

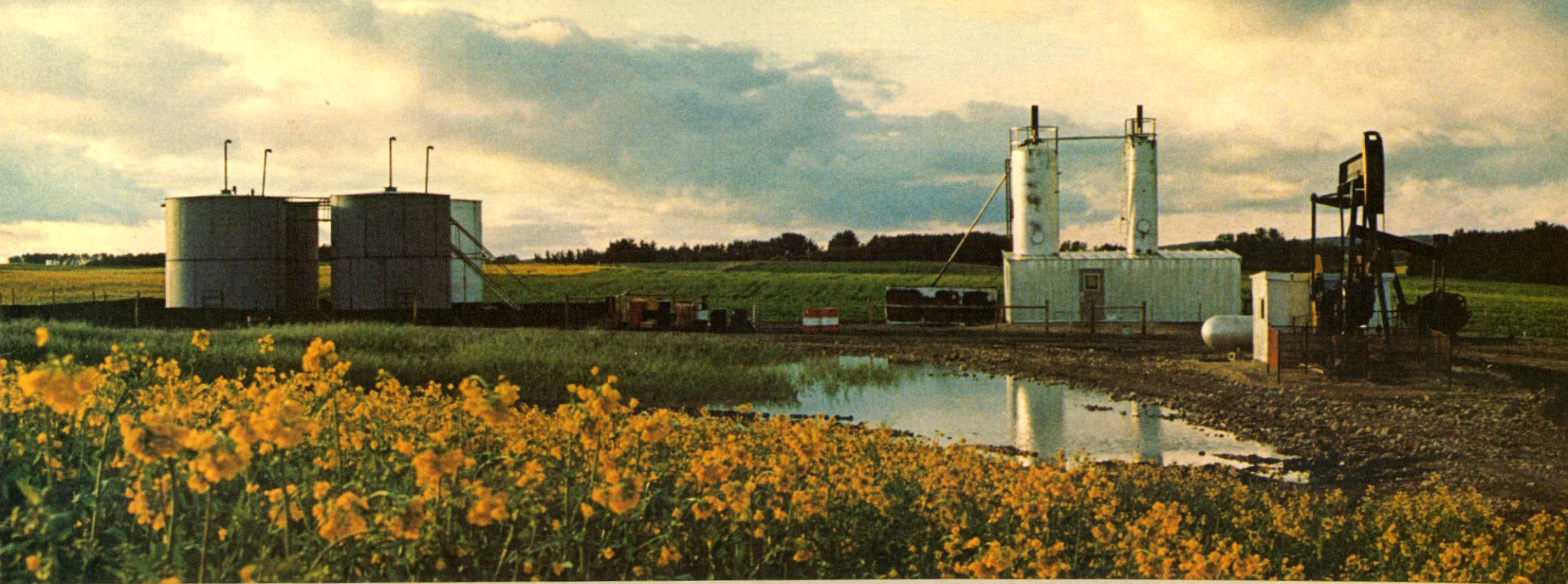
TECK CORPORATION LIMITED

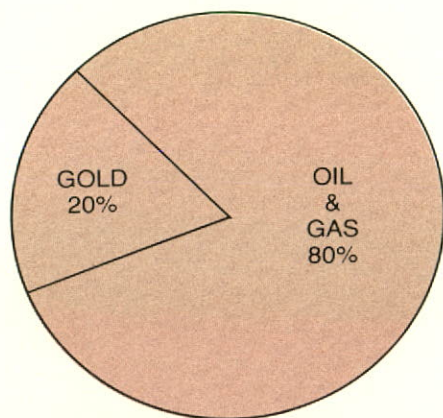
ANNUAL REPORT 1977



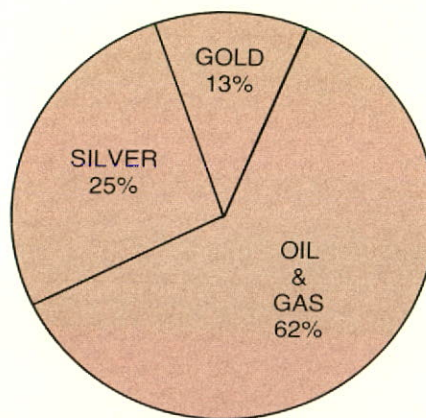
Teck produces oil, natural gas, zinc, niobium, gold and silver, from operations in seven Canadian provinces from Newfoundland to British Columbia.

The photographs show an oil battery at our Chigwell field in Alberta and a jumbo drilling machine at the Newfoundland Zinc mine.

