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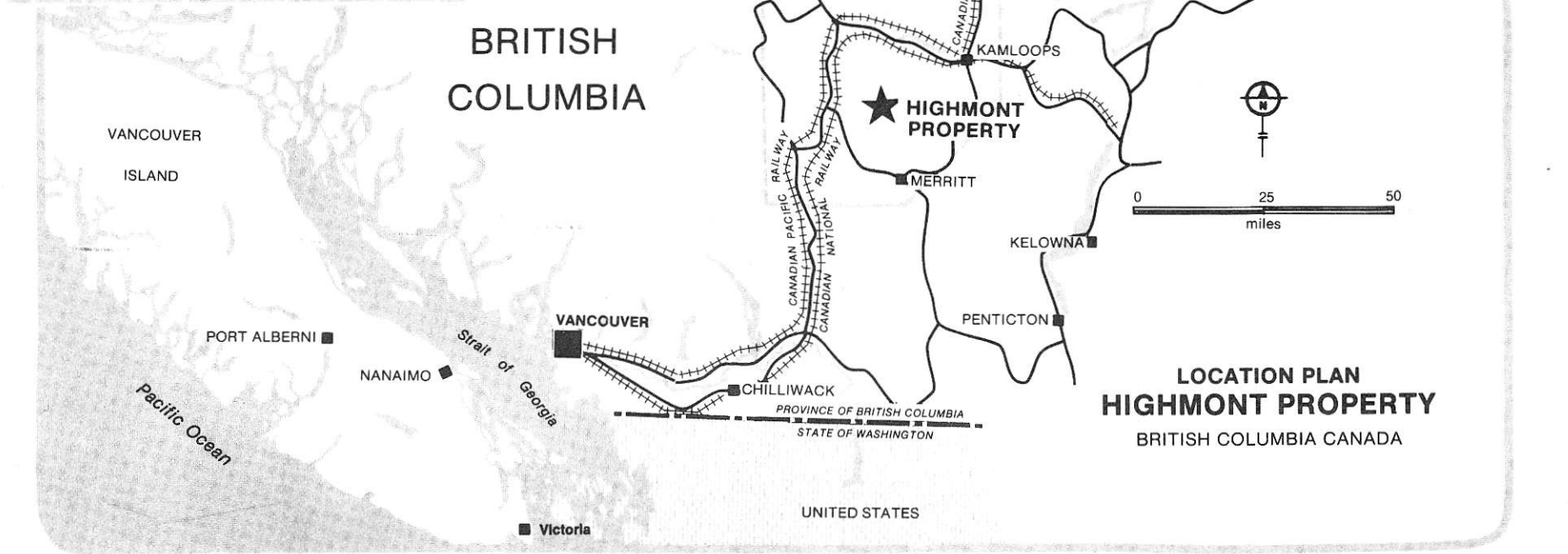
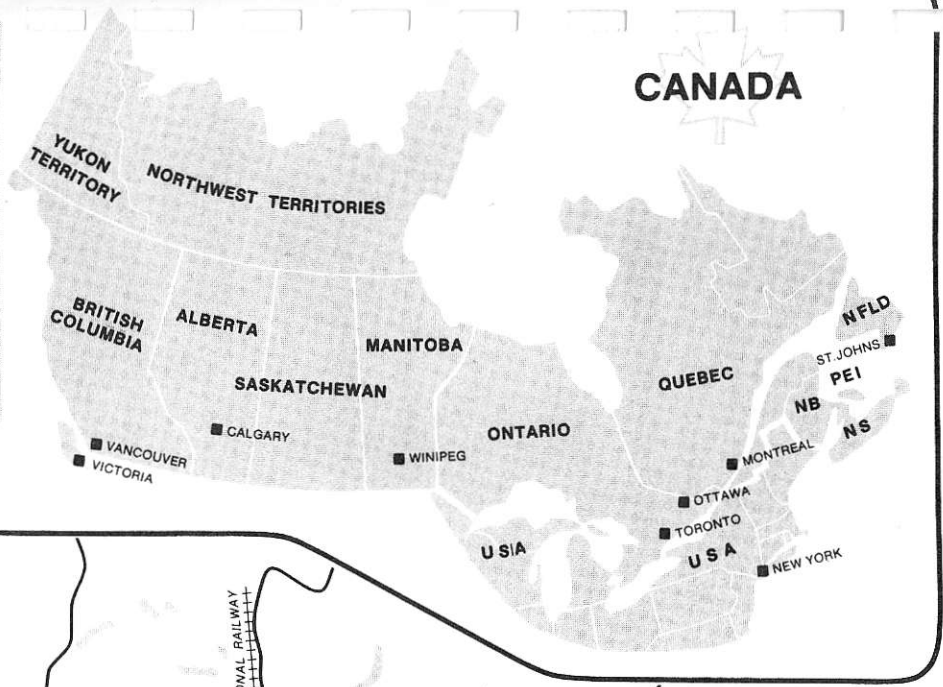
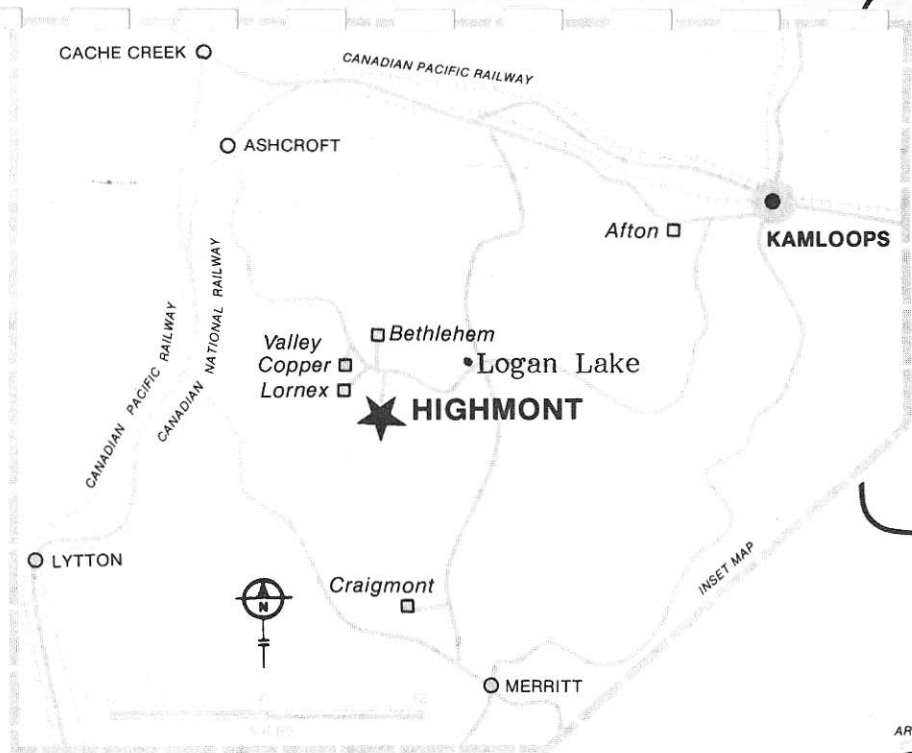
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THE HIGHMONT MINE

Description of a
Copper/Molybdenum Project
in British Columbia

August 26, 1981

METZLER KG
Frankfurt am Main



**LOCATION PLAN
HIGHMONT PROPERTY**
BRITISH COLUMBIA CANADA

Personal and Confidential

For Private Use only

This brochure is only intended to support detailed discussions with each prospective investor and may not be regarded as a usual offering circular. It does not constitute an offer of the Units as described herein in the United States and in Canada and in those jurisdictions where they may not be lawfully offered for sale in this form.

Prospective investors are not to construe the contents of this brochure as legal or tax advice. Each investor should consult his counsel, accountant or business advisor as to legal, tax and other matters concerning his investment.

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Summary

This brochure describes an offer to acquire limited partnership interests in the HV Mining Limited Partnership ("HVM") holding a 20 % participation in a producing copper/molybdenum mine (the 'Highmont Mine') in British Columbia, Canada.

A. Structure

1. Participants

MNR Mining Development Limited, Vancouver ("MNR"), an affiliate of Metallgesellschaft AG, Frankfurt ("Metall AG"), as general partner, has formed a British Columbia partnership, HVM, with Metallgesellschaft Canada Limited ("Metall Canada") as initial limited partner.

HVM is a 20 % partner in the Highmont Mining Company ("HMC"), a partnership which owns and operates the Highmont Mine. The remaining 80 % interest in HMC is owned by Teck Corporation, Vancouver ("Teck").

Investors will become additional limited partners of HVM. Teck Corporation is a Canadian natural-resources corporation producing primarily copper, gold, silver, molybdenum, zinc, niobium, oil and gas. Metall Canada owns, on a fully diluted basis, about 20 % of Teck's outstanding shares.

2. Limited Partnership Interest

HVM is authorized to issue 280 equal Units of can-\$ 100,000 each. Thereof 210 Units, equal to 75 % of the authorized Units, are offered to investors at a price of can-\$ 100,000 each under the terms described in more detail in this brochure. The general partner MNR holds 62 Units and the initial limited partner Metall Canada holds 8 Units. All holders of Units as of October 15, 1981 will share in the profits and losses of HVM for the fiscal year ending on that date in proportion to their Unit holding.

3. Issue Price per Unit: can-\$ 100,000 + 5 % placement fee
4. Subscription period: up to September 30, 1981
5. Payment date: October 7, 1981
6. Paying Agent: Metzlerbank, Frankfurt am Main

B. The Highmont Mine

The Highmont Mine is a copper/molybdenum mine in British Columbia, Canada. Mine construction was started in 1979 and was substantially completed by March 31, 1981. Total capital expenditures amounted to approximately can-\$ 150 million. Production began in January 1981. It is estimated that the mine will, on average, produce above 40 million lbs copper and 4 million lbs molybdenum per year. Production is expected to be above average in the earlier years due to higher metal content in the ore milled during that time. Ore reserves are regarded as sufficient to support a mine life of at least 14 years.

The production in the form of copper and molybdenum concentrates will be sold in accordance with long-term sales agreements. Sales prices will vary according to the future market price movements. However, if weighted average prices fall below a certain minimum in any particular year, the long-term buyers of the concentrates have committed themselves to make secured support loans. Such loans are intended to provide funds to meet payments due under the project financing.

C. Use of Proceeds

Repayment of substantially all of the demand loan which was drawn down by HVM in order to finance the acquisition of its 20 % share in HMC.

D. Cash Distribution

HMC will distribute to its partners its net cash flow less certain amounts set aside by its Executive Committee.

HVM has to apply all cash received from HMC to the payment of interest on and principal of its share of the project financing until it has been repaid in full, whereupon HVM expects to repay all other indebtedness.

Thereafter all 'Distributable Cash' will be distributed to the holders of Units until such time ('Point of Payout') as the initial capital account which is or which is deemed to be can-\$ 100,000 as of October 7, including a 20 % compounded annual return on the unpaid balance, has been repaid. From this point forward the cash distribution to the holders of Units will equal 70 % of the Distributable Cash and the General Partner, as such, will receive 30 %.

E. Taxation in Canada

Except for British Columbia Mineral Resource Tax, which is levied at the mine level, partnerships do not pay income taxes in Canada, but the taxable income or loss of a partnership is allocated to its partners. If a partnership itself is a partner of a partnership, it in turn allocates its income or loss, including that allocated to it, to its partners, so that the ultimate corporate or individual partners pay income taxes in Canada for their share of the partnership's income.

Depending on the place of residence of the investor the appropriate double taxation convention, if any, has to be applied.

This summary is qualified by the detailed information appearing elsewhere in this brochure.

List of Abbreviations

a.c.b.	: adjusted cost base
CCDE	: Cumulative Canadian development expense
CDE	: Canadian development expense
Cu	: Copper
CWG	: Chapman, Wood & Griswold Ltd., Vancouver and Albuquerque
f.o.b.	: free on board
HMC	: Highmont Mining Company, Vancouver
HMC Agreement	: Highmont Mining Company Partnership Agreement
H.S.L.A.	: High Strength Low Alloy
HVM	: HV Mining Limited Partnership
HVM Agreement	: HV Mining Limited Partnership Partnership Agreement
lb	: pound (= 0,454 kg)
LME	: London Metal Exchange
Metall	: Metallgesellschaft Group
Metall AG	: Metallgesellschaft AG, Frankfurt/M.
Metall Canada	: Metallgesellschaft Canada Limited, Toronto
Metzlerbank	: B.Metzler seel. Sohn & Co., Frankfurt/M.
Mine	: The Highmont Mine
MNR	: MNR Mining Development Limited, Vancouver
Mo	: Molybdenum
MoS ₂	: Molybdenum-di-sulphide
Marc Rich	: Marc Rich & Co. AG, Zug
Teck	: Teck Corporation, Vancouver
ton	: short ton (= 2,000 lbs = 0.970 tonne)
tpd	: tons per day

Investment Opportunity

The Highmont investment opportunity arose from the relationship between Metallgesellschaft Group ("Metall") and Teck. This relationship is part of Metall's strategy of continuing search for natural resources projects throughout the world. Since the early 1950s, Metall has pursued this interest in Canada and has participated in a number of exploration and development programs and has acquired interests in and marketing rights from several mining ventures in that country. A significant portion of Metall's investment in Canada is in Teck, a natural resource-based company in which Metall Canada, a wholly-owned indirect subsidiary of Metallgesellschaft AG ("Metall AG"), owns, directly and indirectly, on a fully diluted basis, about 20 % of the outstanding shares. Since Metall's original investment in Teck in 1977 a number of joint ventures and projects have developed which include in Canada:

- a joint airborne exploration program (known as the 'Dighem'- program)
- a joint exploration/development effort in the Montcalm copper and nickel project, Ontario, Canada. (The orebody was discovered by Dighem.)
- a joint participation in the Afton mine/smelter complex (copper, gold, silver) in British Columbia, Canada.

