up from \$6.6 million to \$8.2 million.

Teck continued to be active in oil and gas exploration, investing \$4,666,000 in exploratory and development drilling and \$1,668,000 in petroleum land acquisition during the year. These petroleum activities are covered more fully in a special section later in this report, but it is appropriate to note here that our programmes this year have resulted in a significant increase in natural gas reserves.

GEO THERMAL POWER

Teck holds royalty interests in two geothermal steam properties in The Geysers area, 90 miles north of San Francisco, as a main line result of exploration carried out some years ago. A power plant is under final construction on one of these and a second plant should be started on the other in 1979. These should contribute significant U.S. income to Teck in the coming years.

MINING EXPLORATION

We invested \$3,160,000 directly in mining exploration during the year, with the largest single programmes being in the Newfoundland Zinc area and in the Sulphide Syndicate, a continuing regional airborne geophysical project similar to that which resulted in the Montcalm nickel-copper discovery near Timmins in fiscal 1977. Partners in this Syndicate are Metallgesellschaft of Germany and a Japanese consortium.

Teck also sponsors exploration carried out by two affiliated western exploration companies, Silver Standard Mines Ltd. (28%) and Highland-Crow Resources Ltd. (45%). The most promising new prospect resulting from this year's work is a tungsten prospect in the Yukon Territory discovered recently by Highland-Crow and two partners.

FINANCIAL RESULTS

Net earnings before extraordinary items were a record \$4,532,000 or 65¢ a share, up from last year's level of 59¢ a

share. Second half earnings were substantially better than those in the first half, with improved zinc prices and the first contribution from the Afton mine. Second half earnings were \$3,809,000 or 54¢ a share.

For a more detailed discussion of financial results and operating statistics, shareholders are referred to the charts and discussion on pages 10 and 11.

SHAREHOLDERS

Metallgesellschaft of Germany became a substantial shareholder of Teck just over a year ago, purchasing 675,000 shares, or 9% of the issued capital stock. This makes Metall the second largest shareholder of Teck, after Copperfields Mining Corporation. Mr. Karl Gustaf Ratjen, chairman of Metall, and Dr. Dietrich Wolff of Metall's mining division have joined the Teck board of directors. We are examining at present the possibilities of further joint undertakings, and expect our association with Metall to become increasingly beneficial.

During the current year Atlantic Assets Trust of the United Kingdom also became a significant shareholder, acquiring 444,444 shares in connection with our purchase from them of an interest in Yukon Consolidated. Mr. Ian Rushbrook of Atlantic will be nominated as a director of Teck at the next annual meeting.

FUTURE DEVELOPMENT

Teck is in the business of creating new wealth for Canadians through resource development and, in addition to building today, an integral part of this is that we continuously come up with new projects for development in the future. Your company has a competent, hard-working team of people — geologists, engineers and financial experts, and a management philosophy to help achieve these aims.

As a result, we have an inventory of projects on hand that may become new mines in the coming years. They include the Highmont copper-molybdenum deposit, adjoining Lornex, capable of supporting an operation with an annual capacity of 50,000,000 pounds of copper and 8,000,000 pounds of molybdenite. This grade is relatively low, but the location is good and, with strong molybdenum markets and an improving demand for copper concentrate, this project is being re-examined.

Another important prospect is the Bullmoose coking coal deposit, held jointly by Teck and Brameda. Feasibility studies indicate that this will support an open pit mining operation with an annual capacity of up to 1.5 million tonnes of coal, and should be developed when coking coal markets begin to improve.

Teck has a 37% interest in the Montcalm nickel-copper deposit, which will support an underground mining operation


with annual capacity of 8 million pounds of nickel and 4.5 million pounds of copper. While this is available for development in due course, the timing will depend upon recovery of the nickel market.

Beyond these, we have recently arranged to acquire the majority interest in the large Schaft Creek copper-molybdenum-gold deposit northeast of Stewart, British Columbia. Reserves are estimated to be 350,000,000 tons grading 0.39% copper and 0.036% molybdenite, with significant gold values, which at current prices is equivalent to 0.7% copper. Our present intention is to develop this, after the above three orebodies, in the 1980's.

Teck is entitled to earn a 70% interest in the Schaft Creek deposit by arranging to place it into production, this right having been purchased from Hecla Mining Co. of the U.S.A. for U.S. \$3.1 million (the cost of evaluation and engineering to date) plus 5% of any net proceeds derived from the interest. The remaining 30% is held in the Teck Group through Silver Standard Mines Ltd., an associated exploration company.

It is clear that Teck has ample opportunities for continued growth in the future.

On behalf of the Board



Vancouver, B.C.
December 11, 1978

Norman B. Keevil, President

MINING

Teck produces copper, gold, silver, zinc and niobium from six Teck-operated mines from Newfoundland to British Columbia. In addition, Teck has a 5% interest in Mattagami Lake Mines Ltd. and a subsidiary has a 21% interest in the Lornex Mine.

The table below summarizes production and operating statistics at each of our mines, with comparative figures for 1977.



R. E. Hallbauer
Vice President: Mining

	AFTON COPPER, GOLD		NEWFOUNDLAND ZINC ZINC		LAMAQUE GOLD		SILVERFIELDS SILVER		BEAVERDELL SILVER		NIOBEC NIOBIUM		
PRODUCT	65%		64%		100%		100%		100%		50%		
TECK INTEREST	65%		64%		100%		100%		100%		50%		
RESULTS	1978**	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977	1978	1977
Tons Milled	1,145,302	571,851	542,945	466,110	469,850	85,345	85,585	37,892	37,958	615,807	583,889		
Tons Per Day	7,485	1,567	1,488	1,278	1,287	234	234	104	104	1,687	1,600		
Grade (%) or (oz/ton)	.966	8.8	9.4	0.130	0.134	9.61	11.7	9.5	10.6	.66	0.71		
Recovery (%)	86.18	98.4	97.7	94.4	94.7	95.1	94.8	89.1	90.7	65.9	64.3		
Production:													
Copper (lbs)	21,372,089												
Gold (oz)	20,733			57,364	62,073								
Zinc (lbs)		98,636,220	99,804,160										
Silver (oz)						848,920	966,652	373,190	383,392				
Niobium oxide (lbs)										5,707,343	5,341,937		
Operating Cost per ton	\$6.33	\$13.44	\$13.83	\$20.50	\$16.95	\$27.00	\$24.06	\$38.48	\$34.09				
Average Price													
main product	\$0.74	\$0.32	\$0.34	\$210.87	\$151.24	\$5.78	\$4.63	\$5.78	\$4.63				
Operating Profit	\$12,995,000	\$5,374,000*	\$5,477,000*	\$2,506,000	\$1,399,000	\$761,000	\$902,000	\$460,000	\$279,000				
Ore Reserves (tons)	32,000,000	2,654,000	3,230,000	394,620	414,091	187,620	220,000			7,582,000	7,129,000		
Grade Reserves (% or oz)	1.0	8.4	8.4	0.149	0.145	9.8	10.6			0.69	0.69		

**From May 1

*Teck's Share

OIL & GAS EXPLORATION

1978 was an active and rewarding year in oil and gas exploration. We participated in 158 wells, including 80 development and 78 exploratory wells. This resulted in the addition of 54,000 barrels of oil and 18.1 billion cubic feet of natural gas reserves.