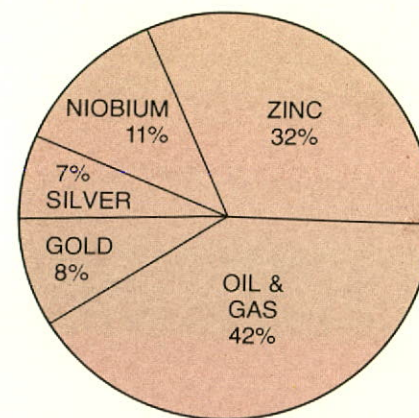




1967 \$4.5 million

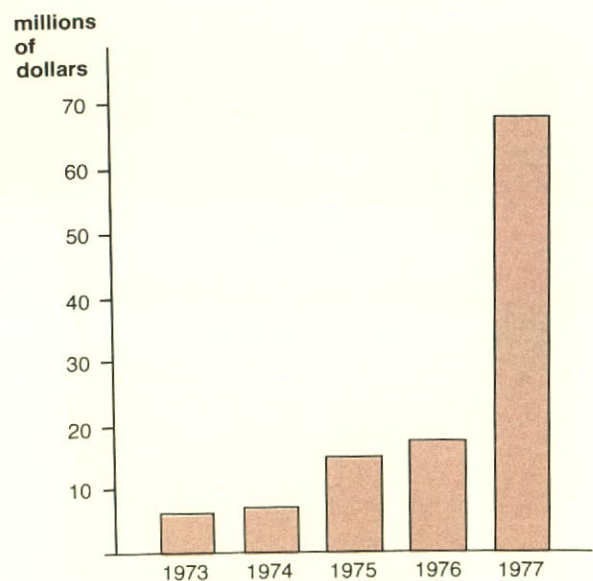


1972 \$4.3 million

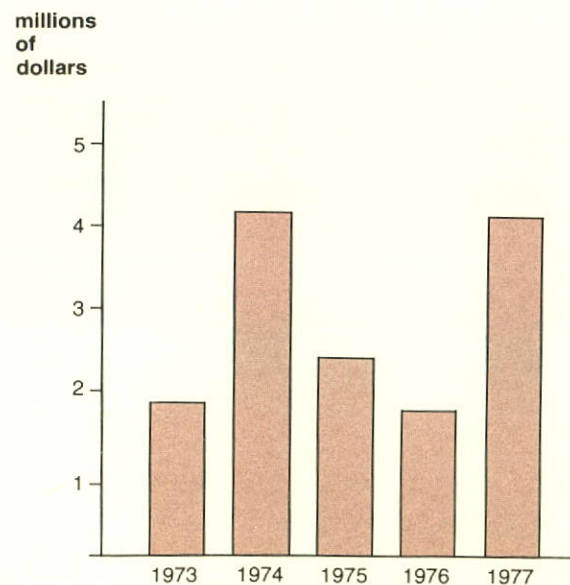


1977 \$15.6 million

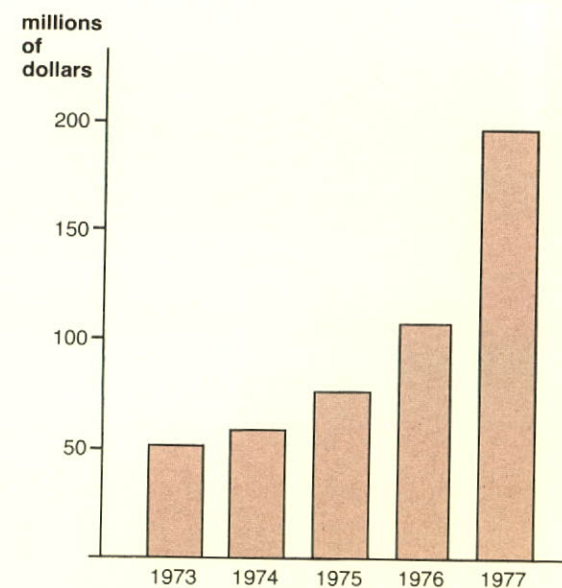
SOURCE OF OPERATING PROFIT



CAPITAL EXPENDITURES including Investments



EARNINGS before Extraordinary Items



TOTAL ASSETS

THE CANADIAN RESOURCES SETTING

Report to the Shareholders

It is a pleasure to submit the annual report for the fiscal year ended September 30, 1977 — a good year for Teck Corporation despite unsettled conditions.

1977 was a mixed year for the Canadian natural resources industry. The political climate continued to improve, with the thrust in most parts of the country being to try to get things moving again. There is a renewed appreciation amongst Canadians that the resource industries are part of the lifeblood of the economy, and that they need an environment that is both stable and reasonable if they are to operate effectively and to expand.

In this connection, for example, it is encouraging to note the recent statement by the Minister of Mines of British Columbia that: "For our part we will ensure a stable, predictable environment in which to operate so that your planning, exploration and development can proceed in a logical framework." There is more that can be done to accomplish this, both federally and in some provinces, but the trend is encouraging.

The only part of the country where the resources industry continues to face an attitude which appears less than constructive is Saskatchewan. Neither the Government nor the industry in that province is entirely blameless in the situation that has led to a climate of expropriation and court action. We believe that Saskatchewan has been excessive in its tax and royalty policies, but that there is room for compromise.

The economic climate contained both some bright spots and some dark spots. It was generally a good year for oil and gas producers with prices improving and a number of significant discoveries being made. It was also a good year for some metals such as gold, niobium (columbium), molybdenum and tungsten. Furthermore, the lowering of the Canadian dollar to a more realistic level was important for the resources industry, since the price of most of our products is based on world markets, often expressed in U.S. dollars.

It was, however, a bad year for mining in general, with weak markets for four of Canada's most important mining products: copper, nickel, coking coal and zinc. Taken together, these account for 55% of the value of the Canadian mining production and make a significant contribution to our country's balance of payments.



N.B. Keevil

It is understandable, therefore, that many of Canada's mining companies had another difficult year. It is unfortunate that, with the era of severe excesses in mineral taxation apparently nearing an end, this industry should now encounter difficulties of a different nature.

One of the things that spawned these excessive taxes and royalties was the popular but mistaken idea that "a new era of resources scarcity" was just around the corner. This thinking contributed to worldwide overproduction despite lagging demand, in the expectation of an early recovery. As it turned out the recovery has been slow, particularly in such key areas as steel production and capital investment, and we now have a situation of surplus metal inventory, and low prices.

It is ironic that this current surplus could actually help to create future scarcity where none need exist, since present low prices are discouraging a normal rate of new mine development.

HOW TECK CORPORATION FARED

Teck Corporation fared reasonably well in 1977, despite this setting. Net earnings before extraordinary items were 60¢ per share, up from 26¢ a year earlier. Extraordinary gains, primarily from the sale of the Sukunka coal property and our interest in North Canadian Oils, increased total earnings to \$14.8 million or \$2.12 per share.

This achievement in ordinary earnings was possible for two reasons: our diversification between both oil and mining, as well as in a number of metals, — and our recent development programme which has added new income sources in both sectors.

Our production base includes interests in oil and natural gas in western Canada and North Dakota, zinc in Newfoundland, niobium and gold in Quebec and silver in Ontario and British Columbia. We are also developing a copper mine and smelter in British Columbia and are working on nickel and coking coal deposits which we expect will develop into new mines in the future.

In 1977, oil and gas accounted for 42% of our operating income and mining 58% — in both cases after deducting provincial royalties and mining taxes but before exploration, administration, capital expenditures and income taxes. Of the mining portion, zinc accounted for 32%, niobium 11%, gold 8% and silver 7%.

Although Teck may not be as easy to categorize as some resource companies whose interests are concentrated in one or two materials, we believe our objective of growth across a broad spectrum of Canadian resources is an appropriate one for the times.

OIL AND GAS

Natural gas production was a record 2,230,000 mcf in 1977, up from 1,500,000 mcf the previous year. Oil production was 930,000 barrels, compared with 993,000 a year ago, and oil and gas operating income was up from \$5.1 to \$6.6 million.

We had an active year of exploration and development, participating in 172 wells in western Canada and the United States. Of 90 exploratory wells, 65 were in Canada and these resulted in 23 new gas wells and 16 oil wells. The remainder were in the U.S. and resulted in 2 new oil wells.