In 1981, HVM, has acquired a 20 % interest in the Highmont Mining Company which owns and exploits the Highmont Mine (the 'Mine') located in British Columbia, Canada.

The formation of HVM and the sale of its Units provide investors with an opportunity to participate with Metall and Teck in the ownership of a major natural resource property in Canada and to share with Metall and Teck in the results of its exploitation.

The Highmont Mine

The Highmont Mine consists of two open pits (East Pit and West Pit), a mill, a concentrator and other facilities. In the first stage the East Pit is expected to cover an area of 438,750 m² with a depth of 100 m and the West Pit 262,300 m² with a depth of 90 m.

Prospecting and Exploration History

The claims that comprise the Mine were acquired in 1966 by Highmont Mining Corp. Ltd. which initiated a drilling exploration program shortly thereafter. On the basis of a report prepared by Chapman, Wood & Griswold Ltd. ("CWG"), Consulting Engineers, Vancouver and Albuquerque, further geophysical exploration, drilling and bulk sampling was conducted in 1967 on the properties. In 1969 Teck acquired a substantial interest in Highmont Mining Corp. Ltd. and since that date has assumed a primary role in the development of the Mine. A feasibility study was completed in 1971 by CWG in association with Wright Engineers Ltd., Consulting Engineers, Vancouver, and was updated in 1979. This updated study provided the basis for the production decision which was taken in April 1979 by Teck which subsequently acquired the properties in an amalgamation later that year. In 1981 Behre Dolbear & Company, Inc., Minerals Industry Consultants, New York and Denver, reviewed the estimated ore reserves of the Highmont property at the request of HVM and their findings were summarized in a letter quoted below.

Location

The Highmont Mine is situated in the southern part of the Highland Valley 125 air miles north-east of Vancouver, British Columbia, Canada. The Mine is connected by road to the Trans-Canada-Highway which links the Mine to the city of Kamloops,

located approximately 40 miles away from the Mine. Kamloops which is the main supply center for the Mine, is regularly serviced by air and rail. The nearby Afton copper/gold/silver mine and smelter is operated by Teck.

The Highland Valley contains several other known mineral deposits including the Lornex copper/molybdenum deposit and the Bethlehem copper deposit.

The town of Logan Lake, 13 miles from the Highmont Mine, provides housing for mine workers of the three mines in the Highland Valley and their families.

Reserves

Below the letter mentioned above from Behre Dolbear & Company, Inc. to HVM quoted verbatim.

"BEHRE DOLBEAR & COMPANY, INC.
Minerals Industry Consultants

230 Park Avenue
New York, New York 10017

(212) 883-6562
TLX: 640103
Cable: BEHRDOL

August 17, 1981

HV Mining Limited Partnership
c/o MNR Mining Development Limited
Suite 824, 602 West Hastings Street
Vancouver, B.C.V6B 1P2

Gentlemen:

In accordance with your request, Behre Dolbear & Company Inc. has undertaken an independent review of data from our examination of the Highmont Copper/Molybdenum Mine/Plant area Logan Lake, British Columbia.

The review by Behre Dolbear comprised (1) a review of estimated "mineable" ore reserves; (2) an overview of significant additional ore deposits; (3) an appraisal of current operations on the Highmont property. The procedures employed by Behre Dolbear are in accordance with generally acceptable practices of the mining industry.

The property began production in January 1981 after expenditure of Canadian \$ 150 million for development. East/West open pits, a 25,000 tpd concentrator and all ancillary and support facilities were completed under budget estimated cost and time.

During the first 5 months of operations, the mill processed some 2.5 million short tons ore at heads of 0.16 % Cu, 0.033 % Mo. Over the interim, copper recovery improved from 77 % to 86 moly recovery from 66 % to 70 %. Such a low cost and rapid project completion attest to top quality of management which has been confirmed during the on-site examination; furthermore total labor force (330) and overall operating cost per ton (Canadian \$ 4.00) are excellent.

Highmont management states that the Highmont concentrator can handle 30,000 tpd feed (5,000 above design capacity), which would mean that production cost can drop to Canadian \$ 3.55 per ton. During depressed market periods, peripheral hi-grade deposits can be mined to sweeten feed/grade and recovery.

Using Highmont's pit design which we consider acceptable, in late 1979/early 1980 Mintec (Tucson, Arizona) estimated "mineable" ore reserves, at 0.25 % "copper-equivalent" cut-off for the East/West pits to be:

East

123 million tons containing:
 0.224 % Cu;
 0.024 % Mo.
 Stripping ratio of waste/ore (tons) = 2.46 : 1.00

West

38 million tons containing:
 0.172 % Cu;
 0.032 % Mo.
 Stripping ratio of waste/ore tons = 3.00 : 1.00

Copper equivalent (CE) was calculated as equal to % Cu + 12.5 (% MoS₂), Mo = 0.6 (MoS₂).

The ore reserve calculations classified material as ore only if it met the above criteria and was within 100-ft. of a diamond drillhole. Thus, blocks of material between two or more diamond drill holes showing "ore" - but, beyond the 100-ft. zone - were classified not as "probable", "possible", etc. but, very conservatively, as waste.

The East/West ore bodies contain erratic "nugget-type" mineralization -- discrete, discontinuous -- when compared to classical porphyry deposits of reasonable homogeneity. With 100,000-ft. of core drilling representing 580 million tons waste/ore (5,800 tons/ft. drill hole) in a "nugget-type" deposit, there is the distinct

likelihood that ore pockets have been missed. Consigning all material beyond 100-ft. of a drill hole to the waste category, while reasonable because of the erratic nature of the deposit, would augment the conservative overall estimate and Behre Dolbear believes the total stated metal content of the deposit to be at least that noted. Operating experience, close geological and mining control may well permit overall greater heads to the mill and reduce waste-to-ore mining ratios.

Additionally, a number of significant known deposits occur on Highmont property within currently economic haul distances of the existing concentrator. These are presently classified as geological reserves but could be proven up with a modest amount of drilling, sampling and pit planning. Several years ago Highmont estimated within 100-ft. radius of each drill hole mineable reserves of 37 million tons of ore with Cu content of .23 % and MoS₂ of .02 %.

Based on the pit design developed by Highmont, the computer estimate of mineable pit reserves by Mintec was in accordance with generally accepted practice.

Behre Dolbear states that, in its opinion and based upon its review, the ore reserves of the Highmont Property as stated above in early 1980 were conservatively estimated.

Yours sincerely,

Behre Dolbear & Company, Inc.
(signed) Hans W. Schreiber
President"

Development and Construction

Development and construction of the Highmont Mine began in May 1979 and was substantially completed by March 31, 1981 at a total cost close to the budget of about can-\$ 150 million.

The Highmont Project costs up to June 30, 1981 were as follows:

	can-\$ million
Pit development and equipment	21
Primary crusher	3
Ore stockpiling and reclaim	5
Concentrator building and equipment	36
Tailing disposal	7
Contractor and engineering	31
Warehouse and office buildings	5
Preproduction (up to January 31, 1981)	19
Other	20
	———
	147
Preproduction (February 1 - June 30, 1981)*	13
Sustaining capital	1
	———
Total	161

*) Includes approximately can-\$ 11 million of Project Loan interest up to June 30, 1981. It is anticipated that the preproduction period for accounting purposes will continue until September 30, 1981.

Initial production from the Highmont Mine commenced in January 1981, mill throughput in June 1981 was 559,322 short dry tons and operating time availability improved to 83.62 % in June 1981.

Mining Operations and Mining Plan

Preproduction mining and surface stripping commenced in June 1980. The overburden from the surface stripping has been stockpiled for future reclamation. Waste rock has been used for road construction, land fill and tailings dam construction.

The method of mining used on both the East and West Pits is conventional truck-shovel open-pit mining on a seven day continuous shift schedule. In the earlier years substantially more ore than the mill capacity will be mined. Higher grade ore will be fed to the mill daily and the remaining ore, which has to be mined to access the richer zones, will be stockpiled for future processing. Similarly, the molybdenum production is expected to be higher in the early years of the Highmont Mine when ore with a higher molybdenum content is to be mined.

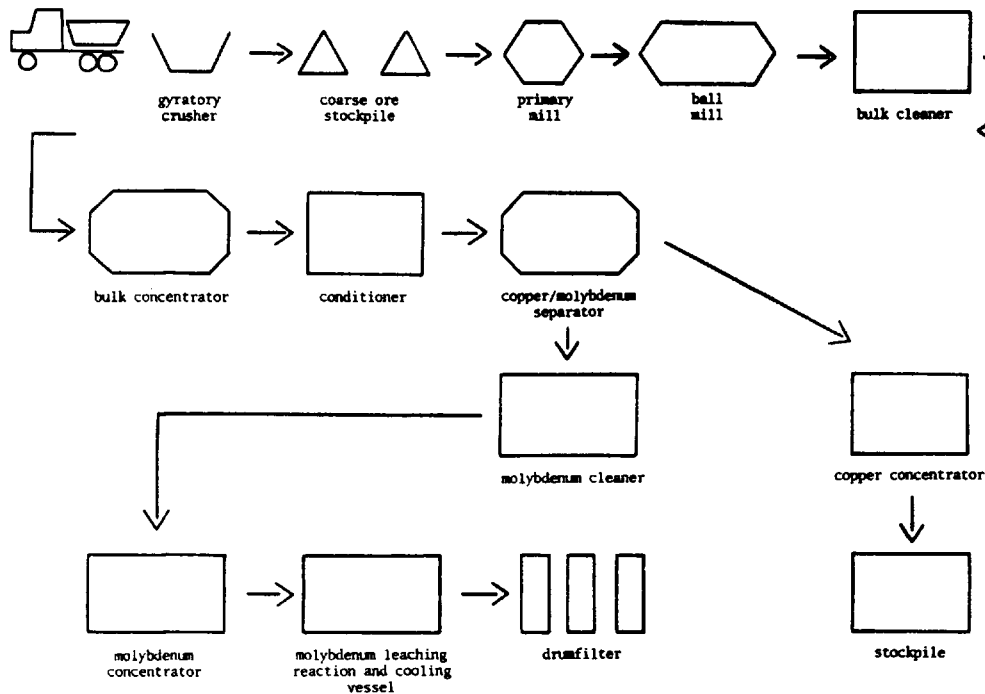
Processing Facilities

The design of the processing plant of the Highmont Mine was based upon extensive metallurgical testwork conducted by Lakefield Research of Canada Limited, Lakefield, Ontario. The plant has a designed capacity of 25,000 tons per day. In the plant, the crushed ore is ground by a series of autogenous and ball mills to a size suitable for flotation. After flotation and separation, the copper concentrate is stored and shipped in bulk, the molybdenum concentrate in drums. It is expected that average annual production will be above 40 million pounds of copper and 4 million pounds of molybdenum.

The copper and molybdenum concentrates produced are expected to have a metal content of 31.5 % and 55 % respectively.

Projected metal recoveries from ore processed at the mill and concentrator are 90 % for copper and 78 % for molybdenum.

Simplified flow sheet



Environmental Factors

One of the primary environmental concerns in mining is tailings disposal. To meet this concern the Highmont Mine tailings disposal system has been designed as a totally enclosed system allowing no effluent discharge.

The tailings pond is situated approximately 3 miles from the plant site and all tailings from the processing facilities are fed

by gravity to the tailings pond where water is allowed to stand in order for the particles to settle. The water is then reclaimed and pumped back to the plant site as the water supply for the concentrator. Only small amounts of fresh water will be pumped into the system to compensate for evaporation loss.

Long-term Sales Agreements

The products produced from the Highmont Mine are sold pursuant to long-term sales agreements. The copper concentrates are sold to Marc Rich & Co. A.G. ("Marc Rich") of Zug, Switzerland (the 'Marc Rich Agreement') and the molybdenum concentrates are sold to Metall AG (the 'Metall Agreement'). These sales agreements, which were initially entered into by Teck and Highmont Mining Corp. Ltd. in 1979, were assigned to HMC on March 20, 1981. The following is a summary of certain material provisions of such long-term sales agreements which does not purport to be complete.

The Metall Agreement continues in force until the later of December 31, 1990 or until HMC has delivered to Metall AG 46.1 million pounds of molybdenum. If the Highmont Mine produces molybdenum in excess of the annual quantities which it is obligated to deliver to Metall AG, it must first offer the additional quantities to Metall AG. HMC is, however, entitled to sell any such additional quantities to third parties if HMC is able to obtain terms more favorable than those offered by Metall AG.

The Metall Agreement identifies approximately 70 % of the 46.1 million lbs. molybdenum production as 'base load' quantities during the term of the agreement and the remainder as 'balance' quantities. The price per pound of molybdenum under the Metall Agreement for base load quantities is based on the prevailing market price for molybdic oxide in Western Europe for sale by reliable producers for quantities to be delivered during at least an annual period, less Metall AG's permitted charges for transport, roasting and marketing. The Metall Agreement contemplates that the 'Climax Price' would be this representative market

price and defines the 'Climax Price' as the price published by Climax Molybdenum Company, Greenwich, Connecticut, USA, for molybdic oxide packed in drums f.o.b. Europe. The Metall Agreement provides for a mechanism for agreeing upon a new representative market price if the 'Climax Price' is no longer representative for sales by reliable producers to customers in Western Europe for quantities to be delivered during at least an annual period. Metall AG as buyer of the concentrates may have to rely on this mechanism in order to purchase at prevailing market prices for such sales. The price per pound of molybdenum in the balance quantity will depend on the resale terms obtainable by Metall AG.