RESERVES

Reserves at the fiscal year end stood at 9,875,000 barrels of oil and 77.3 billion cubic feet of natural gas. Reserves are now reported on a gross basis, before royalties — a change necessitated by a change in Saskatchewan's method of calculating taxes. Comparable reserves at the end of the previous fiscal year were 10,875,000 barrels of oil and 62.8 billion cubic feet of natural gas.

Location of Reserves

	mcf gas	barrels oil
Alberta	68,889,000	1,956,000
British Columbia	7,057,000	1,000
Saskatchewan	1,041,000	7,433,000
Manitoba		284,000
U.S.A.	367,000	201,000
TOTAL	77,354,000	9,875,000

ALBERTA

Teck participated in 109 wells in Alberta in 1978, resulting in 85 new gas wells, 4 oil wells and 2 combined oil and gas wells. This total includes 58 development wells completed in the *Bantry-Tide Lake* field.

In the *Chipeywan-Liege* area, 10 out of 11 exploratory wells drilled resulted in shallow gas discoveries which added 11.3 billion cubic feet to our gas reserves.

At *Cowpar*, 3 of 4 wells drilled were successful and resulted in the addition of 2.2 billion cubic feet of reserves.

Another 1.3 billion cubic feet of reserves were added by wells at *Youngstown*, *Stanmore*, *Swalwell*, *Majeau Lake* and *Calling Lake*, and 10,000 barrels of oil were added by wells at *Swalwell* and *Davey Lake*.

Our level of activity in Alberta will continue next year, with commitments made on several multi-well projects.



A. R. Keevil
Vice President: Petroleum

OIL PRODUCTION (barrels)	1978	1977	1976	1975	1974
Saskatchewan	856,603	887,500	963,037	1,058,008	1,185,575
Alberta	145,000	121,253	100,926	94,250	96,586
Manitoba	33,536	35,297	27,221	34,207	34,246
United States	18,344	23,860	52,223	24,651	10,902
TOTAL	1,053,483	1,067,910	1,143,407	1,211,116	1,327,309

GAS PRODUCTION (mcf)	1978	1977	1976	1975	1974
Alberta	3,115,977	2,321,731	2,075,361	964,570	664,377
British Columbia	92,754	111,071	61,901		
Saskatchewan	347,449	450,688			
TOTAL	3,556,180	2,883,490	2,137,262	964,570	664,377

BRITISH COLUMBIA

We participated in 3 exploratory and 8 development wells in British Columbia in 1978, resulting in 7 gas wells, one combined oil and gas well and one well which is still undergoing testing.

Two of the gas wells are at *Stoddart*, 2 at *North Cache* and one each at *Martin Creek*, *Slave* and *Buick Creek*. The dual oil and gas completion is also at *Buick Creek*.

Our interest in these projects ranges from 5 to 27%, reflecting our normal practice of participating with others in a broad selection of oil and gas exploration plays. This programme added approximately 3 billion cubic feet of gas reserves to our inventory in 1978, and we intend to continue to be active in British Columbia in 1979.

SASKATCHEWAN

We participated in 3 successful development wells during the year, adding 15,000 barrels of oil to our inventory. Arrangements have been made to participate in a 5 well exploratory programme on 22,000 acres in southwestern Saskatchewan in 1979, the objective being Jurassic oil.

NORTH DAKOTA

1978 was an active year for Teck in North Dakota, with extensive drilling and seismic operations being carried out. Seismic surveys were completed on our *Franks Creek*, *Nesson Anticline* and *Bowman County* prospects. Another will be started shortly on a new 1,249 acre prospect at *Springbrook* in Williams County. The latter area is a few miles east of recent deep discoveries made by others, using modern seismic methods.

In 1979, we intend to drill in the *Franks Creek*, *Nesson* and *Renville* areas. There were 22 wells drilled at Renville in 1978, 16 via farmouts at no cost to Teck, and these resulted in 4 oil wells, adding modestly to Teck's oil reserves.

UTAH

Teck has a 10% interest in a 9,600 acre prospect in the *Paradox Basin* of southeastern Utah. An attempt to drill this in 1978 had to be abandoned because of drilling problems, but a second well will be drilled next year. If successful, additional exploratory wells will be drilled to test similar structures in the same land block.



AREAS OF ACTIVITY This map illustrates Teck's main exploration and producing areas in North America.

TEXAS

Teck is involved in 2 projects in *Young County* and one each in *Wharton* and *Montague Counties* in Texas, with interests ranging from 18 to 25%. Seven tests have been drilled on these prospects, resulting in one oil well and 2 gas wells and additions to reserves of 8,000 barrels of oil and 227,000 mcf of gas. At least 5 additional wells are planned for 1979.

MONTANA

Just prior to the end of the fiscal year, Teck participated (8.25%) in 3 shallow exploratory wells on a 190,000 acre land spread at *Dodson* in north central Montana. Additional testing is required on these wells, and if results are encouraging additional drilling will be carried out in the coming year.