In development drilling, we participated in 82 wells, of which 78 were in Canada. This resulted in 51 natural gas wells and 22 oil wells in Canada, and 3 oil wells in the U.S.

Most of the Canadian exploration and development has been in Alberta, particularly in the Chigwell, Warner, Stanmore, Allingham and Bellshill Lake areas. Most of the U.S. work has been in North Dakota.

NORTH DAKOTA DISCOVERY

A potentially important oil discovery was made on one of our North Dakota prospects just after the fiscal year-end. The well was drilled by Shell Oil under a farmout from a group in which Teck participates. Shell may drill two more wells in adjoining land blocks to earn a 50% interest in 11,800 acres, after which Teck's interest in these parcels will be 5%. We also have varying interests in over 300,000 additional acres of petroleum rights in North Dakota.

The discovery occurs in Cambrian sands at a depth of 9,500 feet. The initial drill stem test flowed oil to surface at a rate ranging from 70 to 155 barrels per hour, and this well is now being completed and further testing carried out. This is the first successful deep well in the region, and it has resulted in considerable industry activity in North Dakota and adjoining parts of Saskatchewan.

MINING PRODUCTION

Our share of operating income from our five mines was \$10.0 million this year, up from \$4.4 million a year ago. The gain was due to increased production of zinc, niobium and silver and improved prices for gold and niobium, which offset a lower price for zinc. We also received \$0.7 million in dividend income from Mattagami Lake Mines Ltd., a zinc-copper producer in which we have a 5% share interest.

NEWFOUNDLAND ZINC MINE

Production at Newfoundland Zinc consisted of 99,800,000 pounds of zinc in 1977, up from 79,300,000 pounds the previous year, and unit costs continued to improve as the operation matured. The average price received for zinc dropped from 36¢ U.S. in 1976 to 33¢ in 1977, and currently stands at 27¢. However, this has been offset to some extent by the adjustment in value of the Canadian dollar, and our share of operating income was up from \$3.6 million to \$5.5 million.

Exploratory drilling during the year was successful in extending the main L Zone a further 2,500 feet beyond the limits of previous development. This has indicated new ore reserves sufficient for about two years of production at the current mining rate, in an area which is readily accessible for development.

NIOBEC NIOBIUM MINE

Our Niobec niobium mine, which we own jointly with SOQUEM, turned in a solid performance. Production was up from 2,000,000 pounds of niobium (also known as columbium) oxide to 5,300,000 pounds. After providing for depreciation and administrative costs, Niobec Inc. contributed \$582,000 or 8¢ per Teck share to our income. Niobec earnings are included in the financial statements under "equity in net earnings of ... corporate joint ventures", and not under the direct mine operating profits.

LAMAQUE GOLD MINE

Lamaque had a good year, with the price of gold recovering from an average of \$125 per ounce in 1976 to \$151 this year. The mine produced 62,073 ounces of gold, compared with 62,157 last year, and produced an operating profit of \$1.4 million, up from \$0.3 million last year.

A considerable amount of development is underway at Lamaque, opening up the north part of the property near the adjoining Sigma mine. This area, which is being developed by trackless mining methods, has been responsible for an increasing proportion of our production in the last couple of years.

SILVERFIELDS SILVER MINE

Production at Silverfields was 967,000 ounces this year, compared with 416,000 ounces a year ago. The average price received was \$4.63 per ounce, up from \$4.24 last year, and the mine contributed an operating profit of \$0.9 million compared with \$0.2 million last year.

At the year-end 155,000 ounces of silver were carried in inventory in flotation concentrate, which is expected to be treated next year when the capacity of the Cobalt refinery is increased. This is carried in the books at a cost of \$2.13 per ounce pending sale.

BEAVERDELL SILVER MINE

The Beaverdell mine in British Columbia continued to perform well with production of 384,000 ounces of silver, compared with 370,000 ounces last year. Operating profit was \$0.3 million, up from \$0.2 million last year.

AFTON COPPER PROJECT

Construction at the new Afton copper mine and smelter was nearly completed by the fiscal year-end. This operation, near Kamloops in British Columbia, will have a capacity of 50 to 60 million pounds of copper per year. The blister copper output will be sold to two consumers in the United Kingdom, under long term contracts.

The construction programme proceeded ahead of schedule through most of the year, with outstanding performance by the staff, labour force and suppliers. It is thus especially disappointing to report that a small minority, representing one particular trade union, has disrupted and delayed the entire project in the last four months, — through slowdowns and absenteeism. The reason for this costly delay appears to have been a jurisdictional dispute, with the trade union in question demanding a job that had been assigned to members of another union.

Delays caused by this performance will be primarily responsible for an increase from the budgeted capital cost of \$80 million to a total of about \$85 million. Without taking sides in the dispute, it is fair to observe that this kind of inter-union squabbling is a serious, hidden cause of inflation for all Canadians and serves no useful purpose.

MONTCALM NICKEL DISCOVERY

The price of copper continues to be low, about 55¢ U.S. (or 60¢ Canadian) at time of writing. While it is expected to improve in the next year, it may take some time for it to recover to realistic levels, to reflect the actual worldwide cost of production. Ultimately, it should recover to a price which will permit the economic development of new copper mines, generally considered to be about \$1.00 per pound in most of the world.

Considerable progress was made on our Montcalm nickel-copper deposit, which was discovered early in the fiscal year. The discovery resulted from airborne geophysical surveys using our own Dighem electromagnetic system, and was made through a joint venture with Metallgesellschaft of Germany and Domik Exploration of Japan. Teck's interest is 37.5%.

Drilling to a depth of 1,200 feet has now indicated reserves of 4,500,000 metric tonnes grading 1.41% nickel and 0.66% copper. We carried out a substantial engineering programme during the year and were able to complete the feasibility study by September, within a year of the discovery. Our exploration and engineering teams, working closely with representatives from our two partners, deserve congratulations for a first-class job in co-ordinating this programme so quickly and efficiently.

The study shows that the project is feasible at a milling rate of about 1,100 tons per day, under normal economic conditions. Nevertheless, we and our partners decided to defer a development decision for the time being, pending further indications that the current nickel surplus will be rectified.

COAL DEVELOPMENTS

During the year Teck and Brameda Resources sold a portion of their coking coal interests to British Petroleum for \$25 million, with a further \$5 million payable later under certain conditions. Teck received \$6.8 million directly, including \$5.7 million in repayments of earlier advances to Brameda. Brameda, in which Teck has a 52% interest, ended up with \$15.9 million after paying all debts, but before provision for income taxes.