Under the Metall Agreement, Metall AG is obligated to provide support loans to HMC if the average price received by HMC for molybdenum over the calendar year is less than US-\$ 7.50 per pound. Support loans, if any, to be made by Metall AG to HMC will bring the payments made by Metall AG to HMC under the Metall Agreement to the level of US-\$ 7.50 per pound payable molybdenum. These support loans will be secured by fixed and floating charges on the HMC property which will rank after charges granted to secure the Project Loan and the Operating Loan. No repayment of these support loans may be made until the principal of and interest on the Project Loan (see page 38) has been repaid in full. The support loan is repayable out of 50 % of the net cash flow, as defined in the Metall Agreement, without interest, commencing in the fiscal period after repayment in full of the Project Loan.

The Marc Rich Agreement continues in force until December 31, 1990, but is subject to extension in certain events at the option of Marc Rich. Under the Marc Rich Agreement, Marc Rich has agreed to purchase in each calendar year all of the copper concentrates produced from the Highmont Mine up to 100,000 dry metric tons of copper concentrates which quantity is in excess of expected annual production. Marc Rich also has the right to purchase any additional copper concentrates produced by HMC in any year, but it is not obligated to do so. The sale price for copper concentrates is based on the settlement price

of the London Metal Exchange ("LME") for electrolytic wirebars less certain agreed treatment and refining charges and less a certain proportion of copper prices in excess of an escalating base.

Under the Marc Rich Agreement, Marc Rich is obligated for a certain period commencing upon the delivery of copper concentrates to Marc Rich to provide support loans up to a certain amount to HMC. Subject to the limit mentioned above, the support loans, if any, to be made by Marc Rich to HMC will bring the payments made by Marc Rich to HMC under the Marc Rich Agreement to the level of payments that would have been required thereunder if the average LME settlement price during the year had been the support price. Such support loans will bear interest at a stipulated floating rate and will be secured by fixed and floating charges on the HMC property which will rank after charges granted to secure the Project Loan and the Operating Loan. No repayments of these support loans may be made until the principal of and interest on the Project Loan has been repaid in full. These support loans are repayable out of 50 % of the net cash flow, as defined in the Marc Rich Agreement, commencing in the fiscal year after repayment in full of the Project Loan.

If support loans are made to HMC under both the Metall Agreement and the Marc Rich Agreement, then upon repayment in full of all amounts owing under the Project Loan all of the net cash flow of HMC will be required to repay such support loans. If at any time there are outstanding support loans under only one of the long-term sales agreements, 50 % of the net cash flow of HMC will be applied to its repayment and the balance thereof would, subject to the terms of HMC Agreement (see page 26) and to any other outstanding indebtedness or liabilities of HVM, be available for distribution to Teck and HVM.

The Copper and Molybdenum Markets

The following description is based upon publicly available information regarding copper and molybdenum and is not intended to be all inclusive. Whilst the sources used are highly regarded in the industry, the information has of necessity been relied on without independent verification. Figures may also vary from source to source.

The Copper Market

The major attributes of copper are its high electrical and thermal conductivity and its corrosion resistance. Copper also has good alloying, rolling and drawing qualities. Due to the metal's electrical conductivity, the electrical industry is the largest consumer of copper. The construction industry is the next largest consumer, with its use of copper and brass plumbing supplies.

The following table shows the approximate demand by market segment:

	%
Electrical	58
Construction	18
Transport	9
Engineering	9
Household and Miscellaneous	6

	100
	=====

The following tables set forth copper consumption and production for the years indicated:

World Refined Copper Consumption
(thousands of tons)

year	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
USA	1,993	2,189	2,418	2,386	2,057
USSR	1,378	1,422	1,466	1,499	1,499
Japan	1,158	1,242	1,368	1,466	1,461
Germany, F.R.	821	860	860	875	837
Others	4,053	4,219	4,308	4,575	4,694
<hr/>					
Total	9,403	9,932	10,420	10,801	10,548
	=====	=====	=====	=====	=====

World Mine Copper Production
(thousands of tons)

year	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
USA	1,606	1,504	1,497	1,591	1,296
USSR	1,246	1,213	1,257	1,268	1,268
Chile	1,108	1,164	1,141	1,169	1,187
Canada	806	837	727	702	781
Zambia	781	723	709	649	672
Zaire	490	531	467	441	507
Others	2,620	2,836	2,813	2,950	2,966
<hr/>					
Total	8,657	8,808	8,611	8,770	8,677
	=====	=====	=====	=====	=====
Excess of Consumption over Mine Production	746	1,124	1,809	2,031	1,871
	=====	=====	=====	=====	=====

Excess of consumption over mine production is primarily satisfied by scrap recycling and inventory reductions. A considerable part of the overall copper consumption is satisfied by secondary copper.

The following table sets forth world copper reserves:

World Copper Reserves

	(millions of tons)	%
Chile	107	20
USA	101	19
Zambia	36	7
Peru	35	6
Canada	35	6
Centrally Planned Economies	66	12
Others	164	30
	<hr style="width: 10%; margin: 0 auto;"/> 544	<hr style="width: 10%; margin: 0 auto;"/> 100

Most international copper concentrate sales agreements are based on prices prevailing on the London Metal Exchange ("LME"). Other contracts, particularly contracts between North American mines and smelters, may be based on the prices prevailing on the New York Commodity Exchange or on the United States producer price, both of which, in the absence of market restrictions, have closely paralleled the LME price. Receipts for particular shipments of copper concentrates reflect the recoverable copper content, as priced, and the value of any recoverable precious metal content in the concentrate, less deductions for smelting and refining charges and impurities.

The following table shows the highest and lowest monthly average LME prices in US-\$ for electrolytic wirebars for the years indicated:

year	<u>High</u>	<u>Low</u>
	(US-cents per lb)	
1975	60.90	52.20
1976	74.70	53.70
1977	68.70	52.60
1978	69.50	54.60
1979	100.40	75.20
1980	132.40	85.20
1981 (Jan - Jun)	84.80	77.20

The Molybdenum Market

The most significant properties of molybdenum metal are high tensile strength, good thermal and electrical conductivity and a high melting point. The main demand for molybdenum is in the production of steel. Molybdenum alloyed steels exhibit increased strength-to-weight ratios and enhanced ductile properties. Molybdenum alloyed steels are used in oil and gas pipelines due to the ductile properties and increasingly in the automotive and transportation industries due to the lower weight.

The following table shows the approximate demand by market segment*):

	%
Alloy Steel (inc. H.S.L.A.)	46
Stainless Steel	20
Tool Steel	10
Chemicals & Lubricants	9
Cast Iron & Steel Mill Rolls	7
Super & Spec. Alloys	3
Molybdenum Metal	5
	100

*) Excludes USSR, Eastern Europe and People's Republic of China.

The following table outlines world mine production of molybdenum for the years indicated:

World Mine Production of Molybdenum
(thousands of tons)

year	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
USA	57	61	66	72	75
Canada (a)	16	18	15	13	14
Chile	12	12	14	15	15
USSR (b)	10	10	11	11	11
China, P.R.	2	2	2	2	2
Peru	--	1	1	1	1
Others	1	1	1	1	1
Total	<u>98</u>	<u>105</u>	<u>110</u>	<u>115</u>	<u>119</u>
	==	===	===	===	===

(a) shipments

(b) estimated

The following tables outlines the world molybdenum reserves:

World Molybdenum Reserves
(thousands of tons)

USA	3,858	40
Chile	2,315	24
USSR	1,102	11
Canada	617	6
China, P.R.	551	6
Peru	441	5
Others	773	8
	<u>9,657</u>	<u>100</u>
	=====	===

Molybdenum can be traded in various forms, the most common being technical molybdenum oxide. Most molybdenum oxide is sold at the Climax prices, the price for European and North American customers respectively, published by Climax Molybdenum Company, an affiliate of Amax Inc., the largest molybdenum producers in the non-communist world. The Climax prices generally apply to transactions that reflect "long-term" business relationships between large producers and their customers. In addition, there is a dealer price which follows the spot market and can deviate considerably from the Climax prices reflecting short-term market conditions.

The following table shows the high and low Climax Export Prices and United States Dealer prices of technical molybdenum oxide since 1975:

	<u>Climax Export</u> <u>Price</u>		<u>United States</u> <u>Dealer Price</u>	
	<u>High</u> (US-\$ per lb. Mo content)	<u>Low</u> (US-\$ per lb. Mo content)	<u>High</u> (US-\$ per lb. Mo content)	<u>Low</u> (US-\$ per lb. Mo content)
1975	2.90	2.69	2.95	2.80
1976	3.54	2.90	3.75	2.90
1977	4.31	3.82	6.00	4.10
1978	6.54	4.60	18.00	5.75
1979	9.54	6.56	32.25	14.25
1980	11.04	9.70	8.40	7.10
1981(Jan-Jun)	10.20	9.70	8.40	7.10

Effective August 2, 1981, Climax Molybdenum Company lowered its Export Price to US-\$ 8.75 per lb. Mo content.

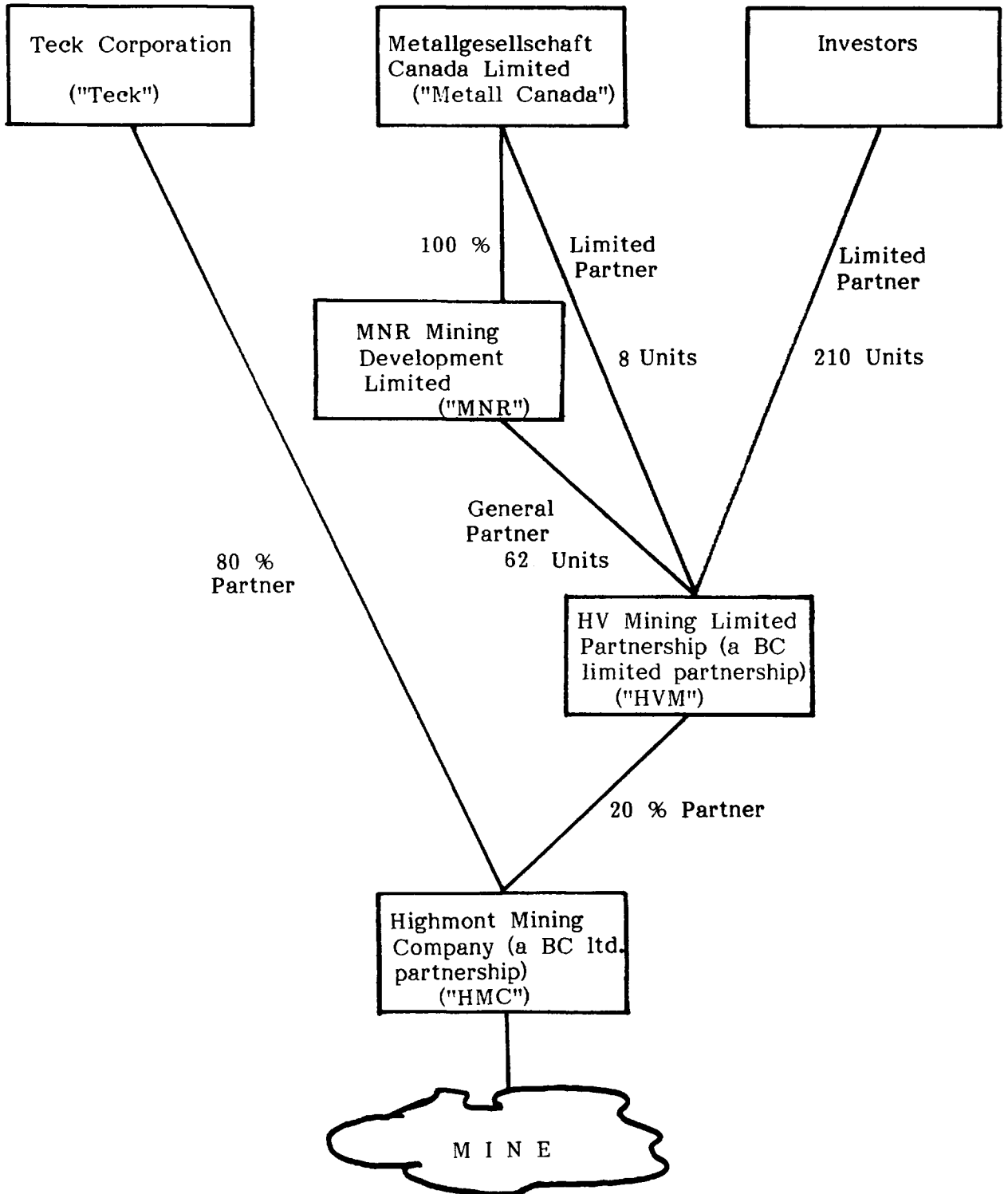
Over the past few years the dealer price has reflected fluctuating short-term market conditions. The higher prices beginning in 1978 provided an incentive to producers to expand output. The long lead time necessary to

bring increased production into place was a large factor in continuing high prices through 1979 and early 1980, but in view of increased production capacity it is not certain to which extent the current prices will prevail in the immediate future.

Since a large portion of molybdenum supply is jointly produced with copper and other metals, the supply of molybdenum is also influenced by the level of production of such other metals.