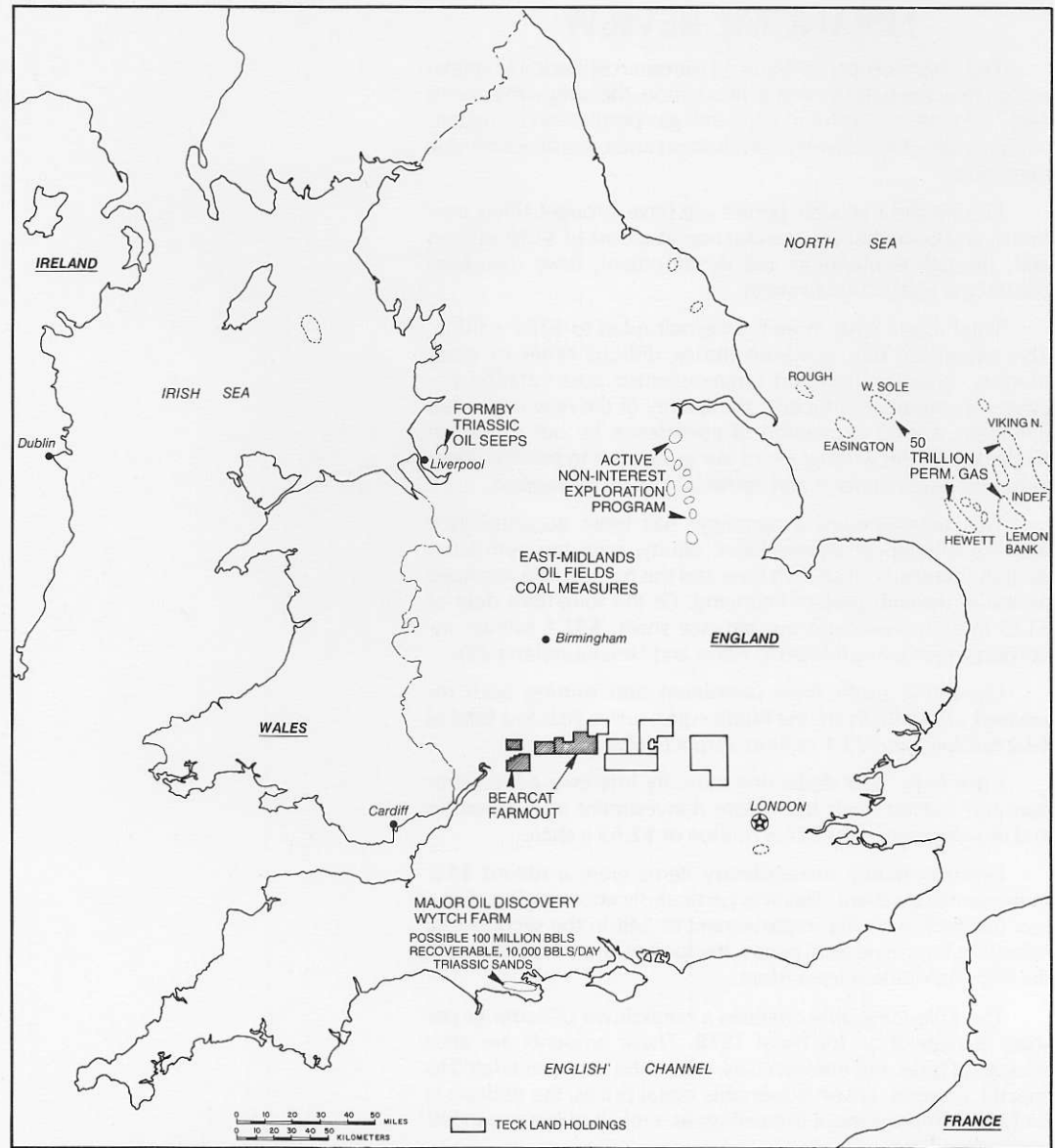
ENGLAND

Teck has interests of 25 to 33.3% in 450,834 acres in the *Severn River Basin* in southern England, approximately 70 miles north of the first major onshore discovery in England. The *Wytch* discovery, indicated on the map, was announced by British Petroleum and the British Gas Council a year ago. It involves several hundred feet of oil pay in Triassic sandstones at a depth of 6,500 feet, and reports indicate a capacity of close to 10,000 barrels a day from the initial well.

We participated in several wells on this acreage some years ago, but none were drilled deep enough to reach the Triassic. With this deep encouragement in the same geological basin arrangements have been made, subject to Government approval, to farm out the lands held by Teck and partners. It is anticipated that two Triassic tests will be put down on seismic structures during 1979.

LAND ACQUISITION

Teck spent approximately \$1.7 million in land acquisition in Alberta, British Columbia and Saskatchewan in 1978. The largest single purchase was for a 16.5% interest in a reef prospect near *Judy Creek* in Alberta.



HOLDINGS IN THE UNITED KINGDOM Teck has interests in 450,000 acres northwest of London, in the same geological basin as the recent Wytch discovery. Two deep tests are planned on this acreage in 1979.

FINANCIAL REVIEW

The charts on pages 2 and 11 summarize Teck's financial record over the past five years. In addition, the tables on pages 6 and 7 summarize the trend in oil and gas production by region, and provide a breakdown of production and costs at our mining operations.

During the five year period we have brought three new mines and a smelter into production at a cost of \$130 million and, through exploration and development, have increased natural gas production fivefold.

Total assets have more than quadrupled to \$282 million. This expansion was achieved during difficult times of weak markets, high taxation and unprecedented cost inflation because of a number of factors: the quality of the new orebodies involved; a solid expression of confidence by our Canadian bankers; and the willingness of our customers to provide long-term purchase contracts and additional financial support.

This development programme has been accomplished with no dilution of shareholders' equity, with the petroleum portion financed out of cash flow and the mining side arranged primarily through project financing. Of the long-term debt of \$123 million shown on our balance sheet, \$92.1 million involves project loans related to Afton and Newfoundland Zinc.

Operating profit from petroleum and mining both increased substantially for the fourth consecutive year to a total of \$8.2 million and \$22.1 million, respectively.

Cash flow, after deducting minority interests, administration and interest costs but before reinvestment in exploration and development, was \$18.4 million or \$2.63 a share.

Earnings before extraordinary items were a record \$4.5 million or 65¢ a share. This was particularly encouraging after a low first half, with the improvement to 54¢ in the second half reflecting improved zinc prices, the lower Canadian dollar and the first contribution from Afton.