An important element of this transaction was that Teck and Brameda retained substantial coal reserves and prospects. The most advanced of these is the Bullmoose property, containing coking coal reserves which appear capable of supporting an open pit mine with a capacity of at least 1.5 million tons of saleable coking coal per year.

A substantial bulk sampling programme was completed this summer, and the feasibility study is now getting underway. As indicated earlier, coking coal markets are currently weak because of poor demand for steel, and it is not practical to

consider production at full capacity at this time. We will be investigating the practicality of starting production at a more modest rate, scaling up later as markets improve.

DIGHEM LTD.

Our Dighem Ltd. subsidiary, which flies two complete helicopter-borne electromagnetic systems, carried out surveys on contracts for other companies in the industry as well as for the Dighem Syndicate. Negotiations are in progress with two foreign countries to supply them with our advanced DIGHEM II system, following the successful sale of one unit to the German government a year ago.

GEOTHERMAL POWER

Teck was involved in exploration for geothermal steam in the western United States in the mid-1960's, and has retained an 8¼% overriding royalty interest in a 400 acre parcel in The Geysers area, north of San Francisco.

One successful well has been drilled but has been shut in pending resolution of a court action to determine whether the steam rights are part of surface rights or the mineral rights, our interest being through the latter. If the initial ruling in our favour is upheld in appeal courts, it is likely that additional wells will be drilled, tied in to power plants, and result in a significant new income source for Teck in the future.

DR. J. M. CARR

I am sad to report the passing away of Dr. Michael Carr, who was Chief Geologist for Teck in western Canada. "Mike" had been with Teck for many years, before which he had been with the British Columbia Department of Mines. His sudden death in an automobile accident, while en route to a mineral prospect, came as a shock to his many friends in the company and in the industry, and he will be sadly missed by us all.

DIVIDENDS

The policy of regular dividends was reinstated in mid-year, following several years of suspension while we undertook a major capital expenditure programme. A semi-annual dividend of 9¢ per share was paid in June, and a further 11¢ dividend was declared in November, after the fiscal year-end.

INVESTMENT BY METALLGESELLSCHAFT

An important European mining and metallurgical company, Metallgesellschaft of Germany, has recently purchased a substantial shareholding in Teck Corporation through its Canadian subsidiary. It now holds 675,000 Class A common shares or a 10% equity in Teck. Although this represents no change in direction or control, which remains firmly Canadian, the further association with a company of Metallgesellschaft's substance adds a new dimension to Teck. It is encouraging, with pessimism all too fashionable in Canada these days, to know that a major international company such as this shares our confidence, both in Teck and in the future of the Canadian resources industry.

OUTLOOK

The Afton copper mine and smelter are expected to reach production in the first half of the coming fiscal year, and should make a contribution to our earnings in 1978. We also look forward with considerable interest to further results from the North Dakota programme in particular, as well as from other exploration activities in both mining and petroleum in Canada and in the United States.

It is difficult to predict earnings for the next year because of the uncertain state of metal markets. We expect an increase in oil and gas revenue, the niobium and precious metals mines should hold their own or improve and zinc profits will be down as a result of lower prices. The price of copper will be an important factor, affecting the income performance of Afton.

In the ensuing years, we expect significant increases in earnings as metal prices improve. Our new projects of the last three years, both in mining and petroleum, have significantly enhanced the earnings capability of the company. Afton, for example, will be one of the lowest cost copper mines in North America and will make a substantial contribution to earnings at reasonable copper prices.

We have interests in several proven or semi-proven mineral deposits, notably Montcalm nickel and Bullmoose coal, which are expected to develop into new mines, and we are continuing through exploration and development to seek out new opportunities to increase the asset value and earnings of the company.

Finally, these satisfactory developments bear witness to the competence and initiative of the Company's staff, to whom I would like to express the wholehearted appreciation of the shareholders and the Board of Directors.

On behalf of the Board,



N. B. Keevil, President

Vancouver, B.C.
November 24, 1977

DIRECTORS

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

OFFICERS

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

MINE MANAGERS

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

EXECUTIVE OFFICE

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

EASTERN DIVISION

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

PETROLEUM DIVISION

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

TRANSFER AGENTS

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

AUDITORS

Coopers & Lybrand, Vancouver, British Columbia

*The annual meeting of shareholders will be held
at the Hotel Vancouver at 10:30 a.m., January 11, 1978.*

OIL AND GAS

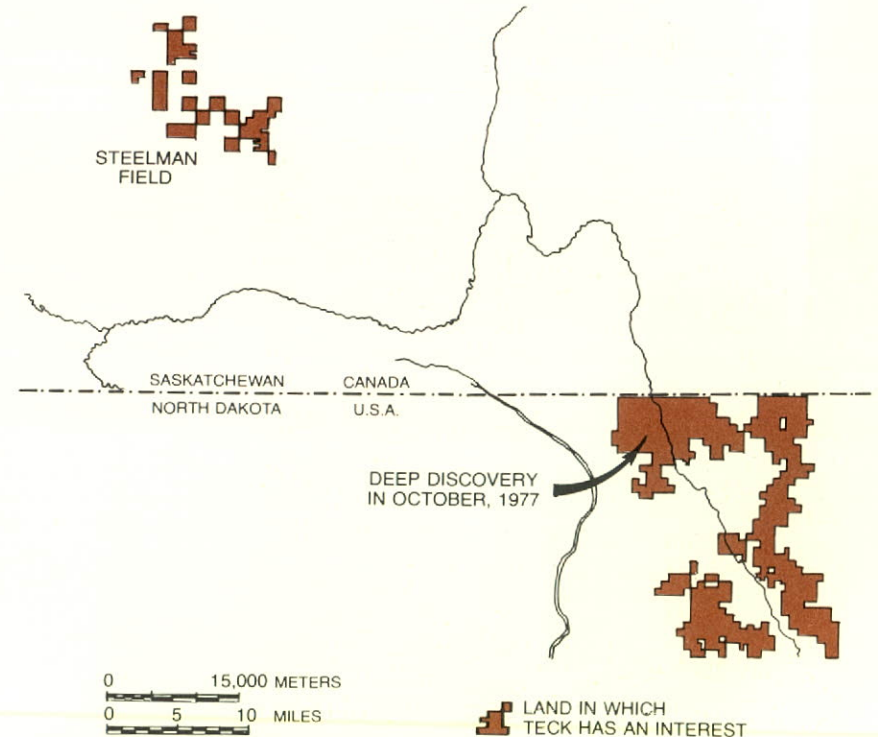
Teck produces oil and natural gas in four provinces in western Canada and in North Dakota. Production history by field is summarized in the chart on the next page.