Legal Structure of the Investment

Proposed Ownership Structure of the Highmont Mine



Highmont Mining Company

HVM and Teck formed HMC pursuant to an agreement, the Highmont Mining Company Partnership Agreement (the "HMC Agreement"), made as of March 20, 1981, for the purpose of acquiring, owning and operating the Highmont Mine. Teck has an 80 % interest in HMC and HVM has a 20 % interest therein. HMC acquired all of the property and assets previously owned by Teck relating to the Highmont Mine and assumed all liabilities relating to the Highmont Mine other than the Project Loan.

The rights and obligations of Teck and HVM as partners in HMC are governed by the HMC Agreement. The following is a summary only of certain provisions of the HMC Agreement and does not purport to be complete. Prospective investors are referred to the HMC Agreement which is available at the head office of MNR for complete details of the obligations hereunder.

The HMC Agreement provides for the formation of an Executive Committee with complete and exclusive authority over the Highmont Mine and the operations thereof and the marketing of its products. Under the HMC Agreement, Teck is entitled to appoint two members to the Executive Committee who have 80 votes and HVM is entitled to appoint one who has 20 votes. Since, except for certain specified fundamental decisions, all matters to be decided by the Executive Committee are to be determined by a simple majority vote, as a practical matter such matters will be determined by Teck. Fundamental decisions which require the unanimous approval of the members of the Executive Committee include capital expenditures relating to the Highmont Mine in excess of can-\$ 5 million, the addition or withdrawal of any partner of HMC and the abandonment, sale or other disposition of all or substantially all of the Highmont Mine. If, however, Teck

wishes to proceed with a capital expenditure in excess of can-\$ 5 million with which HVM does not agree, a procedure is set out whereby it may do so without the consent of HVM and HVM shall have its interest in HMC reasonably diluted unless it elects to contribute its pro rata share of such capital expenditure.

The HMC Agreement contemplates that the Executive Committee will retain an operator to manage and conduct the operations of the Highmont Mine and provides that Teck Mining Group Limited, a wholly-owned subsidiary of Teck and the operator prior to March 20, 1981, shall continue to be the operator of the Highmont Mine.

Long-term sales agreements have been entered into for the sale of products from the Highmont Mine with Metall AG with respect to molybdenum concentrates and with Marc Rich with respect to copper concentrates. Such sales agreements have been assigned to secure the indebtedness under the Project Loan Agreement and are also charged to secure repayment of the Operating Loan. After the expiration of such sales contracts, each of Teck and HVM has the right to purchase from HMC its pro rata share of products produced from the Highmont Mine at the then prevailing fair market prices. That right has been assigned by HVM to Metall Canada in consideration of its guarantee of the Demand Loan.

The HMC Agreement further provides that the partners of HMC shall, in proportion to their respective interests in the Partnership, contribute to the capital of HMC such funds required by the Executive Committee as are reasonably necessary for the proper operation of HMC.

If either Teck or HVM fails to make any such payments as required, the HMC Agreement contains provisions whereby the other partner may make such payments and may acquire such part of the non-contributing partner's interest in HMC as reasonably compensates him for such payment.

The HMC Agreement provides that the net cash flow of HMC less amounts set aside by the Executive Committee for working capital purposes, budgeted capital costs, contingency funds or reserves considered reasonably necessary for the operating of HMC shall be allocated and distributed to Teck and HVM as partners in proportion to their respective interests in HMC. The net cash flow is defined in effect as all cash receipts, including capital contributions, borrowed funds and revenue from the sale of product, less all payments expended in the operation of HMC. The net cash flow received by the partners of HMC has first to be applied to the repayment of interest on and principal of the Project Loan (see page 38).

Teck

Teck, HVM's 80 % partner in HMC, is a corporation continued under the Canada Business Corporations Act with offices in Vancouver, British Columbia, Calgary, Alberta and Toronto, Ontario. As at September 30, 1980, Teck's total consolidated assets were can-\$ 503 million and its consolidated shareholders' equity was can-\$ 197 million. For the fiscal year ended September 30, 1980, Teck's consolidated revenues and net earnings were can-\$ 179 million and can-\$ 38 million, respectively.

Teck's primary business is the exploration for and development and production of natural resources in Canada and elsewhere. It is a producer of copper, molybdenum, zinc, silver, gold, niobium, oil and natural gas. Teck is active in the development of new mines and has sponsored development of four new mines and a smelter in recent years. Teck is the operator of each of these four new mines: the Newfoundland Zinc Mine located near Daniels Harbour, Newfoundland; the Niobec Niobium Mine,

located near Chicoutimi, Quebec; the Afton Copper/Gold/Silver Mine and Smelter, located near Kamloops, British Columbia; and the Highmont Mine.

Teck also has direct and indirect interests in a number of other mineral and coal deposits, including the Bullmoose coke and coal deposit which Teck has recently decided to bring into production by late 1983. Teck is active in oil and natural gas development in the United States and Western Canada.

A copy of Teck's annual report for its fiscal year ended September 30, 1980, accompanies this brochure.

HV Mining Limited Partnership

HVM is a limited partnership formed under the laws of British Columbia, Canada, pursuant to a limited partnership agreement (the "HVM Agreement" summarized below) made as of February 27, 1981, with amendments, between MNR as General Partner and Metall Canada as the initial Limited Partner. Upon the sale of the Units of HVM and the appropriate public filings being made, investors will, together with Metall Canada, become limited partners of HVM with MNR holding 62 Units and Metall Canada 8 Units.

After repayment of all liabilities of HVM, including all amounts owing by HVM under the Project Loan, the Demand Loan and the HVM Operating Loan referred to under "Details of the Units" the holders of Units will be entitled to 100 % of the Distributable Cash (as defined under "Details of the Units") of HVM until such time as the holders of Units shall have received an amount equal to can-\$ 100,000 per Unit plus 20 % per annum compounded annually on the unpaid balance. Thereafter, holders of Units will be entitled to receive 70 % of the Distributable Cash of HVM, and MNR, as General Partner, will be entitled to receive 30 % thereof.

The head office of HVM is located at Suite 824, 602 West Hastings Street, Vancouver, B.C. V6B 1P2.

General Partner

MNR, as General Partner, will manage and control the business of HVM and will be liable, as a general partner is by law, for the debts of HVM.

MNR is a corporation continued under the Company Act (British Columbia) on February 24, 1981, and is a wholly-owned subsidiary of Metall Canada.

In addition to the entitlement of MNR referred to above to receive 30 % of the Distributable Cash of HVM and its pro rata share of Distributable Cash as a holder of Units, MNR will be paid an annual management fee of can-\$ 400,000 increased by can-\$ 200,000 every fourth year, starting 1985. MNR will also be reimbursed by HVM for costs incurred by MNR in the performance of its duties as General Partner.

The head office of MNR is located at Suite 824, 602 West Hastings Street, Vancouver, B.C. V6B 1P2.

Rights and obligations of Partners

The rights and obligations of the General Partner and Limited Partners are governed by the HVM Agreement and the Partnership Act (British Columbia). The following is a summary only of certain provisions of the HVM Agreement and does not purport to be complete. Certain other provisions of the HVM Agreement relating to rights and obligations of holders of Units are described below under "Details of the Units". Prospective investors should review the copy of the HVM Agreement which accompanies this brochure for complete details of its terms.

Purpose of HVM

The primary purpose of HVM is to participate with Teck under the HMC Agreement pursuant to which HVM has a 20 % partnership interest in HMC.

Fiscal Period

The fiscal period of the partnership will end on October 15 each year. The first fiscal period will end on October 15, 1981.

Powers of General Partner

The powers vested in MNR to manage the Limited Partnership are broad and include all power and authority necessary for or incidental to carrying out the objects, purposes and business of the Limited Partnership including the power to sell the undertaking, property and assets of the Limited Partnership and to borrow money for the business of the Limited Partnership. The HVM Agreement also provides that MNR shall be the sole and exclusive representative and agent of the Limited Partnership and the partners thereof with respect to all matters or dealings with or related to HMC and the Executive Committee created pursuant to the HMC Agreement.

Liability of Partners

MNR, as General Partner, has unlimited liability for the debts, liabilities, obligations and losses of HVM to the extent required by the Partnership Act (British Columbia) and other applicable legislation. The liability of each Limited Partner for the debts, liabilities, obligations and losses of HVM is limited to the amount owing by HVM to the Limited Partner with respect to loans made to HVM, the capital contributed or agreed to be contributed by such Limited Partner, and his pro rata share of the undistributed income of HVM. If any part of the capital contributed by a Limited Partner is returned

to such Limited Partner, then such Limited Partner (including any successor to such Limited Partner) will be liable for the debts, liabilities, obligations and losses of HVM existing on or arising prior to the date of such payment to the extent of the amount so returned with interest. The limitation of liability will be lost by a Limited Partner who takes part in the management of the business of HVM. In addition, it is not certain whether a person who is shown on the register of partners to be maintained by HVM as a Limited Partner but not on the certificate required to be filed and recorded under the Partnership Act (British Columbia) will be entitled to limited liability. MNR, as General Partner, is required to file amendments to such certificate to reflect the names of those persons who are Limited Partners of HVM from time to time.

MNR shall only be accountable for reasonable diligence in the management of HVM and shall not be liable for any act or default on the part of any agent or for having permitted any agent to receive and retain any monies payable to HVM. MNR shall only be liable for its own gross negligence and wilful acts and defaults.

Indemnification

HVM has agreed to indemnify MNR as General Partner, provided it acts honestly and in good faith towards HVM, with respect to costs and damages resulting from actions taken by MNR on behalf of HVM.

Units

The capital of HVM is divided into 280 Units. The Units have equal voting, liquidation and other rights and the Units do not carry any preference, conversion, exchange, pre-emptive or redemption rights. Each partner is entitled to one vote in respect of each Unit registered in his name.

Term and Dissolution

HVM was formed on February 27, 1981, the date of the filing of the declaration in respect of the Limited Partnership under the laws of the Province of British Columbia.

HVM will terminate on October 15, 2081, or if the Limited Partnership is dissolved before that date, when all of its assets have been disposed of and the net proceeds therefrom, after repayment of or making due provision for the repayment of all debts, liabilities and obligations to creditors, have been distributed in accordance with the terms of the HVM Agreement.

The Limited Partnership will be dissolved on the earliest of (i) the approval of such dissolution by MNR and the authorization of such dissolution by Extraordinary Resolution of the holders of Units; (ii) the end of the fiscal period in which the assets and undertaking of HVM are sold; and (iii) 180 days after the resignation, bankruptcy, insolvency or dissolution of MNR unless within such 180 day period a new general partner is appointed. The HVM Agreement defines an "Extraordinary Resolution" to be a resolution passed by not less than 66-2/3 % of the votes cast by the partners of HVM, including MNR, at a duly convened meeting of HVM or a written resolution consented to in writing by partners of HVM who would be entitled, in the aggregate, to cast not less than 66-2/3 % of the aggregate number of votes held by all partners who are entitled to vote at such time at a meeting of HVM.

Change, Resignation or Removal of General Partner

MNR is entitled to resign as the General Partner of HVM at any time after, but not on or before February 27, 1991. MNR will be deemed to have resigned as the General Partner upon the bankruptcy, insolvency or dissolution of MNR and in certain other circumstances.

The resignation of the General Partner becomes effective upon the earlier of the appointment of a new general partner by the Limited Partners by ordinary resolution or 180 days following the deemed resignation or written notice of the voluntary resignation of the General Partner to the Limited Partners.

MNR may not be removed as the General Partner by the Limited Partners.

If MNR resigns and if HVM is not dissolved, HVM is required to purchase from MNR at its appraised fair market value the right of MNR to receive 30 % of the Distributable Cash described under "Details of the Units - Allocation of Distributable Cash".

Rights of Limited Partners

Limited Partners are not entitled to take part in the management of the business of HVM. The General Partner is, however, required to call (i) an annual general meeting of the partners each year, commencing in 1982, for the purpose of reviewing the affairs of HVM, and (ii) an extraordinary general meeting upon written request from Limited Partners holding at least 15 % of the outstanding Units. At a meeting of the partners, a partner is entitled to one vote, in person or by proxy, for each Unit held by each partner.

The HVM Agreement provides that the holders of the Units are entitled, among other matters, to approve the dissolution of HVM by Extraordinary Resolution.

Limited Partners are also entitled to those rights afforded to Limited Partners under the Partnership Act (British Columbia), subject to the HVM Agreement, except that where the Partnership Act (British Columbia) affords broader rights to Limited Partners than those contained in, or limited by, the HVM Agreement, the provisions of the HVM Agreement that attempt to limit such rights may not be enforceable.

Additional Financing

If HVM is required to provide further financing to HMC, HVM is required to use its best efforts to borrow any such amount on its own credit on reasonable terms and conditions as determined by MNR. If, however, HVM is not able to borrow all or any part of the required amount, the General Partner is required to establish the terms and conditions on which it would be prepared to lend such amount to HVM. Thereupon each Limited Partner in proportion to the number of Units held by him shall have the opportunity to lend to HVM his proportionate share of the required amount on the terms and conditions specified by the General Partner and the General Partner is required to lend the full amount of any deficiency.

Amendment

The Limited Partners are entitled to authorize amendments to the HVM Agreement by Extraordinary Resolution, but no such amendment may adversely affect the rights of the General Partner. The General Partner is entitled to make certain amendments to the HVM Agreement without the consent of the Limited Partners provided such amendments are, in the opinion of counsel, for the protection of the Limited Partners and do not adversely affect the rights of any Limited Partner and are approved by the General Partner.