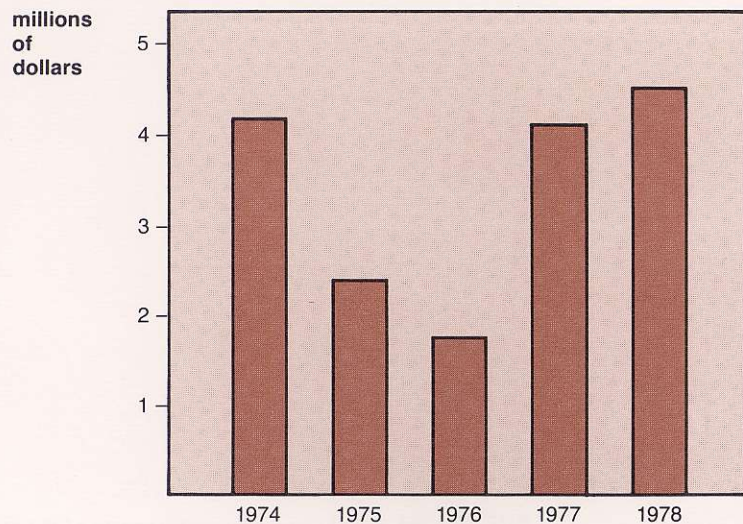
The following table contains a breakdown of earnings per share by operation for fiscal 1978. These amounts are after allocating taxes and interest costs, where the latter are related to specific projects. Given reasonable metal prices, the outlook is for further improvement in earnings as a result of our expanded production base.



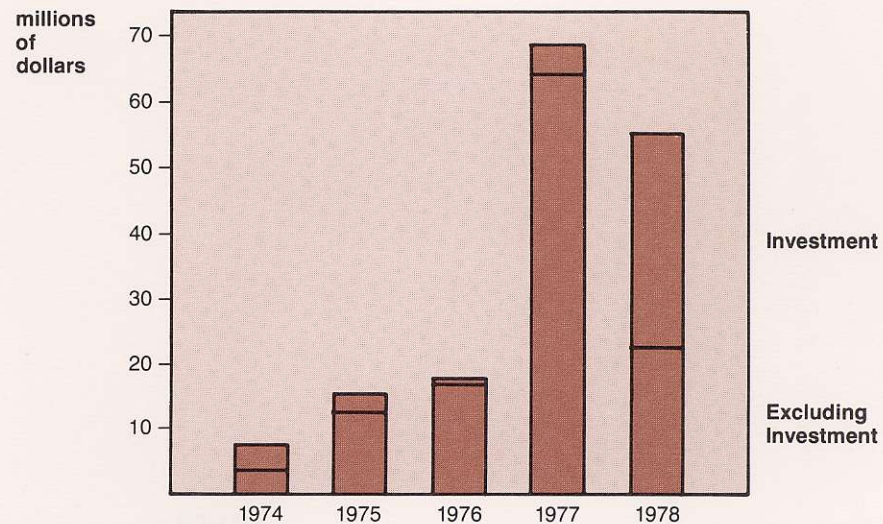
D. L. Hiebert
Vice President: Finance

EARNINGS PER SHARE

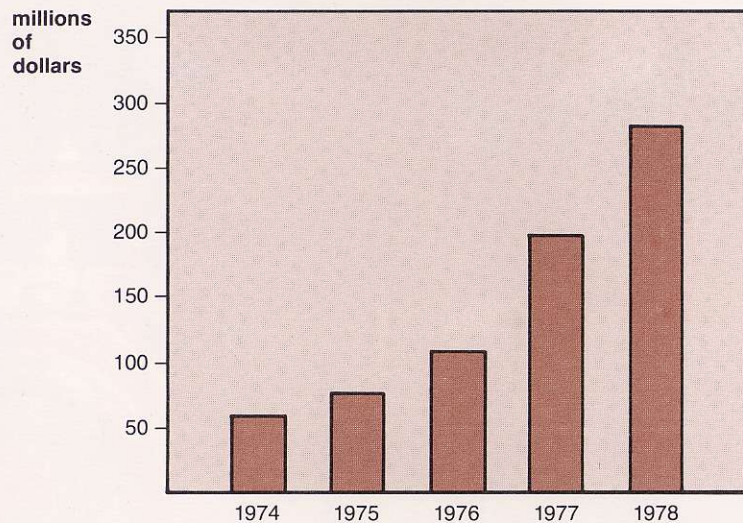
	<u>¢</u>	
Petroleum	56	
Less exploration	<u>17</u>	39
Mining:		
Precious metals	30	
Afton	20	
Newfoundland Zinc	12	
Niobec	<u>14</u>	
	76	
Less exploration	<u>17</u>	59
Other unallocated amounts (administration, interest, investment income, etc.)		(33)
Earnings before extraordinary items		<u>65</u>



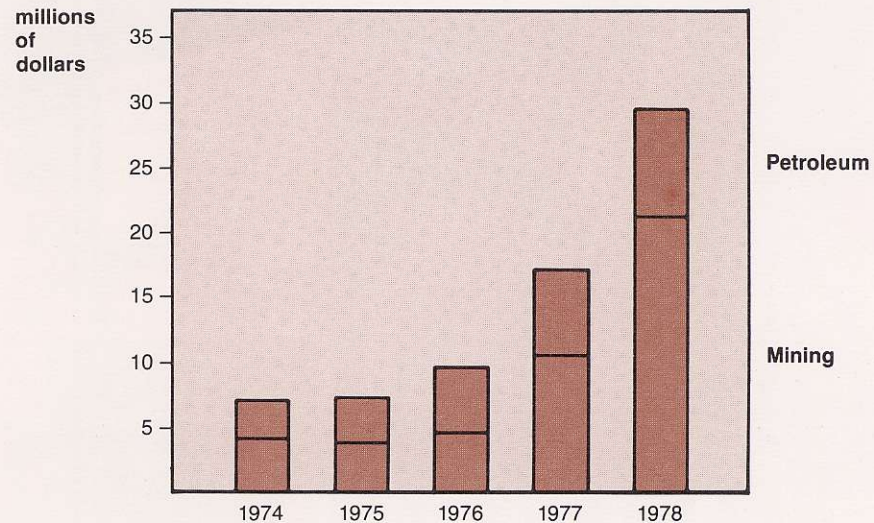
NET EARNINGS in 1978 were at an all time high. With Teck's expanded production base, earnings should continue to improve given reasonable metal prices.



CAPITAL EXPENDITURES This illustrates the substantial growth in capital expenditures related to our expansion programme in recent years, with the figures representing total Group expenditures including affiliated companies.



TOTAL ASSETS have grown steadily for five years. The figures are from the consolidated balance sheet, before deducting minority interests.