Teck is active in petroleum exploration, participating in 172 exploration and development wells in 1977. Of these, 143 were in Canada, one in the United Kingdom, and 28 in the United States. This includes wells in which Teck participated directly and wells in which we had an interest as a result of farming out land.

A pump in our Steelman field in Saskatchewan, still producing steadily from Mississippian carbonates after many years.



This map shows the location of a potentially-important deep discovery in North Dakota, near the Canadian border and our Steelman field. Teck has a 5% interest in the discovery and in 11,800 acres of petroleum land in the area.



Roughnecks tripping at an exploratory well in northeastern British Columbia.



TECK OIL & GAS PRODUCTION

OIL (barrels)	1977	1976	1975	1974	1973
Steelman, Saskatchewan	747,410	817,350	860,761	936,246	1,023,836
Cullen, Saskatchewan	31,490	33,434	47,003	66,112	58,671
Virden, Manitoba	24,002	22,390	27,676	41,120	39,722
Medicine River, Alberta	47,831	46,363	54,409	47,700	56,582
Chigwell, Alberta	17,295	1,905			
Other	38,882	36,031	33,185	57,712	61,607
Canadian total	906,910	957,473	1,023,034	1,148,890	1,240,418
North Dakota	23,144	35,415	8,612		
	<u>930,054</u>	<u>992,888</u>	<u>1,031,646</u>	<u>1,148,890</u>	<u>1,240,418</u>

GAS (mcf)

West Provost, Alberta	215,164	278,820	364,268	494,747	537,187
Pelican-Portage, Alberta	182,566	108,307	166,537		
Bantry, Alberta	843,596	805,963	262,444		
Medicine River, Alberta	38,599	42,229	52,279	72,917	137,428
Huxley, Alberta	44,649	54,348	69,000	81,840	55,688
Vegreville, Alberta	37,578	56,290	49,174		
Lac la Biche, Alberta	24,402				
Retlaw, Alberta	61,028	67,658			
Wandering River, Alberta	146,716				
Fireweed, B.C.	27,975				
Cache Creek, B.C.	56,546				
Rigel, B.C.	54,525	73,583			
Steelman, Saskatchewan	450,688				
Other	48,394	17,957	1,227		
	<u>2,232,426</u>	<u>1,505,155</u>	<u>964,929</u>	<u>649,504</u>	<u>730,303</u>

Proven and probable oil reserves (barrels)*	7,505,000	10,000,000	10,900,000	11,900,000	11,465,000
Proven and probable gas reserves (mcf)	43,000,000	42,000,000	46,100,000	87,308,000	60,640,000

NOTES:

*Reserves are net recoverable reserves to Teck, after royalties, as calculated by Reid, Crowther & Partners Ltd.

**The sharp reduction in oil reserves reflects a change in Saskatchewan's method of taxation, from a mineral tax plus a royalty surcharge to a conventional royalty, in 1977. The change is in form only and has no effect on net revenue.

***Alberta shallow gas reserves were recalculated downwards in 1975 as a result of general industry operating experience in the area.

LAMAQUE GOLD

Teck's wholly owned subsidiary, Lamaque Mining Company Limited, operates a 1,300 tons per day gold mine at Val d'Or, Quebec. It employs a work force of 342 under the direction of mine manager, A.W. Foley.

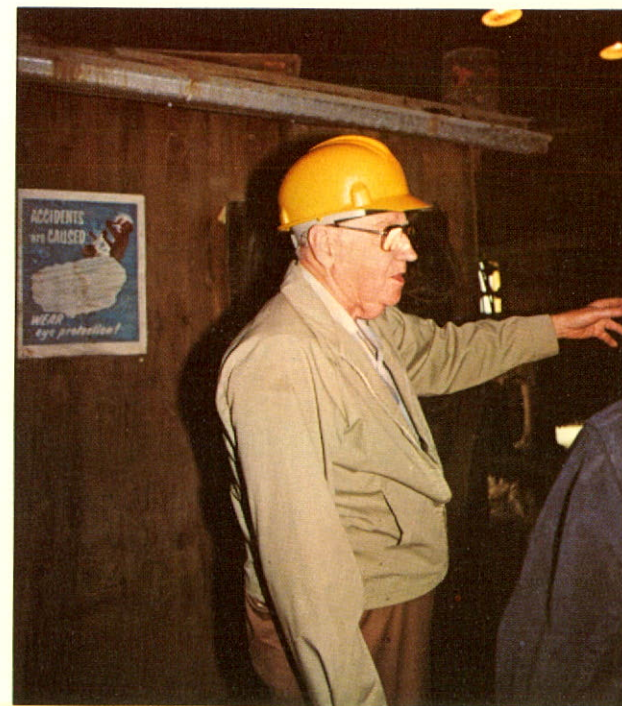
OPERATING RESULTS — LAMAQUE

	1977	1976	1975	1974	1973
Tons milled	469,850	490,490	468,580	527,040	598,120
Tons/day	1,287	1,344	1,284	1,444	1,639
Grade (ounces)	0.139	0.134	0.125	0.113	0.113
Recovery (%)	94.7	94.5	94.1	93.5	93.4
Production (ounces gold)	62,073	62,157	54,926	55,850	63,117
Operating cost per ton	\$16.95	\$15.18	\$16.32	\$11.82	\$7.83
Unit selling price	\$151.24	\$124.56	\$169.54	\$141.34	\$89.49
Operating profit	\$1,399,000	\$283,000	\$1,610,000	\$1,693,000	\$901,000
Ore reserves (tons)	414,091	421,057	545,833	470,000	585,000
Grade (oz./ton)	0.145	0.142	0.143	0.15	0.145

The main shaft and mill building at our Lamaque mine in Quebec, where we have mined gold for over 40 years.



Tom Graham, mill superintendent, has been with the Lamaque mill since it was built in 1935.



SILVERFIELDS SILVER

The Silverfields division operates a 225 tons per day silver mine and mill near the town of Cobalt, Ontario. It employs a work force of 72 under the direction of mine manager, B. R. Williams.