Financial Statements

The General Partner is obligated to prepare and forward, within 120 days after the end of each fiscal period, to each partner who was a partner at the end of, or at any time during, such fiscal period, information for Canadian tax reporting purposes and an annual report containing audited financial statements in respect of such fiscal period.

The Limited Partnership books will be kept at Suite 824, 602 West Hastings Street, Vancouver, British Columbia, the principal office of the General Partner.

Government Regulations

The mining industry in British Columbia operates under provincial legislation and regulations governing, among other things, development, production, operations, environmental protection, income taxes and labor standards. Teck and HVM believe that all necessary approvals and permits have been obtained in connection with the development and current operations of the Highmont Mine and that the Highmont Mine is currently being operated in compliance with all applicable legislation and regulations.

Under the Mineral Act (British Columbia) no person shall mine or produce minerals or acquire title to a mineral claim or leasehold unless he is a free miner. MNR and HVM have both obtained free miner certificates under such Act and will use their best efforts to renew such certificates pursuant to such Act.

Conflicts of Interest

MNR and its sole shareholder Metall Canada are engaged in and will continue to be engaged in the business of investing in and developing mining properties in Canada for their own account. Under the HVM Agreement, MNR, as General Partner, is not required to devote its efforts exclusively to or for the benefit of HVM and may engage in or hold an interest in such other businesses, ventures, investments and activities as it considers appropriate whether or not similar to or competitive with the business of HVM. It is intended that MNR may act as a General Partner of other limited partnerships which may be formed for the purpose of owning an interest in other mining properties. Neither MNR nor any affiliated entity of MNR, including Metall Canada, are required to offer or make available to HVM any mining or other business or investment opportunity which MNR or such affiliated entity of MNR may determine to acquire or engage in for their respective accounts.

Placement Fee

Metzler KG of Frankfurt am Main, a partnership affiliated to Metzler-bank, with identical partnership interests, has entered into an agreement with MNR for the placement of 210 Units.

According to this agreement, Metzler KG will be remunerated for its services by a placement fee of 5 % to be paid by the Investor in addition to the net Unit funding of can-\$ 100,000. All expenses, such as expenses for legal and tax advice, technical consultancy and other related costs incurred in the placement of the 210 Units will be paid out of the placement fee. Metzler Partnership, L.P., a Delaware limited partnership (in which certain partners of Metzler KG have in total a minority interest) will be remunerated by MNR for other services related to this transaction.

Potential Sales Tax

Under British Columbia law the vendor of Units may be required to collect sales tax from purchasers of Units including purchasers of outstanding Units in an amount based on the value of tangible property held by HMC at the time of such sale.

Counsel for HVM is reviewing the possibility of an exemption from such tax which would be approximately can-\$ 2,100 in respect of each of the 210 Units at the time of issue of HVM, but no predictions as to the availability of such exemption can be made at this time.]

Such sales tax, if any, will be borne by HVM.

Financial Structure of the Investment

The Project Loan - Financing of capital expenditures

Development and construction of the Highmont project was financed by a US-\$ denominated loan (the "Project Loan") granted by a chartered bank in Canada to Teck under a loan agreement. HVM assumed liability for 20 % of this indebtedness. The aggregate principal amount of the Project Loan as of June 30, 1981, was US-\$ 124.57 million, equivalent to can-\$ 149.5 million, of which HVM's share is can-\$ 29.9 million.

Repayment of the principal of and interest on the Project Loan is primarily secured by a fixed and floating charge on all of the interest of Teck and HVM in the Highmont Mine and by the deposit by Teck of certain securities. The Loan Agreement provides that, after the fulfillment of the Completion Test as defined therein, which the partners are obliged to carry out, the liability of Teck and HVM is limited to the assets which comprise the Highmont Mine and the deposited securities. The Project Loan advances are at the borrower's option either advances under a US-\$ credit line bearing interest related to the above bank's base rate (as defined in the Loan Agreement) for such credits or Eurodollar advances with rollover periods of three, six, nine or twelve months or longer and bearing interest related to the London Interbank Offering Rate for such credits.

The loan is repayable under a schedule ending in 1988, but if the project net cash flow, as defined in the Loan Agreement, exceeds the scheduled repayment, the entire net cash flow has to be applied to the repayment of the loan.

As a result of the requirement that Teck and HVM apply 100 % of the net cash flow as defined in the Project Loan Agreement to the repayment of the Project Loan, HVM will not be able to apply any cash from HMC which could be applied to the payment of operating expenses and management fees or which HVM could distribute to the holders of Units until the Project Loan, together with interest thereon, has been repaid in full.

HMC Operating Loan

HMC together with Teck and HVM as its partners, have entered into an Operating Loan Agreement with HMC's bankers providing for an Operating Loan in an amount of up to can-\$ 15 million or equivalent in US-\$ to be made available to HMC for working capital purposes. This Operating Loan is repayable on demand and bears interest at the rate of 1/2 of 1 % per annum above the relevant one of the bank's Canadian prime rate or the U.S. Base Rate as defined in the Operating Loan Agreement.

The Operating Loan is primarily secured by an assignment of accounts receivable of HMC and by a charge on inventories of supplies and concentrates which form part of the HMC property. The Operating Loan Agreement provides that, after Construction Completion as defined therein, the liability of Teck and HVM is limited to the assets which comprise the Highmont Mine. Payment of principal of and interest on the Operating Loan by HMC will reduce the cash available for distribution by HMC to Teck and HVM.

HVM Demand Loan

In order to provide funds to pay part of the purchase price for its interest in HMC, HVM negotiated with its bankers a demand

line of credit (the "Demand Loan") in the amount of can-\$ 25 million, which Demand Loan was guaranteed by Metall Canada. On March 20, 1981, HVM made an initial draw-down on the line of credit in the amount of can-\$ 21,564,000 in order to fund the initial payments for its 20 % interest in HMC. The proceeds from the sale of Units to Metall Canada have been applied to reduce the outstanding balance under the Demand Loan.

HVM intends to apply the net proceeds received from the sale of the 210 Units to investors to the repayment of the Demand Loan and interest accrued thereon from March 20, 1981, leaving an outstanding balance of about can-\$ 2,900,000. The principal of and interest on this bank indebtedness will be repaid by HVM before any Distributable Cash (as defined under Details of the Units) is paid to the holders of Units.

Use of proceeds of the sale of Units

The total net proceeds to HVM from the sale of Units will amount to can-\$ 21,000,000. The net proceeds will be used to repay the Demand Loan, except for a small amount being refinanced by the HVM Operating Loan described below.

HVM Operating Loan

It is the intention of HVM to arrange a line of credit (the HVM Operating Loan) with its bankers for the purposes of repaying the outstanding balance of the Demand Loan and providing it with operating funds to pay expenses, including management fees, until such time as HVM shall have available to it distributions from HMC which HVM may apply to the payment of such expenses. It is anticipated that HVM will be required to repay the principal of and interest on the HVM Operating Loan, before it pays any Distributable Cash to the holders of Units.

HV MINING LIMITED PARTNERSHIP
 Pro Forma Condensed Balance Sheet
 as at June 30, 1981
 (unaudited)
 (Note 1)

ASSETS

Interest in HMC (Note 2)	can-\$	59,673,000 =====
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LIABILITIES

Current Liabilities

Accounts payable and accrued liabilities	can-\$	402,000
Demand Loan and Operating Loan (Notes 3, 5 and 6)		1,371,000
		1,773,000

Share of Project Loan repayable in US-\$ (outstanding amount US-\$ 24,914,000) (Note 4)		29,900,000
		31,673,000

Partners' Capital

General Partner's Capital (62 Units)	can-\$	6,200,000
Limited Partners' Capital (218 Units)		21,800,000
		28,000,000
	can-\$	59,673,000 =====

(see accompanying notes)

HV MINING LIMITED PARTNERSHIP
Notes to Pro Forma Condensed Balance Sheet
June 30, 1981
(unaudited)

1. The pro forma condensed balance sheet gives effect as at June 30, 1981, to the following:
 - (a) The issue of 62 Units and 8 Units to MNR, the General Partner, and Metall Canada, respectively, the transfer of the right to acquire a 20 % interest in the Highmont Mine from MNR to HVM and the payment from Metall Canada to HVM of can-\$ 500,000 in cash.
 - (b) The issue of 210 Units for cash consideration of can-\$ 21,000,000
 - (c) A reduction in the Demand Loan of can-\$ 21,500,000

2. Interest in HMC
 - (a) The following is an unaudited condensed balance sheet of HMC as at June 30, 1981:

ASSETS

Current Assets

Accounts receivable	can-\$	67,000
Settlements receivable		703,000
Concentrate inventory		6,880,000
		7,650,000

Plant, Equipment and Deferred Costs	152,778,000
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Mineral property	1,000
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can-\$	<u>160,429,000</u>
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LIABILITIES

Current Liabilities

Bank overdraft	can-\$	2,124,000
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Operating Loan		11,000,000
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Accounts payable and accrued liabilities		5,771,000
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Due to Teck Corporation		<u>3,520,000</u>
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		22,415,000
--	--	------------

Partners' Capital

TECK CORPORATION	107,162,000
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HV MINING LIMITED PARTNERSHIP	<u>30,852,000</u>
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	138,014,000
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can-\$	<u>160,429,000</u>
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(b) The following is a summary of the components of the carrying value of the investment in HMC as at June 30, 1981:

HVM's share of the book value of the net assets of HMC, financed by assumption of 20 % of the Project Loan

	can-\$ 29,200,000
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Add: Cash contribution on formation of HMC	3,249,000
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Less: Cash distribution equal to 20 % of the Project Loan interest for the period March 20, 1981 to June 30, 1981	(1,597,000)
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HVM's Capital account in HMC	can-\$ 30,852,000
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Add: Acquisition cost of:

The right to acquire a 20 % interest in the Highmont Mine	6,500,000
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Interest in the Highmont resource property	18,861,000
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Add: Capitalization of:

Interest during the preproduction period of the Mine - Project Loan	1,597,000
Demand Loan	1,163,000

Foreign exchange loss on Project Loan	700,000
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Carrying value of HVM's interest in HMC	can-\$ 59,673,000
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The acquisition costs and the capitalized interest and foreign exchange loss will be amortized over the estimated life of the orebody upon commencement of deemed commercial production.

3. Refer to "HVM Demand Loan" and "HVM Operating Loan".
4. Refer to "The Project Loan - Financing of capital expenditures".
5. HVM is also jointly and severally liable, as a partner in HMC, for the full amount of the HMC Operating Loan as described under HMC Operating Loan. The balance as at June 30, 1981, of the HMC Operating Loan was can-\$ 11,000,000 (see Note 2 (a) above).
6. In addition to the liabilities shown on the pro forma condensed balance sheet HVM may be liable to pay British Columbia sales tax in the amount of approximately can-\$ 400,000. Due to special circumstances HVM has applied for an opinion with the appropriate authorities that this tax is not payable, but to date HVM has not yet received a reply to this application.

Use of the proceeds from the operating of the Mine

Repayment of Project Loan

As a result of the requirement that Teck and HVM apply all net cash flow from HMC to the repayment of the Project Loan, there will be no cash available to HVM for the payment of its own operating expenses, management fees and payment of principal of and interest on the other loans of HVM described above, until the Project Loan is repaid in full. Meanwhile, HVM's current cash requirements will be met by drawdowns on the HVM Operating Loan.

Repayment of HVM Operating Loan

The payment of the HVM Demand Loan and HVM's current expenses will be financed by drawdowns on the HVM Operating Loan. If, after the repayment of the Project Loan, cash generated by HMC becomes available to HVM, it is anticipated that HVM will have to repay its Operating Loan before it can make cash distributions to the holders of the Units.

Distributions to Partners

After all debt of HVM has been repaid, the holders of the Units are entitled to receive their pro rata share of 100 % of the Distributable Cash until the Point of Payout. Thereafter they are entitled to receive their pro rata share of 70 % of the Distributable Cash until the dissolution of HVM. For details see "Details of the Units".

Details of the Units

The following is a summary of the material attributes and characteristics of the Units which does not purport to be complete. For particulars of the Units, reference should be made to the HVM Agreement attached.

Description of Units

The capital of HVM is divided into 280 Units; each of the Units offered hereby represents a contribution to the capital of HVM of can-\$ 100,000. Such Units will be issued pursuant to the HVM Agreement. The Units will be dated October 7, 1981 and will be fully registered on the books of HVM. The Units have equal voting, liquidation and other rights and do not carry any preference, conversion, exchange or preemptive rights.

Cash Distribution

The General Partner is required to distribute to the partners not later than by the 15th day of April in each year all of the cash then on hand in HVM, in excess of Reserves which the General Partner is permitted or required to maintain under the HVM Agreement (the Distributable Cash). The HVM Agreement defines Reserves to mean funds set aside or amounts allocated to reserves maintained in amounts which in the opinion of the General Partner are required to pay debt service, capital expenditures and other costs or expenses incurred or to be incurred by or on behalf of the Limited Partnership in connection with its business.

Allocation of Distributable Cash

Holders of Units shall be entitled to receive their pro rata share of 100 % of the Distributable Cash until the Point of Payout. The Point of Payout is defined in the HVM Agreement in effect to mean the point in time when Distributable Cash distributed with respect to a Unit has equalled can-\$ 100,000 together with notional interest on the outstanding balance thereof from time to time at the rate of 20 % p.a. compounded annually from the date of issue to the "Point of Payout". After the Point

of Payout, holders of Units shall be entitled to receive their pro rata share of 70 % of the Distributable Cash and the General Partner, as such, shall be entitled to receive 30 % of the Distributable Cash, in addition to any distribution to which he may be entitled as a holder of Units.