OPERATING PROFIT has also grown steadily in both mining and petroleum. The figures represent Teck's share of profits generated at the operations, before deducting administration and financing costs.

GOLD Pouring gold at the Lamaque mill, which produced 57,364 ounces in 1978. The Afton mine also produces gold as a by-product of its copper operation.



SILVER Safety is important at all Teck's operations. Shown here is the Silverfields silver mine at Cobalt and Bruno Goetting, manager of the Beaverdell mine.



NIOBIUM Teck is co-owner and operator of the Niobec mine in Quebec, which is the second largest producer of niobium in the world.



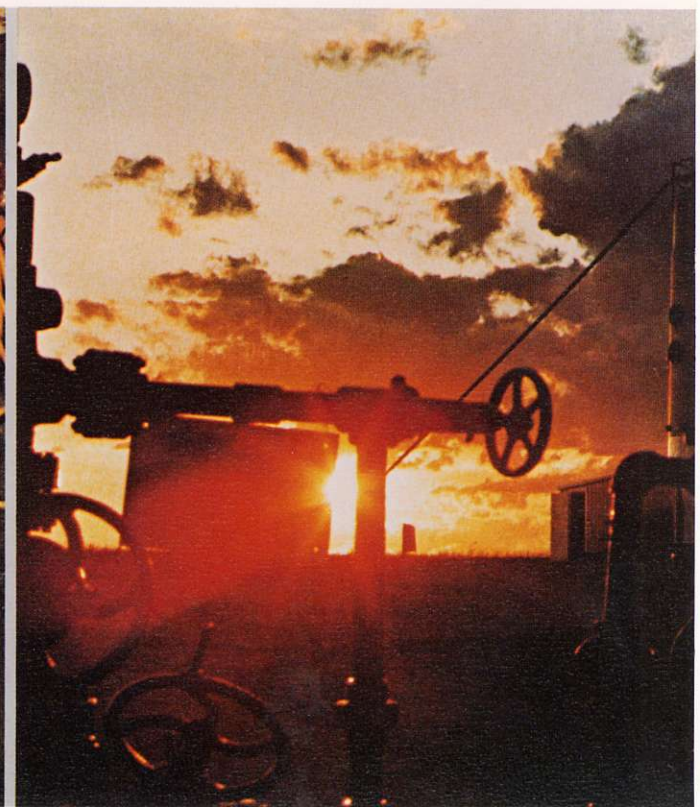
COPPER *Teck's Afton mine produces blister copper using a new process known as Top Blown Rotary Conversion.*



ZINC *This drill jumbo is part of the trackless mining system employed at Teck's Newfoundland Zinc mine.*



OIL AND GAS *Oil installation in the Steelman Field in Saskatchewan, a major source of Teck's oil production.*



TECK CORPORATION

Consolidated Balance Sheet as at September 30, 1978

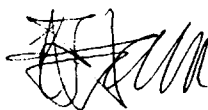
	1978	1977
	\$	\$
	in thousands	
ASSETS		
Current Assets		
Cash and short-term deposits	28,037	5,054
Concentrates, metals and settlements receivable (note 5)	21,884	6,336
Accounts and note receivable (note 5)	18,189	18,636
Marketable securities (notes 3 and 5)	7,214	6,208
Supplies and prepaids — at cost	<u>5,062</u>	<u>3,158</u>
	80,386	39,392
Investments (notes 3 and 5)	47,561	18,236
Property, Plant and Equipment (notes 4 and 5)	154,521	139,283
	<u>282,468</u>	<u>196,911</u>

LIABILITIES	1978	1977
	\$	\$
	in thousands	
Current Liabilities		
Bank loans and current portion of long-term debt	29,705	18,805
Accounts payable and accrued liabilities	10,190	10,459
Income and mining taxes payable	5,484	2,324
Deferred income and mining taxes	<u>4,811</u>	<u>4,307</u>
	50,190	35,895
Long-Term Debt (note 5)	123,220	81,397
Deferred Income and Mining Taxes	13,480	9,103
Minority Interest in Net Assets of Subsidiaries	<u>35,418</u>	<u>16,361</u>
	<u>222,308</u>	<u>142,756</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 6)	28,351	25,523
Retained Earnings	<u>31,809</u>	<u>28,632</u>
	<u>60,160</u>	<u>54,155</u>
Contingent Liabilities (note 8)		
	<u>282,468</u>	<u>196,911</u>

Approved by the Directors



N.B. Keevil, Director



D.L. Hiebert, Director

TECK CORPORATION

Consolidated Statement of Earnings for the Year ended September 30, 1978

	1978 \$	1977 \$
	in thousands	
Revenues		
Concentrates and metals	55,220	36,305
Oil and gas, less royalties	10,630	8,589
Investment and other income	2,173	1,090
Technical services	26	340
	<u>68,049</u>	<u>46,324</u>
Costs and Expenses		
Cost of concentrate and metal production	33,124	28,248
Cost of operating petroleum wells	2,432	1,971
Administration and general	1,919	1,631
Depletion, depreciation and amortization	7,408	3,368
Petroleum and mining exploration	3,580	1,946
Interest on long-term debt	7,426	1,274
Other interest	2,084	1,249
	<u>57,973</u>	<u>39,687</u>
	<u>10,076</u>	<u>6,637</u>
Income and Mining Taxes		
Current	1,791	1,781
Deferred	3,668	1,586
	<u>5,459</u>	<u>3,367</u>
Earnings before the following	4,617	3,270
Equity in net earnings of associated companies and corporate joint venture	969	870
Minority interest in net earnings of subsidiaries	<u>(1,054)</u>	<u>(57)</u>
Net Earnings Before Extraordinary Items	4,532	4,083
Gain on disposal of investments and marketable securities	663	1,970
Equity in extraordinary earnings of associated companies		8,604
Other	<u>(347)</u>	<u>27</u>
Net Earnings for the Year	<u>4,848</u>	<u>14,684</u>
Earnings Per Share		
Before extraordinary items	<u>\$0.65</u>	<u>\$0.59</u>
After extraordinary items	<u>\$0.70</u>	<u>\$2.11</u>

TECK CORPORATION

Consolidated Statement of Changes in Financial Position for the Year ended September 30, 1978