OPERATING RESULTS — SILVERFIELDS

*7½ months **9 months

	1977	1976	1975	1974	1973
Tons milled	85,585	55,367*	68,226**	91,753	91,016
Tons/day	234	152	249	251	263
Grade (ounces)	11.7	7.2	11.4	9.4	14.7
Recovery (%)	94.8	92.8	96.3	96.4	96.7
Production (ounces silver)	966,652	416,273	735,495	815,319	1,367,756
Operating cost per ton	\$24.06	\$21.21	\$18.52	\$13.57	\$12.29
Unit selling price	\$4.63	\$4.24	\$4.55	\$4.18	\$2.35
Operating profit	\$902,000	\$204,000	\$1,097,000	\$1,831,000	\$1,592,000
Ore reserves (tons)	220,000	223,192	267,990	324,700	364,200
Grade (oz./ton)	10.6	10.5	10.4	11.1	13.0

Gaeton Plouffe and Andre Gaudet of Silverfields in the Miners' Competition at the annual Miners' Festival in Cobalt.



The headframe at our Silverfields mine near Cobalt, Ontario, where we have mined silver since 1964.



BEAVERDELL SILVER

The Beaverdell division operates a 100 tons per day silver mine near Kelowna, British Columbia. It employs a work force of 37 under the direction of manager, B. E. Goetting.

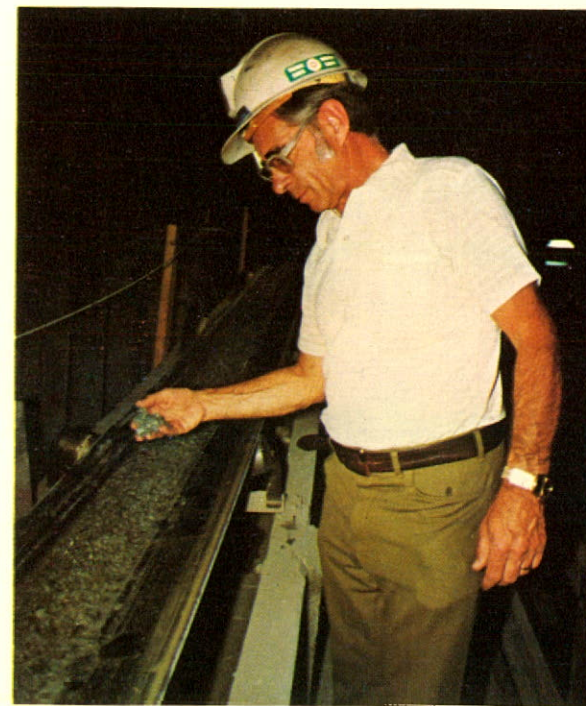
OPERATING RESULTS — BEAVERDELL

	1977	1976	1975	1974	1973
Tons milled	37,958	38,750	37,313	37,434	37,316
Tons/day	104	106	102	103	102
Grade (ounces)	10.6	10.3	10.5	11.2	14.5
Recovery (%)	90.7	90.6	90.8	90.9	91.0
Production (ounces silver)	383,892	369,905	359,441	384,737	497,201
Operating cost per ton	\$34.09	\$31.44	\$30.42	\$23.95	\$20.26
Unit selling price	\$4.63	\$4.24	\$4.55	\$4.18	\$2.35
Operating profit	\$279,000	\$165,000	\$282,000	\$656,000	\$344,000

One of the levels at our Beaverdell silver mine in British Columbia.



Bruno Goetting, manager of the Beaverdell mine, examines ore being processed in the mill.



NIOBEC NIOBIUM

Teck has a 50% interest in Niobec Inc., which operates a 1,600 tons per day niobium mine near Chicoutimi, Quebec. Teck was responsible, as project manager, for bringing this mine into production in 1976, at a capital cost of \$18,000,000. The mine employs a work force of 155 under the direction of manager, R. Raby. Niobium is a metal used primarily as an additive in certain steels. The same element is also known as columbium, but niobium is becoming the preferred usage in most parts of the world.

OPERATING RESULTS — NIOBEC

	1977	1976
Tons milled	583,889	250,160*
Tons/day	1,600	1,635
Grade (%)	0.71	0.66
Recovery (%)	64.3	49.7
Production (pounds Cb_2O_5)	5,341,937	2,048,588
Ore reserves (tons)	7,129,082	8,200,000
Grade (%)	0.69	0.72

*5 months

Three miners beginning their shift on the main haulage level at the Niobec niobium mine.



The interior of the Niobec concentrator, rated at 1500 tons per day but consistently treating a higher tonnage.



NEWFOUNDLAND ZINC

Teck has a 63.4% interest in a 1,500 tons per day zinc mine near Daniel's Harbour in northwestern Newfoundland. Teck, as manager, was responsible for bringing the mine into production in 1975, at a capital cost of \$18,000,000. The mine employs a work force of 163 under the direction of manager W. J. Hogan.

OPERATING RESULTS — NEWFOUNDLAND ZINC

*3 months

	1977	1976	1975
Tons milled	542,945	508,126	129,734*
Tons/day	1,488	1,392	1,426
Grade (%)	9.4	8.1	6.3
Recovery (%)	97.7	96.2	92.6
Production (pounds zinc)	99,804,160	79,300,100	14,358,000
Operating cost per ton	\$13.83	\$16.85	\$9.09
Unit selling price	\$0.34	\$0.36	\$0.37
Operating profit (Teck's share)	\$5,477,000	\$3,646,000	\$966,000
Ore reserves (tons)	3,230,000	3,800,600	4,500,000
Grade (%)	8.4	8.9	8.8

Maurice Hinton, mine superintendent, and Bill Perry, jumbo operator, discussing where to take the next slash.



Mining at Newfoundland Zinc is trackless, with 22 ton trucks like this hauling ore directly from the working area 450 feet below surface.



EXPLORATION

Two of Teck's most active mining exploration projects involve the Montcalm nickel-copper orebody in Ontario and the Bullmoose coking coal deposit in British Columbia.

The Montcalm deposit was discovered in fiscal 1977 as a result of airborne electromagnetic surveys using specialized equipment developed by a Teck subsidiary, Dighem Ltd. Ore reserves now stand at 4.5 million metric tonnes grading 1.41% nickel and 0.66% copper. The project is a joint venture with West German and Japanese interests, with Teck's equity being 37.5%.