Distributions shall only be made to holders of Units to the extent that the aggregate of all distributions to such holder does not exceed the total of such holder's capital contribution and his pro rata share of net profits and losses of HVM.

Allocation of Profits and Losses

Prior to the Point of Payout, 100 % of the profits and losses, as the case may be, of HVM for any fiscal year shall be allocated among the holders of Units pro rata in accordance with the number of Units held by each such holder. Thereafter, profits and losses of HVM for any fiscal year shall be allocated as to 30 % to the General Partner as such and as to 70 % among the holders of Units pro rata in accordance with the number of Units held by each such holder. If, however, the allocation of any loss to a Limited Partner would exceed the amount shown in the capital account of such Limited Partner, such excess shall be allocated to the General Partner and, in any subsequent year, profits, if any, shall be allocated to the General Partner in an amount equal to the losses so allocated to the General Partner before any profits are allocated to such Limited Partner.

Because of discrepancies in timing between the accrual of profits and losses for financial accounting purposes and the allocation of Distributable Cash among the partners, the HVM Agreement contains a provision which permits the General Partner to adjust the allocation of profits and losses for the purposes of making the allocation of profits and losses correspond with Distributable Cash distributed to the parties.

Allocation of Profits and Losses
for Canadian Income Tax Purposes

The profits and losses of HVM for Canadian income tax purposes for any fiscal year shall be allocated among the partners in the same manner that profits and losses are allocated for financial accounting purposes unless the allocation of a loss to a Limited Partner would result in a negative adjusted cost base for Canadian income tax purposes with respect to the Units held by such holder, in which case and to that extent the loss shall be allocated to the General Partner. In that event, if there is profit for income tax purposes in any of the five succeeding fiscal years, appropriate adjustments shall be made in the profit allocated to the General Partner and to the Limited Partners. See below "Taxation Aspects in Canada".

Mandatory Sale or Redemption of Units

The HVM Agreement provides that if HMC is to be dissolved, the General Partner may, in its sole discretion, require any Limited Partner who is a non-resident of Canada to sell his Units to Canadian residents or cause HVM to redeem his Units, in each case, at a price to be determined by an independent appraiser appointed by the General Partner. An alternative procedure which may be adopted by the General Partner, in its sole discretion, would be to cause HVM to transfer all of its interest in HMC to a wholly-owned subsidiary of HVM in which case HVM might continue to hold the shares of such subsidiary or distribute such shares to the partners of HVM.

The HVM Agreement also provides that if HVM is to be dissolved, the General Partner may, in its sole discretion, require any Limited Partner who is a non-resident of Canada to sell his Units to Canadian residents or cause HVM to redeem his Units, in each case, at a price to be determined by an independent appraiser appointed by the General Partner.

Right of First Refusal

Holders of Units are not permitted to sell or otherwise dispose of Units unless such Limited Partner gives 45 days' notice, through the General

Partner, to the other holders of Units providing them with an opportunity to purchase such Units on the same terms and conditions as such holder would receive from a third party purchaser.

Assignability of Units

Subject to the right of first refusal referred to above, a holder of Units may assign a Unit to a third party who, among other things, has been approved by the General Partner and has agreed in writing to be bound by the terms of the HVM Agreement.

Such an assignment must be substantially in the Form of Assignment annexed to the HVM Agreement as Schedule C. A holder of Units will not be entitled to transfer a fraction of a Unit. Under the Partnership Act (British Columbia), the assigning holder of Units will remain liable to the Limited Partnership to the extent of the amount of the capital contribution returned to him prior to such assignment in respect of liabilities of the Limited Partnership existing at the date of the return of the capital contributed.

Taxation Aspects in Canada

The taxation of a non-resident investor in Units of HVM is governed by the provisions of Canadian federal and British Columbia taxation legislation, the taxation legislation of his country of residence and the relevant Tax Conventions between the countries involved. Therefore the income tax consequences to the investor vary according to his own circumstances and each prospective investor should satisfy himself as to the tax consequences of participating in HVM by obtaining advice from his own tax counsel.

The following discussion of the Canadian legislation as of the date of this brochure as it applies to an investor who is a corporation or individual non-resident in Canada is of a general nature only and is not intended to constitute advice to any particular prospective investor. Except where otherwise indicated, the summary does not take into account or anticipate any changes in law, whether by legislative or judicial action.

Taxation in Canada

Partnership Taxation

A partnership is not required to pay income taxes under the Income Tax Act (Canada) (the "Act"). However, it is required to calculate its income or loss in accordance with the Act for each of its fiscal years as if it were a separate person, without taking into account any amount relating to Canadian development expense ("CDE") or earned depletion allowances. Each partner is then required to take into account, in computing his income or loss for tax purposes for a taxation year, his share of the partnership's income or loss for the partnership fiscal year ending in that

taxation year, regardless of whether or not he has received or will receive any distributions from the partnership. CDE, and any earned depletion base, are allocated to partners who are members of the partnership at the end of the partnership's fiscal year in which the expenses were incurred. The amounts allocated are then available for deduction by each partner in the manner discussed below.

HMC Income

HMC will compute its income or loss for tax purposes for each fiscal year ending October 31. The income will essentially comprise production revenues from the Mine less operating expenses, tax depreciation in respect of the buildings, structures, machinery and equipment, and interest on the Operating Loan. HMC acquired the depreciable assets pursuant to certain elective provisions of the Canadian income tax rules and the amount depreciable for Canadian tax purposes is approximately can-\$ 48 million less than the carrying value of these assets. HMC will not be able to deduct the British Columbia Mineral Resource Tax (discussed below), but for federal income tax purposes it will be entitled to deduct a resource allowance equal to 25 % of defined resource profits. The resource allowance deduction will not be available for British Columbia income tax purposes. The income or loss for tax purposes will be allocated as to 80 % to Teck and 20 % to HVM. The earned depletion base generated by the acquisition of the Highmont Mine assets by HMC and generated by the subsequent acquisition of qualifying assets will similarly be allocated 80 % to Teck and 20 % to HVM.

HVM Income

HVM will compute its income or loss for tax purposes for each fiscal year ending October 15. HVM will include in its income or loss its allocated share of the HMC income or loss for that HMC fiscal year which ended in the HVM fiscal year.

HVM will deduct its own expenses for the period such as the annual fee and expenses payable to MNR, interest on the Project Loan and interest on bank indebtedness.

The income or loss that results for tax purposes will be allocated to the Limited Partners pursuant to the terms of the HVM Agreement. The earned depletion base allocated to HVM by HMC will similarly be allocated to the Limited Partners. On the acquisition of the interest in HMC, HVM incurred certain costs amounting to approximately can-\$ 21 million which qualify as CDE for income tax purposes. This CDE will be allocated, in accordance with the allocation provisions of the HVM Agreement, to Limited Partners who are Limited Partners in HVM on October 15, 1981.

A Limited Partner's share of CDE allocated to him will be added to his own cumulative Canadian development expense ("CCDE") pool. A Limited Partner may deduct, in computing his income from all sources for a taxation year, up to 30 % of his CCDE pool at the end of that taxation year. Deductions claimed in respect of CCDE pool reduce that pool. The unclaimed balance of the pool will be carried forward and will be available for deduction in future years.

In addition to HVM's share of the can-\$ 48 million excess of the book bases over the tax bases of HMC assets (see HMC Income), HVM's carrying value for this investment in HMC includes costs not deductible for Canadian Tax purposes amounting to approximately can-\$ 10 million.

Limited Partner's Income

General

As HVM is a partner in HMC which operates the Highmont Mine, each Limited Partner in HVM will, for purposes of Canadian federal and British Columbia income tax laws, thereby be carrying on business in Canada at a permanent establishment in British Columbia. Each Limited Partner will be

respect of his income derived from that business activity. For Canadian tax purposes, the taxation year of a corporation is its fiscal year ending in a calendar year and the taxation year of an individual is the calendar year. Each Limited Partner will be required to include in his income or loss for a particular year, his allocated share of the HVM income or loss for the HVM fiscal year ending in that year, whether or not he has received or will receive any distributions from HVM. The Limited Partner will be entitled to deduct a claim in respect of his own CCDE account, as described previously. If there are defined "resource profits" after the CCDE claim, he may be entitled to a deduction for earned depletion equal to the lesser of the unclaimed balance of the earned depletion base allocated to him as described previously, and 25 % of such resource profits. If the allocations and deductions give rise to a business loss for the year for income tax purposes, the amount of the loss may be carried back one year and forward for five years to be applied against income otherwise taxable. If there is not sufficient income to utilize the losses within the carryforward limits, the benefits of the losses will expire.

Taxation of Corporations

The basic federal corporation income tax rate is 46 % of a corporation's taxable income. There is an abatement of federal corporate tax equal to 10 % of the corporation's taxable income earned in the year in a province in recognition of provincial income tax levies. In addition there is a temporary 5 % federal surtax on federal tax payable for the period January 1, 1980 to December 31, 1981. The British Columbia income tax rate is 16 % of a corporation's taxable income, giving a combined federal and British Columbia tax rate of 53.8 % of a corporation's taxable income in 1981.

A non-Canadian corporation carrying on business in Canada is, in addition to the income taxes described above, taxable at 25 % on the amount by which the net after tax income of the Canadian business for the year exceeds a prescribed allowance respecting increased investment in property in Canada. The rate of this branch tax is reduced by tax treaties with some countries where the non-Canadian corporation is resident in these countries.

The Canadian branch tax rates for corporations resident in the countries below are as follows:

Switzerland	15 %
United Kingdom *)	15 %
Singapore	15 %
Hong Kong	25 %
Panama	25 %
Germany **)	15 %

- *) Canadian branch earnings of a United Kingdom corporation will be exempt from the branch tax up to an accumulated amount of can-\$ 500,000.
- **) It is proposed that Canadian branch earnings of a German corporation will be exempt from the branch tax up to an accumulated amount of can-\$ 500,000.

British Columbia imposes a tax of one-fifth of 1 % on the taxable capital of corporations allocable to that province. In the case of a non-resident corporation the taxable capital is computed as the greater of:

- a) 12 1/2 times the amount of its taxable income in Canada for the year, or
- b) the excess of assets in Canada over certain liabilities relating to its permanent establishments in Canada.

There is no federal property tax for corporations.

Taxation of Individuals

In computing taxable income, an individual will be entitled to deduct certain personal exemptions that are dependent upon such factors as his marital status and the number and status of his dependent children.

Canadian federal and British Columbia provincial income taxes on the taxable income of individuals are based on a progressive rate structure, with high rates applied to the higher marginal levels of taxable income. The marginal levels of taxable income are adjusted each year by a factor related to inflation. For the 1981 year, the combined Canadian federal and British Columbia provincial taxes applicable to individuals in the higher tax brackets are as follows:

<u>Taxable Income</u>		<u>Combined Taxes</u>	
Lower Limit	Upper Limit	Basic Tax	Tax on excess
can-\$ 25,933	can-\$ 27,761	can- \$ 7,500	40.32 %
27,762	33,657	8,238	46.08 %
33,658	47,591	10,955	47.49 %
47,592	77,336	17,572	53.42 %
77,337	118,979	33,463	57.88 %
118,980	and up	57,565	63.81 %

There is no property tax for individual partners.

Limitation on Allocations

In administering the Act, Revenue Canada takes the position that a Limited Partner cannot include in his own CCDE pool CDE allocated to him in amounts that exceed the adjusted cost base ("a.c.b.") of his interest, where the a.c.b. would be equal to capital contributions plus share of partnership income less distributions and less previously allocated CDE and partnership losses, although the correct legal position in this regard is not clear. Such CDE not included in the CCDE pool may be considered by Revenue Canada as eligible for addition to the pool as the Limited Partner's a.c.b. increases. In addition, Revenue Canada takes the position that a limited partner's share of any loss of a partnership cannot exceed his a.c.b. although the correct legal position in this regard is not clear. The HVM Agreement provides that where an allocation of partnership loss for

tax purposes would exceed the a.c.b. of a Unit, the loss in excess of the a.c.b. shall be allocated to the General Partner. Income in the fiscal years following such allocation of loss to the General Partner will be allocated to the General Partner instead of the Limited Partner until the loss has been recovered.

British Columbia Mineral Resource Tax

In addition to personal and corporate income taxes, British Columbia imposes a tax of 17.5 % on defined income derived from the operation of a mine in British Columbia pursuant to the Mineral Resource Tax Act. The Mineral Resource Tax on the income of the Highmont Mine will be paid by HMC reducing the cash flow available for distribution to HVM and thereby to the Limited Partners. However, Mineral Resource Tax is not allowed as a deduction in computing the income for federal or British Columbia income tax purposes that will be allocated to HVM and thereby to the Limited Partners. In lieu of a deduction for Mineral Resource Tax, the federal (but not the British Columbia) income tax rules provide for a resource allowance deduction by HMC of 25 % of defined resource profits.

Disposition of Units

A Limited Partner will be acquiring a partnership interest, which will generally be treated as capital property for Canadian income tax purposes, unless the Limited Partner is considered to be a trader or dealer in securities or has acquired the Unit for purposes of resale rather than to hold it as an investment. A disposition by a Limited Partner of his partnership interest in HVM occurs on a sale or gift of the Unit, upon dissolution of HVM, or on the dissolution or death of the Limited Partner.