	1978	1977
	\$	\$
	in thousands	
Source of Working Capital		
Funds generated from operations	14,866	8,224
Sale of investments and marketable securities	1,097	15,886
Long-term debt	46,904	59,023
Issue of shares	2,828	365
Issue of preferred shares to minority interests of subsidiary		1,056
Working capital on acquisition of subsidiaries	20,130	11,784
Other	996	168
	<u>86,821</u>	<u>96,506</u>
Use of Working Capital		
Investments	32,283	21,929
Petroleum properties	4,496	3,802
Mineral properties, rights and deferred costs	6,901	2,101
Plant and equipment	11,421	58,250
Long-term debt paid or currently maturing	3,140	9,475
Dividends	1,463	626
Other	418	141
	<u>60,122</u>	<u>96,324</u>
Increase in Working Capital	26,699	182
Working Capital at Beginning of Year	3,497	3,315
Working Capital at End of Year	<u>30,196</u>	<u>3,497</u>
Represented By:		
Current assets	80,386	39,392
Current liabilities	50,190	35,895
	<u>30,196</u>	<u>3,497</u>

TECK CORPORATION

Consolidated Statement of Retained Earnings for the Year ended September 30, 1978

	1978	1977
	\$	\$
	in thousands	
Balance at Beginning of Year		
As previously reported	29,124	15,096
Adjustments of prior years' earnings (note 7)	<u>(492)</u>	<u>(522)</u>
As restated	28,632	14,574
Net earnings for the year	<u>4,848</u>	<u>14,684</u>
	33,480	29,258
Dividends	1,463	626
Expenses relating to reorganization planning	<u>208</u>	
Balance at End of Year	<u><u>31,809</u></u>	<u><u>28,632</u></u>

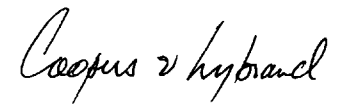
Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Teck Corporation as at September 30, 1978 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.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at

September 30, 1978 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.

Vancouver, B.C.
November 10, 1978



CHARTERED ACCOUNTANTS

TECK CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1978

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The consolidated financial statements include the accounts of the company and all of its subsidiaries. Significant subsidiaries are:

Afton Mines Ltd. (N.P.L.), Brameda Resources Limited, Dighem Limited, Geophysical Engineering Limited, Highmont Mining Corporation, Iso Mines Limited, Lamaque Mining Company Limited, Pine Bell Mines Limited, Teck Resources (U.K.) Limited, Teck Resources (U.S.) Inc., The Yukon Consolidated Gold Corporation Limited, Woodford Investments Ltd.

Translation of foreign currencies

Assets and liabilities denominated in foreign currencies, together with the accounts of the company's foreign subsidiaries, are translated into Canadian funds. Current assets and liabilities are converted at year-end rates, other assets (and related accumulated depreciation, depletion and amortization) and liabilities at the rates prevailing at the date of acquisition. Amounts (other than depreciation, depletion and amortization) appearing in the statement of earnings are translated at the average exchange rates for the year. Exchange gains or losses arising on conversion between currencies are included in net earnings.

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 deems itself to exercise significant influence. Under this method the company includes in its earnings its share of the earnings and losses of these associated companies. The excess cost of these investments over the related underlying equity in the net assets of the investee companies relates to mineral properties and is amortized over the estimated life of the orebody from commencement of production.

Investments in corporate joint ventures

The company accounts for its proportionate share of the assets, liabilities and operations of its corporate joint ventures, Newfoundland Zinc Mines Limited and Tecam Limited in which it has direct asset ownership, on the line by line consolidation basis.

The company follows the equity method of accounting for corporate joint ventures where there is no direct asset ownership. The excess of the cost of these investments over the related underlying equity in the net assets of the joint ventures relates to mineral properties and is being amortized over the estimated life of the orebody.

Concentrates, metal and settlements receivable

Concentrates 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. Metals and settlements receivable are recorded at estimated net realizable value.

Cost is determined on an average cost basis. Net realizable value is based upon the latest available metal prices, weights and assays.

Property, plant and equipment

(a) Petroleum properties and well development expenditures

Lease acquisition costs and development expenditures of producing wells are capitalized. Depletion of such costs and depreciation of related production equipment are provided on a unit of production method based on estimated recoverable reserves.

The cost of non-producing properties is amortized at an annual rate of 8% until abandoned or placed into production. Abandoned properties and petroleum exploration costs are charged to earnings.

(b) Mineral properties, rights, and deferred costs

Mineral properties and rights are carried at cost less amortization of certain rights and do not necessarily reflect present or future values. Mineral 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.

Mineral properties and deferred exploration costs are amortized over the life of the orebody upon commencement of production, or written off if the property is abandoned.

(c) Plant and equipment

Plant and equipment is depreciated on a unit of production method based on estimated recoverable reserves.

Income and Mining Taxes

The company records income and mining taxes on the tax allocation basis. Differences between the amount of expense 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 note receivable and depreciation and depletion of property, plant and equipment. Investment tax credits reduce the current year's charge for income taxes.

2. ACQUISITION OF SUBSIDIARIES

Effective September 30, 1978 the company acquired 54% of the outstanding shares of The Yukon Consolidated Gold Corporation Limited through the acquisition of 22% directly and through the purchase of a 97% interest in Woodford Investments Ltd. whose only material asset is a 32% interest in Yukon. The major asset of Yukon is an investment in Lornex Mining Corporation Ltd. a copper producing mine in British Columbia.

These acquisitions have been accounted for by the purchase method and the financial statements of Yukon and Woodford have been consolidated with those of the company from September 30, 1978. Details of the net assets acquired are:

	\$ in thousands
Current assets	23,977
Current liabilities	<u>3,847</u>
Working capital	20,130
Investment in Lornex	22,057
Other investments	<u>1,291</u>
	43,478
Less: Minority interest in net assets	<u>19,990</u>
Company's interest in net assets acquired	<u>23,488</u>
Cost of investment:	
Cash	23,448
Issue of shares (note 6)	<u>2,778</u>
	26,226
Excess of cost over net assets acquired attributed to investment in Lornex	<u>2,738</u>

3. INVESTMENTS AND MARKETABLE SECURITIES

(a) Investments

	% Ownership	Carrying value	
		1978	1977
		\$	\$
		in thousands	
Investments carried on an equity basis			
Casino Silver Mines Ltd. (N.P.L.)	38	676	676
Highland-Crow Resources Ltd.	45	603	498
Lornex Mining Corporation Ltd.	21	24,795	
Silver Standard Mines Limited (N.P.L.)	28	2,800	
		<u>28,874</u>	<u>1,174</u>
Corporate joint venture carried on an equity basis			
Niobec Inc.	50	1,850	1,211
Investments and advances carried at cost			
Other investments — quoted		1,542	2,755
Other investments — not quoted		120	440
Advances, notes and debentures		15,175	12,656
		<u>16,837</u>	<u>15,851</u>
		<u>47,561</u>	<u>18,236</u>

The unamortized excess of the carrying value of investments and corporate joint venture over the underlying equity in net assets is \$7,433,000 (1977 \$1,236,000).