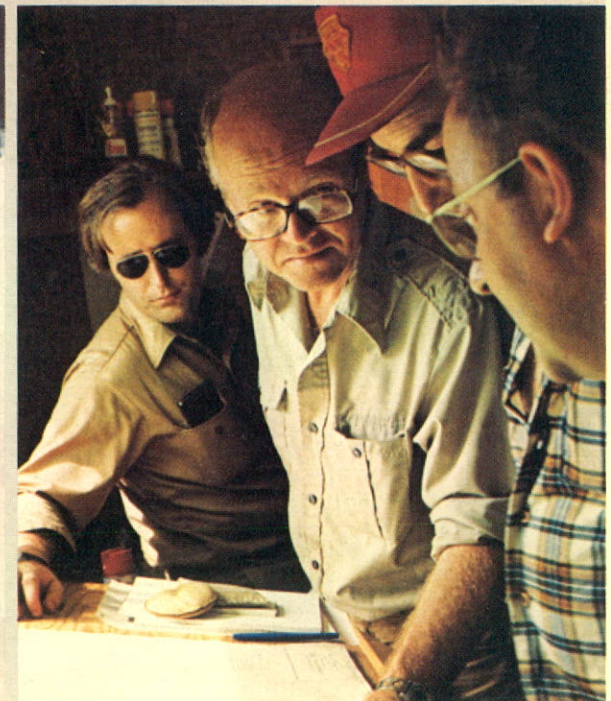
The Bullmoose coal project involves a potential open pit coking coal operation with an ultimate capacity of 1.5 to 1.8 million tons per year of saleable coal. Work in 1977 consisted of exploration and bulk sampling, and a feasibility study will be carried out during 1978.



Bob Barnes, Jim Thomson and Ruben Verzosa on the proposed South Fork open pit area at Bullmoose. Access to the mining operation will be along the Bullmoose Valley in the upper left (above).

Airborne geophysical surveys and claim staking under difficult conditions are part of the exploration that pushes Canada's frontier north (left).

Don Fudge, Lee Bilheimer, Jim Thomson and John May review drilling results on the Montcalm nickel-copper property (right).



AFTON COPPER

Teck is managing the development of a new copper mine and smelter near Kamloops, British Columbia. The project is scheduled for completion at the end of 1977 at a capital cost of \$85,000,000.

The Afton mine will have a rated capacity of 7,000 tons per day and is expected to produce 50 to 60 million pounds of copper per year. Ore reserves within the open pit limits are 34 million tons grading 1.0% copper, with a significant gold content.

Sam Strande, ranch hand at Afton's Sugarloaf ranch, bringing in the cattle at spring roundup.



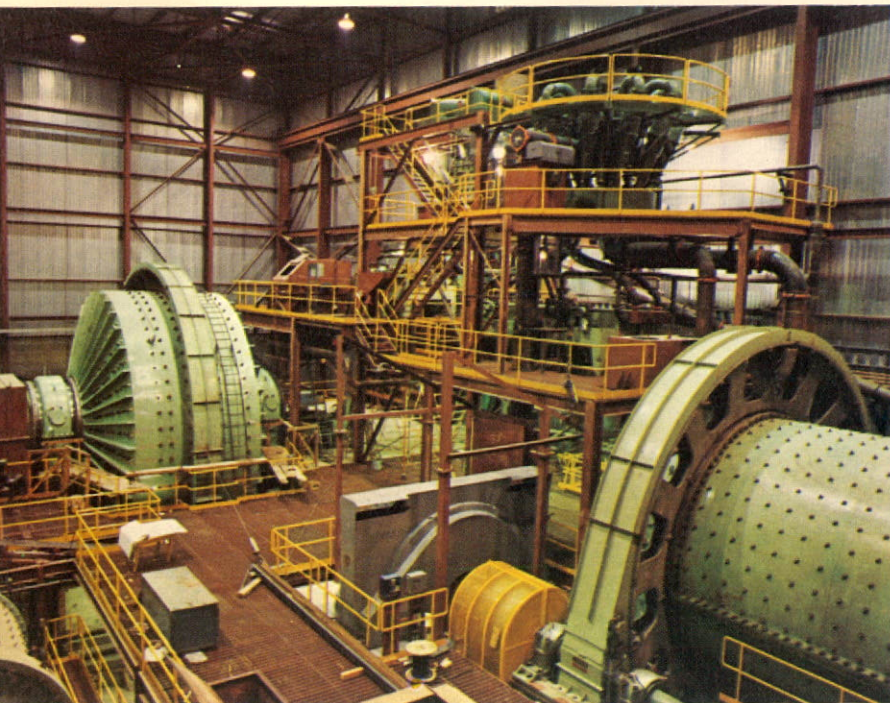
The Afton plant, looking southwest towards the Highland Valley plateau. The smelter is in the left foreground, with the shop-warehouse and concentrator buildings on the right.



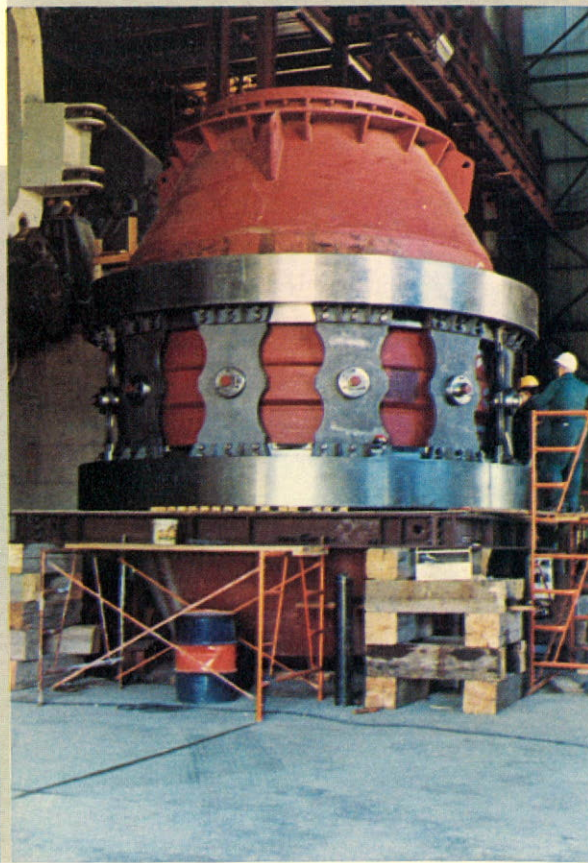


One of Afton's 100 ton trucks dumping the first load of ore into the primary crusher in August, 1977.

The grinding circuit in Afton's 7,000 tons per day mill, with the primary, semi-autogenous mill at left and the secondary ball mill at the right.