A disposition by a Limited Partner of his partnership interest in HVM which he holds as capital property may result in a taxable capital gain or

an allowable capital loss. A taxable capital gain would be one-half of the amount, if any, by which the proceeds of disposition of the interest exceed the Limited Partner's a.c.b. thereof and an allowable capital loss would be one-half of the amount, if any, by which the a.c.b. thereof exceeds the proceeds of disposition. The taxable capital gain is included in income subject to tax. An allowable capital loss may be deducted only against taxable capital gains, except that the taxpayer who is an individual may deduct can-\$ 2,000 per annum even if he has no taxable capital gain in the year. There is a one year carry back and an indefinite carry forward for unutilized allowable capital losses. The a.c.b. of the interest includes the original subscription price and it will be increased by his share of partnership income allocated to him. The a.c.b. will be reduced by his share of any partnership losses allocated to him, CDE allocated to him (whether or not deducted by him in computing income subject to tax) and distributions to him. The a.c.b. will be adjusted to take into account differences between the disallowed Mineral Resource Tax and the resource allowance deduction. Any undeducted CCDE and earned depletion base allocated to a Limited Partner remain with the Limited Partner and are not transferred to a person acquiring the interest in HVM from the Limited Partner.

Canadian income tax legislation requires a person not resident in Canada to include in his income subject to Canadian tax a taxable capital gain arising on the disposition of capital property that is "taxable Canadian property". The Unit in HVM will constitute "taxable Canadian property" if at any time during the 12 months immediately preceding the disposition of the Unit:

- (a) the fair market value of the interest in HMC held by HVM was not less than 50 % of the aggregate of the fair market value of all HVM property and the amount of money of HVM on hand at that time; and
- (b) the fair market value of the mining rights and depreciable property held by HMC was not less than 50 % of the aggregate of the fair market value of all HMC property and the amount of money of HMC on hand at that time.

Deductibility of Expenses, borne directly by the Partner

Interest expenses incurred outside the partnership but in connection with the investment in it, will be deductible for federal and provincial income tax purposes. However, it would be regarded as Canadian source interest and be subject to a Canadian 25 % withholding tax with respect to such deductible interest paid to a non-resident. There might be a reduction or even an exemption available under the relevant tax convention.

Other expenses in connection with the partnership interest, e.g. consulting fees, may not be deductible as business expenses for Canadian income tax purposes.

Taxes in event of death

In Canada there is no inheritance tax. However, for income tax purposes there is a deemed disposition by an individual of assets owned at the date of his death. The tax will be payable by the estate (see page 57 above).

Tax returns

Each Limited Partner that is a corporation will be required to file Canadian income and capital tax returns for each taxation year in which it is a partner in HVM. The returns are due six months after the end of the taxation year. Taxes are payable in twelve monthly instalments commencing with the first month of the taxation year to which the taxes relate. The initial instalments may be based on the tax for the previous year.

Each Limited Partner that is an individual will be required to file Canadian income tax returns for each calendar year in which he has business income subject to tax in Canada. The returns are due by April 30 of the year following the year in which the income is earned. Quarterly instalment payments of tax are required in each year, based on the tax for the previous year, on March 31, June 30, September 30 and December 31, with the balance of tax due on filing the return.

HVM will provide Limited Partners with the information as to business income or loss that will be required for filing the above returns.

On request, assistance in the preparation of tax returns for Limited Partners may be arranged.

T A X A T I O N I N T H E
F E D E R A L R E P U B L I C O F G E R M A N Y

Canada - Germany Income Tax Convention (the "Treaty")

Where the Treaty has rules applicable to a given set of circumstances and those rules are in conflict with the domestic Canadian or German income tax legislation, the rules provided by the Treaty will apply.

At present, the Tax Convention dated June 4, 1956 ("present Treaty") is in effect. However, a new agreement ("new Treaty") dated July 17, 1981, has been negotiated between the two countries but not ratified by either government.

Both, the present and the new Treaty provide that Canada may impose its income taxes on the share of the Canadian business profits of an undertaking accruing to a Limited Partner who is a German resident individual or corporation where the undertaking carries on business in Canada through a Canadian permanent establishment. A permanent establishment is defined to include a mine or an office and a permanent establishment is deemed to be in a place where there is an agent who has and exercises general authority to negotiate and conclude contracts on behalf of the undertaking. These provisions enable Canada to tax a Limited Partner on his share of the income of HVM as described under "Taxation in Canada".

The present Treaty provides that a German resident individual or corporation is exempt from Canadian tax on a gain from the sale, transfer or exchange of a capital asset, unless the capital asset constitutes immovable property or the gain is attributable to a permanent establishment in Canada. Under this provision a German resident might be exempt from the Canadian tax otherwise exigible on a taxable capital gain arising on disposition of a Unit of HVM. The new Treaty specifically addresses the taxation of the gain on disposition of a partnership interest, and provides that Canada may tax such a gain realized by a German resident if the value of the partnership interest is derived principally from immovable property situated in Canada. It would thus appear that a gain on the disposition of a Unit of HVM by a German resident would be subject to Canadian tax under the new Treaty in the manner described above under the heading "Disposition of Units". The provision of the new Treaty shall have effect for taxation years beginning on or after the first day of January in the calendar year in which the new Treaty is ratified.

In both the present Treaty and the new Treaty, Germany has agreed that it will exclude from the basis on which its taxes are imposed, the business income of a German resident individual or corporation from sources within Canada which according to the Treaty, may be taxed in Canada. However, under the new Treaty Germany does not exclude from German tax income that qualifies as business income for German tax purposes but is not taxed as business income by Canada. This provision of the new Treaty takes effect for taxes which are levied for the calendar year in which the new Treaty is ratified.

Under the new Treaty, Germany also agrees to exclude from the basis on which its taxes are imposed any item of capital situated within Canada which, according to the new Treaty, may be taxed in Canada. However, Germany reserves the right to take into account in the determination of its rate of individual income taxation any income or capital so excluded.

As described above, a non-Canadian corporation carrying on business in Canada is, in addition to the income taxes, taxable at 25 % on the amount by which the net after tax income of the Canadian business for the year exceeds a prescribed allowance respecting increased investment in property in Canada. The rate of this branch tax is reduced to 15 % where the non-Canadian corporation is resident in Germany. Under the proposed Canada-Germany tax convention, the Canadian branch earnings of a German corporation will be exempt from the branch tax up to the amount of \$ 500,000 on an accumulated basis. This provision of the new Treaty shall have effect for taxation years beginning on or after the first day of January in the calendar year in which the new Treaty is ratified.

Determination of Business Income or Loss

HVM will compute its income or loss according to the German tax rules for each fiscal period ending October 15. The Limited Partner's share of this income or loss will then be taken into account for German tax purposes,

as outlined above, in the taxation year that includes the HVM fiscal period end.

HVM's income or loss for a fiscal period ending October 15 will include its share of the Highmont Partnership income or loss for the Highmont Partnership fiscal period that ended in the HVM fiscal period. HVM will compute its share of the Highmont income or loss for this purpose by deducting from its share of mine production revenues its share of operating expenses, depreciation on the buildings, structures, machinery and equipment (on a basis that will amortize the cost over the useful life of the asset), interest on the operating loans and the British Columbia Mineral Resource Tax. HVM will deduct its own expenses for the period such as the annual fee and expenses payable to MNR, interest on the Term Loans, interest on bank indebtedness and depletion on the cost to HVM of the interest in the Highmont resource property. In its first fiscal period HVM will deduct the expense incurred in the course of issuing or sellings Units of HVM, including the Agent's commission; however, it is possible that the German authorities will require that this expense be capitalized and amortized over a period of time.

In translating the HVM Canadian currency accounts into German currency for purposes of the German tax accounts, operating income and expenses and current assets and liabilities will be converted at current average exchange rates; long term assets and liabilities and deductions for depreciation and depletion will be

converted at the rates of exchange in effect when the asset was acquired or the liability incurred. Realized exchange gains or losses will be included in the computation of income or loss.

Business expenses borne by a Limited Partner are directly to be considered in determination of the income or loss for German tax purposes. HVM has to include the business expenses paid by the partners directly in the German Partnership Information Tax Return.

Taxation of Individuals

As discussed above, the business income of HVM that is allocated to a Limited Partner resident in Germany will be subject to Canadian tax and will be excluded from income subject to German tax. Although excluded from income subject to German tax, the Canadian source business income, computed according to German tax rules, will be taken into account in Germany in determining the tax bracket to be applied to the non-excluded (i.e. German source) income of the Limited Partner. The German tax effect will not be material in the case of a German resident whose German source income already places him in the highest tax bracket.

Since the Limited Partner's business income from HVM will be excluded from income subject to German tax, any losses from this source will generally not be deductible for German tax purposes. However, there is provision, upon special application, for the deduction of foreign losses. Such losses must be determined according to the

German tax rules and are only deductible to the extent they are not offset by income from other permanent establishments in the same country. Where losses have been deducted, future income from permanent establishments in the same country up to the amount of the losses has to be included in taxable income. After such recapture of losses, further income would again be excluded from income subject to German tax (except for the effect on the tax bracket).

HVM or the combined group of German investors will be required to file a German Partnership Information Tax Return. The decision as to whether or not to elect to claim a loss deduction will be made by each investor. (The return on investment to a German investor in HVM is not predicated on the deductibility of start-up losses, if any).

Taxation of Corporations

Also corporations income from HVM is exempt under the Treaty and therefore, no corporation income tax and trade tax on income is levied on this income provided such income is retained in the German corporation. If the HVM income is redistributed as a dividend, it is subject to the normal 36 % corporation income tax rate on the grossed-up basis under the imputation system.

In addition, withholding is made at the rate of 25 % on dividend payments (capital yields tax).

If the recipient shareholder is a German resident the

36 % allocable corporation income tax and the capital yields tax paid will qualify as an imputation credit against the resident shareholder's personal tax liability.

If the recipient shareholder is a non-resident and has no permanent establishment in Germany the income tax is satisfied by having paid the capital yields tax and the above corporation income tax will be refunded upon application. Under some tax treaties, e.g. with the United States, France and Switzerland, the capital yields tax might be reduced from 25 % to 15 %. To obtain this reduction the taxpayers have to make application to the tax authorities.

Disposition of Partnership Interest

For German tax purposes, the Units will comprise the interest of a partner in a partnership carrying on business in Canada. A disposition of the interest may result in a gain if the proceeds of disposition exceed the tax basis, or a loss if the tax basis exceeds the proceeds of disposition. The tax basis includes the original cost of the Units and is increased by the Limited Partner's share of HVM income allocated to him. The tax basis is reduced by the Limited Partner's share of HVM losses allocated to him and distributions made to him.

If the partnership interest is considered an interest in business assets in Canada, then any gain resulting from a disposition of the interest will be regarded as income from a permanent establishment in

Canada and consequently excluded from German taxation except for determining the tax bracket to be applied to German source income. Any loss arising on the disposition of the interest can be claimed as a deduction for German tax purposes to the extent it exceeds the income in the year from permanent establishments in Canada. Where losses have been deducted, any future income from permanent establishments in Canada up to the amount of the losses has to be included in taxable income.

However, the German authorities may take the position that the partnership interest is a business asset separate from the Canadian permanent establishment; if this position is upheld, a gain resulting from a disposition of the interest would, under German law, be included in income subject to German tax. The new Treaty dated July 17, 1981, provides that Germany will not impose its taxes on an item of income or gain of a German resident if according to the Treaty the income or gain may be taxed in Canada. As discussed above it would appear that Canada would be entitled, under the terms of the new Treaty, to impose tax on a gain on the disposition of an interest in HVM. This provision of the new Treaty shall have effect for taxation years beginning on or after the first day of January in the calendar year in which the new Treaty is ratified.

Inheritance and Gift Taxes

The interest in HVM will be subject to German inheritance or gift tax if the partner is a German resident at the time of his death or when making the gift.

Canadian income tax charged on deemed gains will normally be treated as a deduction from the value of property outside Germany.

T A X A T I O N I N S I N G A P O R E

Income from Canadian investments is not taxable in Singapore if it is not remitted to Singapore. If it is remitted to Singapore tax will be levied at the rate of 40 % for corporations and 4 % to 45 % for individuals, based on taxable income (gross income less expenses and capital gains).

Taxes paid in Canada are allowed as a credit against the Singapore tax payable.

If the HVM income of the Singapore corporation is redistributed, taxation is as follows:

If the recipient shareholder is a non-resident of Singapore, there will be no tax other than the 40 % corporation income tax, e.g. no withholding tax.

If the recipient shareholder is a resident, the 40 % allowable corporation income tax will qualify as an imputation credit against the resident shareholders corporation income tax or personal income tax liability.

Individuals domiciled in Singapore will be subject to estate duty on their properties including interest in the Canadian partnership upon death. The tax rate after certain exemptions, which can be very substantial, ranges from 5 % to 60 %.

T A X A T I O N I N S W I T Z E R L A N D

Canada - Switzerland Income Tax Convention

The Double Taxation Convention between Canada and Switzerland (the "Convention") defines in Art. 3(1)(e) the term "enterprise of one of the contracting states" as an enterprise carried on by a resident of one of the contracting states. According to Swiss doctrine and practice, a partnership established or organized under the law of a certain state has its domicile in this same state (Convention Art. 4(1) second sentence). Hence, Convention Art. 7 applicable to the profit of a Canadian limited partnership. According to Convention Art. 7(1), such profit is only taxable in Canada, unless the partnership is engaged in trade or business through a permanent establishment within Switzerland.

Taxation of Individuals

In Switzerland, it is normally not the partnership but the partners that are taxed. In relation to Canada, the participation of a Swiss domiciled person in a Canadian partnership is treated as a permanent establishment. Therefore: Shares in the profits of a partnership are not taxable, but are

taken into account for the determination of the tax rate applicable to the other income. As discussed above HVM's income or loss for a fiscal period ending October 15, will include its share of the HMC income or loss for the HMC fiscal period that ended in the HVM fiscal period. This income or loss allocated to a limited partner will be taken into account in Switzerland in determining the tax bracket.