Investments carried on an equity basis had a quoted market value of \$26,498,000 at September 30, 1978. Other investments had a quoted market value of \$3,087,000 at September 30, 1978. The company considers that these are not temporary investments and that the quoted values, calculated for both free and escrow shares, do not necessarily reflect their present or future value.

The company's share of the assets and liabilities of the corporate joint ventures, Niobec Inc. and the Newfoundland Zinc Project are shown below on a combined basis:

	1978	1977
	\$	\$
	in thousands	
Working capital	6,614	2,713
Property, plant and equipment	22,000	24,319
Long-term debt	(16,885)	(19,920)
Deferred taxes	(2,370)	(1,015)
	<u>9,359</u>	<u>6,089</u>

(b) Marketable Securities

Marketable securities amounting to \$7,214,000 had a quoted market value of \$9,810,000 at September 30, 1978.

4. PROPERTY, PLANT AND EQUIPMENT

	1978		1977	
	Cost	Accumulated depletion, depreciation and amortization	Net	Net
	\$	\$	\$	\$
	in thousands		in thousands	
Petroleum properties:				
Producing well costs	13,199	6,882	6,317	5,958
Plant and equipment	8,622	5,098	3,524	3,186
Undeveloped	8,662	2,372	6,290	3,414
	<u>30,483</u>	<u>14,352</u>	<u>16,131</u>	<u>12,558</u>
Mining properties:				
Mineral properties, rights and deferred costs	51,708	1,561	50,147	44,663
Plant and equipment	101,457	13,214	88,243	82,062
	<u>153,165</u>	<u>14,775</u>	<u>138,390</u>	<u>126,725</u>
	<u>183,648</u>	<u>29,127</u>	<u>154,521</u>	<u>139,283</u>

5. LONG-TERM DEBT

(a) Long-term debt is comprised of:	1978	1977
	\$	\$
	in thousands	
Term bank loan for the Afton Project (U.S. \$75,000,000) with varying interest rates, presently at 130% of New York prime, repayable over eight years after commencement of production, subject to acceleration in the event of excess earnings as defined in the loan agreement	78,149	75,295
Term bank loans with interest at ½% and 1% above the bank prime rate, repayable in full on September 11, 1980	23,444	
Loans from customers for the Afton Project (U.S. \$15,000,000) with interest based upon borrowing rates of lenders, repayable over two years commencing when the term bank loan for the Project is repaid	16,607	
Term bank loan for the Newfoundland Zinc Project (U.S. \$7,021,000) with interest at 1% above the L.I.B.O. rate, repayable in quarterly instalments of U.S. \$540,000	7,469	9,344
Term bank loans with interest at 1¼% above the bank prime rate, repayable in full on January 1, 1982	4,700	
Term bank loan with interest at 1¼% above the bank prime rate, repayable in annual instalments of \$700,000 on or before December 31, 1978 and increasing annually by \$100,000 to December 31, 1980	3,000	3,600
Note payable, 6% unsecured, without fixed repayment terms, repayable by a subsidiary out of its net profit after taxes	546	525
8% debenture		2,269
	<u>133,915</u>	<u>91,033</u>
Current portion of long-term debt	10,695	9,636
	<u>123,220</u>	<u>81,397</u>

Aggregate minimum amounts, based on current rates of exchange, estimated to meet repayment provisions in each of the next five years:

1979	\$10,695,000	1982	\$17,680,000
1980	\$42,068,000	1983	\$10,030,000
1981	\$20,117,000		

(b) Security for bank loans and long-term debt

Current bank loans aggregating \$19,010,000, and the \$3,000,000 term bank loan are secured by certain settlements receivable, marketable securities and investments.

The \$7,469,000 term bank loan is secured by a collateral fixed and floating charge debenture on the company's portion of the assets of the Newfoundland Zinc Project of approximately \$13,000,000 plus specific assignment of concentrate accounts receivable and concentrate inventories from the project of approximately \$6,000,000.

The \$78,149,000 term bank loan and the \$16,607,000 customer loan are secured by first and second fixed and floating charges over the assets of Afton Mines Ltd. (N.P.L.).

The \$23,444,000 and \$4,700,000 term bank loans are secured by certain of the company's investments and a note receivable.

(c) Foreign currency loans

Foreign currency loans aggregating \$102,225,000 are translated at historic rates. These loans if translated at rates of exchange prevailing at September 30, 1978 would aggregate approximately \$115,018,000.

6. CAPITAL STOCK

Authorized —

7,500,000 Class "A" shares without nominal or par value
17,500,000 Class "B" shares without nominal or par value

Issued and fully paid

	1978	1977
	\$	\$
	in thousands	
4,903,620 Class "A" shares	14,021	14,021
2,518,483 Class "B" shares	14,330	11,502
<u>7,422,103</u>	<u>28,351</u>	<u>25,523</u>

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

Stock Options are outstanding to officers and employees on Class "B" shares exercisable in varying annual amounts to October 1, 1979, as follows:

41,000 shares at \$2.60 per share;
2,000 shares at \$4.60 per share.

The company has reserved an additional 11,600 shares for options yet to be granted.

During the year 19,400 Class "B" shares were issued for cash consideration of \$50,440 under the terms of the stock option noted above, and 444,444 Class "B" shares were issued in part consideration for the acquisition of The Yukon Consolidated Gold Corporation Limited for an ascribed value of \$2,778,000.

7. ADJUSTMENT OF PRIOR YEARS' EARNINGS AND COMPARATIVE FIGURES

Retained earnings as at October 1, 1977 have been restated by \$492,000 in order to align the accounting treatment of mineral property and related exploration costs in certain subsidiaries with that of the parent company. Of this amount, \$84,000 is applicable to the year ended September 30, 1977 and the remainder to years ending on or before September 30, 1976. This has had no effect on net earnings for the year ended September 30, 1978.

Certain other comparative figures have been reclassified to conform with the presentation on the 1978 financial statements which has had no effect on earnings or working capital.