An appeal is presently pending in the Swiss federal court concerning the problem of whether or not losses due to the participation in a (foreign) partnership may be off against the other, Swiss, income. The cantonal appeal commission only agreed in its respective decision to take into account such losses for the determination of the tax rate.

The shares in a partnership are normally not subject to the net wealth tax (only levied by the cantons). They are, however, likewise taken into account for the determination of the tax rate applicable to the other, Swiss, net wealth which is subject to taxation in Switzerland.

Taxation of Corporations

With respect to the domicile and to the attribution rules, the same consequences as for individuals ensue. This applies also to the method of avoiding double taxation (exemption with progression clause for income tax). Losses are deductible.

Disposition of Partnership Interest

A capital gain from disposition of HVM interest is not taxable in Switzerland.

Deductibility of expenses

Interest

This problem is not a subject-matter of Convention. According to the intercantonal double taxation practice, which is normally applicable to international relationships in the absence of divergent provisions, debts and interest on debts shall, contrary to a general principle, not be allocated to participations in limited partnerships. The situation is uncertain with respect to loans availed of for the purpose of financing the share of a limited partner. In a court decision of 1934, this issue was brought up, but not settled. In a court decision of 1953, such allocation to the share of a limited partner was, on similar facts, not admitted. We have no knowledge of any more recent decisions.

Consulting fees

Corporations are entitled to deduct such fees. With respect to individuals, the Swiss practice is very restricted. Investment and tax consulting fees are nevertheless normally deductible if they have been incurred in connection with

business activities. In the above-mentioned case pending with the Swiss federal court, the tax administration stated that the shares in the foreign limited partnership were effectively privately held investments. According to this point of view, such costs would not be deductible in Switzerland.

Inheritance and Gift Taxes

Introduction

Amounts received by inheritance and donation are exempt from the ordinary income tax. They are subject to the estate or the gift tax, respectively, if any. It is up to the cantons, whether or not they levy one or both of these taxes. Therefore, not all the cantons of Switzerland levy estate and/or gift taxes. Further, the respective tax burden as well as other legal provisions differ among the cantons. The canton in which the testator or donator was domiciled at the moment of death or donation is entitled to levy the tax. However, the taxation of real estate is up to the canton in which the real estate is located.

Comment on the facts mentioned above

It resulted from inquiries with the Zurich cantonal tax authorities that the canton of Zurich levies an estate or gift tax in case somebody receives a share in a Canadian limited partnership through inheritance or donation, if the

testator or donator was domiciled in the canton of Zurich at the moment of death or of such donation. The tax amount is computed according to intercantonal double taxation practice, as there is no convention between Canada and Switzerland for the avoidance of double taxation with respect to estate and gift taxes. Therefore, the share of the limited partner is divided into a share in the movables (personal property: current assets, cars, machines, etc.) and a share in the immovables (real property: real estate, buildings, mines, etc.). In the canton of Zurich, only the share in the movables is taxable. This rule is applied whether or not Canada imposes estate or gift taxes on the transferred interest in the immovables of the limited partnership. Book values including hidden reserves are the basis for computing the tax.

Tax burden in the canton of Zurich

Tax rates: for the first	s.fr. 10,000	2 percent
for the next	s.fr. 20,000	3 percent
" " "	s.fr. 30,000	4 percent
" " "	s.fr. 60,000	5 percent
" " "	s.fr. 160,000	6 percent
" " "	s.fr. 220,000	7 percent
for portions in an inheritance exceeding		
	s.fr. 500,000	6 percent on the whole portion

the tax amount is multiplied according to the degree of relationship, as follows:

children, grandchildren, great-grandchildren, adopted children and their descendants (if adopted before the age of 25):	amount as computed above
- parents, grandparents, foster parents (if adoption before the age of 25), adopted children (if adopted after the age of 25):	double amount
- brothers and sisters, brothers and sisters by adoption and foster parent (if adoption after the age of 25)	triple amount
- stepchildren, stepfather and stepmother	four times amount
- uncle, aunt and descendants of brothers and sisters	five times amount
- spouses	no tax

admitted deductions:

- children, grandchildren, great-grandchildren, patrimony	s.fr. 30,000
- descendants younger than 18 or needing permanent care or custody	s.fr. 40,000

- brother, sister, brother and sister by adoption, grandfather and grandmother, persons engaged to be married, godchild, employee, foster child s.fr. 5,000

- appropriations for educational or relief purposes to other persons are tax free up to an amount of s.fr. 5,000

Practice and fiscal burden in the canton of Geneva

Practice

Contrary to the canton of Zurich, the tax authorities of the canton of Geneva take the position that the entire value of the share in a limited partnership (movables and immovables) is subject to the estate and gift tax. Only real estate located outside the canton and belonging directly to the testator/donator (not through his share in the limited partnership) is tax exempt. The Geneva tax authorities are aware that this practice may cause an intercantonal and international double taxation.

Tax burden

Tax rates (not including the so-called annual "centimes additionnels"):

- descendants and ascendants related by blood (up to 3rd generation)	2 - 7.8 percent
- spouse with children	2 - 6 percent
- spouse without children	7 -11 percent
- brothers and sisters	6 -11 percent
- uncles, granduncles, aunts, grand- aunts, nephews, grandnephews, nieces and grandnieces	8 -13 percent
- all other persons	20 -26 percent

Communal Tax

There is no communal tax and there is also no participation in the cantonal proceeds within the spectra mentioned above. The tax rate depends upon the amount inherited.

T A X A T I O N I N T H E
U N I T E D K I N G D O M

Canada - United Kingdom Income Tax Convention

For UK income tax purposes income earned in Canada by UK residents is taxable in the United Kingdom. The Canadian income tax paid is creditable against the income earned.

General

UK Trading Operations

It is to be assumed for the purpose of this description memorandum that the Canadian partnership trades wholly outside the UK.

General Scheme of UK Tax on Trading Profits

The basic rule is that a UK tax resident (whether individual or corporate) is liable to UK tax on world wide trading profits. The exception to this rule is that British subjects resident but not ordinarily resident in the UK, and UK residents not domiciled in the UK are liable to UK tax on overseas profits by reference to the amounts remitted to the UK.

In the case of trading profits derived from an overseas partnership it is necessary to adjust the accounts profit in accordance with UK tax concepts to determine the UK partner's share of profits assessable to UK tax, and the basic adjustments required will be as follows:

- a. Expenditure is not deductible for UK tax purposes unless incurred wholly and exclusively for the purposes of the trade. Examples of such disallowable expenditure are:
 - Capital expenditure (e.g. legal fees relating to the purchase of land)
 - General provisions
 - Gifts, donations

- b. Depreciation and amortization is expressly non-deductible; in place of this, capital allowances are available for qualifying capital expenditure. Most important types in this connection are Mines Oil wells allowances (MOw) and 100 % first year allowances on tangible equipment.

- c. Relief for abortive exploration expenditure is available as a deduction from profits. This will include outlay on searching for, discovering, etc., deposits which are abandoned without the source being worked. Relief as a deduction from profits will also be available for the intangible costs of mining and extraction. However, costs related to winning access to deposits are treated as capital expenditure and will attract Mines, Oil wells allowances.

- d. Non-trading income, e.g. rents and interest is separately identified.
- e. Overseas taxes paid where relief is allowable by way of credit against UK tax payable.

Allocation between the Partners

After ascertaining the tax adjusted profits of the partnership based on the accounts in question, the appropriate portion of the profits (including non-trading income) is then allocated to each UK resident partner in accordance with the profit sharing arrangements applying, and individual tax assessments are then raised on the UK partners.

The usual procedure for UK resident partners in a partnership managed and controlled abroad would be for the partners to report their share of income or loss in their individual tax returns and agree the figures with their local tax district. Dependent on the number of UK resident partners, it may be possible to obtain the agreement of the Inland Revenue to agreeing the figures on a central basis and then informing the partners of the amounts to be entered in their tax returns.

Taxation of Individuals

Basis of Assessment

A UK resident individual is liable to income tax, and liability arises by reference to each fiscal year ended 5 April.

Profits arising for the first two fiscal years membership of an overseas resident partnership would be assessable on a current year basis, and as the partnership accounting date would not normally correspond with the UK fiscal year apportionments will be required.

As regards the third and subsequent fiscal years, the previous year basis of assessment applies (with the option of adopting the current year basis for the third year of assessment if beneficial). Where the previous year basis applies, the assessment is in practice based on the tax adjusted accounting profit of the accounts ending in the previous fiscal year. Thus if a partnership made up its annual accounts to 31 December, on a previous year basis the accounts to 31 December 1981 would normally form the basis of assessment for the fiscal year 1982/83 (year ended 5 April 1983).

Where an individual leaves the partnership the tax assessment for the final fiscal year of assessment will be adjusted to actual basis, and a similar adjustment may be required as respects the penultimate fiscal year.

25 % Deduction: Marginal Income Tax Rate

For UK tax purposes a resident individual partner is entitled to a special deduction of one quarter of his share of the tax adjusted trading profits; this deduction does not apply to a share in passive income, e.g. rents and interest.

The maximum income tax rate applying to UK source earnings and profits is 60 % and thus with the 25 % deduction a maximum rate of 45 % applies to the overseas partnership profits.

Where an individual's partnership involvement is passive, his share of trading profits will attract an additional 15 % investment income surcharge where total investment income exceeds £ 5.500. With the 25 % deduction the marginal tax rate on passive partnership profits will be 56.25 %.

Relief for Overseas Tax

The position is similar to that for corporate partners (see paragraph below).

The overseas taxes available for credit are those attributable to the profits being assessed, i.e. the basis period for tax credit relief follows the basis period for assessment.

As mentioned the partnership accounting date will not correspond with the UK fiscal year, but UK Revenue authorities will normally be prepared to accept any reasonable basis of allocating foreign tax credit.

It should be noted however that the overseas taxes are available in full for credit against UK income tax payable, i.e. these are not abated by 25 %.

Relief for Losses

In general, because the partnership income is regarded as foreign source income for UK income tax purposes, it is not possible to offset such losses currently against other income, except in certain circumstances against other foreign source profits or earnings.

Usually therefore a UK individual's share of Canadian partnership losses can only be carried forward for offset against future trading profits derived from the partnership.

Wealth Taxes

There is no wealth tax in the United Kingdom neither for individuals nor corporations.

Taxation of Corporations

Basis of Assessment

A corporate partner's share of profits from an overseas trading partnership is aggregated with its profits or gains from other activities for assessment purposes.

A UK company is chargeable to corporation tax on its worldwide profits on a current year basis, by reference to accounting periods which are a maximum of one year and which usually correspond with the company's accounting date.

Where, however, the Canadian partnership accounting date is not coterminous with that of the UK corporate partner, the company's share of partnership profits will be apportioned between its accounting periods as necessary.

For a company with no associated companies, the corporation tax rate on profits in excess of £ 200,000 is 52 %, and this normally becomes due for payment 9 months from the end of the relevant accounting period.

Relief for Overseas Taxes

Relief by way of credit against UK corporation tax payable is available for Canadian and other foreign taxes levied on the partnership by reference to its profits.

Tax credit relief is restricted to the corporation tax attributable to the Canadian partnership profits or, if less, the corporation tax actually payable on total profits (this situation would arise where, for example, losses from other trading sources had been used to partially offset the Canadian source income).

Where the UK company is unable to utilize the foreign taxes by way of credit, e.g. if a loss arose as respects the partnership activities, it is possible to deduct the overseas tax as a trading expense instead.

It is not possible however to carry forward or carry back unrelieved overseas tax (with a view to obtaining relief by way of credit).

Where profits are being generated from overseas sources, it may be desirable for this income to be channelled through a UK subsidiary with no UK source income or expenses, in order to maximise relief for overseas tax payable.

Relief for Losses

In the event that losses arose on participation in the partnership, such losses can be carried forward for offset against future trading profits arising from the Canadian partnership. It is likely that the Inland Revenue will not allow such losses to be set off against other income of the company arising in that period.

Disposition of Partnership Interests

The disposal of a partnership interest has implications both for income tax and capital gains tax. The UK taxation implications are extremely complex, but may be summarized as follows:

- a. The disposal represents a disposal of an undivided part interest in the underlying assets of the partnership.
- b. The sales proceeds are required to be allocated against the said assets.
- c. To the extent that assets on which reliefs and allowances have been claimed in the past can be allocated to a portion of the proceeds, that portion is treated as income and taxed accordingly, i.e. there is a recapture of past tax allowances.
- d. The excess of the proceeds over the cost base is treated as a capital gain and is taxed at 30 %. (Currently, the first £ 3,000 of gains for an individual are exempt from UK tax).

Deductibility of Expenses

UK investors, both corporate and individual, are unlikely to obtain any relief for the interest expense arising in HVM.

Capital Transfer Tax (in case of inheritance) in the
United Kingdom

If a decedent was domiciled or deemed to be domiciled in the United Kingdom capital transfer tax also applies to his property situated in Canada.

Where there is a capital transfer tax charge on a deceased person's Canadian estate, and income tax in Canada is charged on deemed gains which are attributable to property forming part of that estate, the Canadian tax will rank as a deduction in arriving at the value of the estate for capital transfer tax purposes. The Canadian tax will normally be treated as reducing the value of property outside the United Kingdom whether that property is liable to capital transfer tax or not: but if the Canadian tax exceeds the value of that property, the excess will be set off against the value of the United Kingdom property.