8. CONTINGENT LIABILITIES

- a) An action has been commenced against the company claiming participation in the syndicate which is developing the Montcalm Project; in the opinion of counsel for the company this action will be unsuccessful.
- b) An action has been commenced against the company in a United States court claiming that gains made by the company on the sale of an investment in the shares of North Canadian Oils Limited be returned to North Canadian Oils Limited. The amount claimed is \$2.6 million. It is the opinion of United States counsel for the company that the suit attempts to extend United States law extraterritorially into Canada and that the company should defend the action vigorously.

9. OTHER INFORMATION

a) Directors' and Senior Officers' Remuneration

Remuneration to the directors and senior officers (as defined by the Ontario and British Columbia Securities Acts) amounted to \$386,000 (1977 \$405,000).

b) Approval of Financial Statements

These financial statements have been approved by the president and chief financial officer of the company on November 10, 1978.

c) Classes of Business

The directors have determined the company's principal classes of business, as defined by the Canada Business Corporations Act, to be mining and petroleum; financial information relating thereto is disclosed in the consolidated statement of earnings.

d) Articles of Continuance

Effective August 7, 1978 the company has been continued under the Canada Business Corporations Act and the name of the company, previously known as Teck Corporation Limited, has been changed to Teck Corporation.

COMPARATIVE FIGURES

	Year Ended September 30,				
	1978	1977	1976	1975	1974
	\$	\$	\$	\$	\$
Balance Sheet ('000):					
Total assets	282,468	197,526	108,929	76,380	59,969
Long-term debt	123,220	81,397	34,349	17,885	8,961
Shareholders' equity	60,160	54,155	38,732	37,729	35,261
Working capital	30,196	3,497	3,429	4,880	4,368
Earnings and cash flow ('000):					
Petroleum revenue	10,630	8,589	6,971	4,756	4,259
Mining revenue	55,220	36,305	29,643	17,266	12,783
Petroleum operating profit	8,198	6,618	5,147	3,392	3,131
Mining operating profit	22,096	8,057	4,298	3,955	4,180
Exploration expense charged to earnings	3,580	1,946	1,246	1,776	1,362
Exploration expenditures capitalized	5,770	5,643	2,824	2,355	2,770
Funds provided from operations	14,866	8,224	6,069	5,321	6,209
Capital expenditures excluding investments	22,813	64,153	17,049	12,617	3,132
Investments	32,288	4,219	892	2,410	4,246
Net earnings before extraordinary items	4,532	4,083	1,786	2,423	4,202
Extraordinary items	316	10,601	216	45	(131)
Net earnings	4,848	14,684	2,002	2,468	4,071
Per Share:					
Cash flow	\$2.12	\$1.18	\$0.89	\$0.78	\$0.91
Earnings before extraordinary items	\$0.65	\$0.59	\$0.26	\$0.35	\$0.62
Net earnings	\$0.70	\$2.11	\$0.29	\$0.36	\$0.60
Dividends	\$0.21	\$0.09			

EXPLORATION Following airborne geophysical surveys, ground exploration starts with claim staking of important anomalies by teams like this one near Timmins, Ontario.



ENGINEERING Mine development begins with detailed engineering and feasibility studies by people like these members of Teck's Vancouver engineering team.



LORNEX Teck's new affiliate, Yukon Consolidated, has a substantial interest in the Lornex copper-molybdenum mine, the largest metal mine in Canada.



DIRECTORS

Rt. Hon. D.R. Michener, P.C., Q.C., Toronto, Counsel.
Sir Michael Butler, Bt., Q.C., Victoria, Partner, Butler, Angus.
R.E. Hallbauer, B.A.Sc., P.Eng., Vancouver, President, Afton Mines Ltd.
D.L. Hiebert, C.A., B.Comm., Vancouver, Vice President, Teck Corporation.
G.L. Jennison, Toronto, Director, Canada Permanent Mortgage Corporation.
A.R. Keevil, M.A., P.Geol., Calgary, Vice President, Teck Corporation.
N.B. Keevil, M.Sc., Ph.D., Vancouver, President, Copperfields Mining Corporation.
N.B. Keevil Jr., M.Sc., Ph.D., P.Eng., Vancouver, Executive Vice President, Teck Corporation.
J.D. Leishman, M.D., FRCS(c), Vancouver, Director, Mutual Life Assurance Company.
K.G. Ratjen, Chairman and Chief Executive, Metallgesellschaft A.G.
D. Wolff, Managing Director, Sachtleben Bergbau G.m.b.H.
R.J. Wright, Q.C., Toronto, Partner, Lang, Michener, Cranston, Farquharson & Wright.

OFFICERS

Rt. Hon. D.R. Michener, Chairman of the Board
Norman B. Keevil, President
Norman B. Keevil Jr., Executive Vice President
Robert E. Hallbauer, Vice President
Alan R. Keevil, Vice President
Donald L. Hiebert, Vice President
G. Robert Shipley, Assistant to the Vice President, Finance
William H. Maedel, Secretary
Norman B. Rudden, Treasurer
John D. Munroe, Assistant Secretary
Walter H. Bowles, Assistant Secretary
David S. Brown, Assistant Treasurer

MINE MANAGERS

K.I. Hymas, Asst. Gen. Manager Eastern Operations
A.W. Foley, Lamaque Mining Company Limited, Val d'Or, Quebec
B.R. Williams, Silverfields Mining Division, Cobalt, Ontario
B.E. Goetting, Beaverdell Mining Division, Kelowna, British Columbia
R. Raby, Niobec Mine, St. Honoré, Quebec
W.J. Hogan, Newfoundland Zinc Mine, Daniel's Harbour, Newfoundland
J.M. Anderson, Afton Mine, Kamloops, British Columbia

EXECUTIVE OFFICE

1199 West Hastings Street, Vancouver, British Columbia V6E 2K5

EASTERN DIVISION

Suite 4900, Box 49, Toronto-Dominion Centre, Toronto, Ontario M5K 1E8

PETROLEUM DIVISION

1530 Aquitaine Tower, 450 - 5th Avenue S.W., Calgary, Alberta T2P 0M2

TRANSFER AGENTS

Guaranty Trust Company of Canada, Toronto, Montreal, Winnipeg and Vancouver
National State Bank of Newark, Newark, New Jersey, U.S.A.

AUDITORS

Coopers & Lybrand, Vancouver, British Columbia