John Anderson, mine manager and Robert Hallbauer, vice president, during construction of the tailings dam at Afton.



Afton's TBRC furnace as it arrived on the site, before being hoisted into place in the smelter.

TECK CORPORATION LIMITED

Consolidated Balance Sheet as at September 30, 1977

	1977	1976
	\$	\$
ASSETS		
Current Assets		
Cash and short term deposits	5,054,000	2,935,000
Concentrates, bullion and settlements receivable (note 6)	6,336,000	6,343,000
Accounts receivable	5,736,000	2,013,000
Mortgage, debenture and loans receivable from an effectively controlled company		4,423,000
Note Receivable (note 8)	12,900,000	
Marketable securities at cost (quoted market value 1977 — \$7,626,000; 1976 — \$12,332,000) (note 6)	6,208,000	6,199,000
Supplies — at cost	2,531,000	1,306,000
Deposits and prepaid expenses	627,000	314,000
	<u>39,392,000</u>	<u>23,533,000</u>
Investments in and Advances to Effectively Controlled Companies and Corporate Joint Venture (note 3)	<u>9,708,000</u>	<u>7,145,000</u>
Investments in and Advances to Related and Other Companies (notes 4 and 6)	<u>8,528,000</u>	<u>7,113,000</u>
Property, Plant and Equipment		
Producing petroleum properties including well development expenditures — at cost less accumulated depletion (1977 — \$6,349,000; 1976 — \$5,952,000)	6,158,000	3,356,000
Non-producing petroleum properties — at cost, less amortization (1977 — \$1,646,000; 1976 — \$1,239,000)	3,214,000	3,018,000
Mineral properties, rights and deferred costs — at cost less amortization	45,278,000	35,498,000
Plant and equipment (notes 5 and 6)	85,248,000	29,266,000
	<u>139,898,000</u>	<u>71,138,000</u>
	<u>197,526,000</u>	<u>108,929,000</u>

	1977	1976
	\$	\$
LIABILITIES		
Current Liabilities		
Bank loans and current portion of long-term debt (note 6)	18,805,000	15,333,000
Accounts payable and accrued liabilities	10,459,000	4,505,000
Income and mining taxes	2,324,000	380,000
Deferred income and mining taxes (note 8)	4,307,000	
	35,895,000	20,218,000
Long-Term Debt (note 6)	81,397,000	34,349,000
Deferred Income and Mining Taxes	9,103,000	7,595,000
Minority Interest in Net Assets of Subsidiaries	16,484,000	6,627,000
	<u>142,879,000</u>	<u>68,789,000</u>
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)		
Authorized —		
7,500,000 Class "A" shares without nominal or par value		
17,500,000 Class "B" shares without nominal or par value		
Issued and fully paid —		
4,903,620 Class "A" shares	14,021,000	14,021,000
2,054,639 Class "B" shares	11,502,000	11,137,000
<u>6,958,259</u>	<u>25,523,000</u>	<u>25,158,000</u>
Retained Earnings	29,124,000	14,982,000
	<u>54,647,000</u>	<u>40,140,000</u>
	<u>197,526,000</u>	<u>108,929,000</u>

Signed on behalf of the Board



N.B. Keevil, Director



D.L. Hiebert, Director

TECK CORPORATION LIMITED

Consolidated Statement of Earnings for the Year ended September 30, 1977

	1977 \$	1976 \$
Revenue from petroleum operations	8,589,000	6,971,000
Revenue from mining operations	<u>36,305,000</u>	<u>29,643,000</u>
	<u>44,894,000</u>	<u>36,614,000</u>
Gross operating profit		
— petroleum operations	6,618,000	5,147,000
— mining operations	8,057,000	4,298,000
Investment and other income	1,090,000	1,254,000
Technical services	<u>340,000</u>	<u>161,000</u>
	<u>16,105,000</u>	<u>10,860,000</u>
Less: Administrative and general expenses	1,631,000	1,234,000
Interest expense — long-term	1,274,000	1,438,000
— other	1,249,000	617,000
Petroleum and mining exploration	<u>1,946,000</u>	<u>1,246,000</u>
	<u>6,100,000</u>	<u>4,535,000</u>
Operating profit before the following	10,005,000	6,325,000
Depletion, depreciation and amortization	<u>3,368,000</u>	<u>2,616,000</u>
	<u>6,637,000</u>	<u>3,709,000</u>
Income and mining taxes — current	1,781,000	256,000
— deferred	<u>1,586,000</u>	<u>1,424,000</u>
	<u>3,367,000</u>	<u>1,680,000</u>
	<u>3,270,000</u>	<u>2,029,000</u>
Minority interest in net losses of subsidiaries	27,000	33,000
Equity in net earnings (losses) of effectively controlled companies and corporate joint venture (note 3)	979,000	(222,000)
Deferred income taxes resulting from equity accounting	<u>(109,000)</u>	<u>(54,000)</u>
	<u>897,000</u>	<u>(243,000)</u>
Net earnings for the year before extraordinary items	<u>4,167,000</u>	<u>1,786,000</u>
Extraordinary items (note 8)		
Gain on disposal of investments and marketable securities	1,970,000	109,000
Equity in extraordinary earnings of effectively controlled companies	8,604,000	
Other	<u>27,000</u>	<u>107,000</u>
	<u>10,601,000</u>	<u>216,000</u>
Net earnings for the year	<u>14,768,000</u>	<u>2,002,000</u>
Earnings per share		
Before extraordinary items	<u>\$0.60</u>	<u>\$0.26</u>
After extraordinary items	<u>\$2.12</u>	<u>\$0.29</u>

TECK CORPORATION LIMITED

Consolidated Statement of Changes in Financial Position for the Year ended September 30, 1977

	1977 \$	1976 \$
Source of Working Capital		
Earnings before extraordinary items	4,167,000	1,786,000
Add (deduct) items not affecting working capital:		
Depletion, depreciation and amortization	3,368,000	2,616,000
Minority interest in net losses of subsidiaries	(27,000)	(33,000)
Equity in (net earnings) losses of effectively controlled companies and corporate joint venture	(870,000)	276,000
Deferred income and mining taxes	1,586,000	1,424,000
Total from operations before extraordinary items	8,224,000	6,069,000
Extraordinary items affecting working capital:		
Sale of investments and marketable securities (net of current income tax)	15,886,000	109,000
Other	168,000	107,000
Long-term debt	59,023,000	12,691,000
Issue of shares	365,000	1,000
Issue of preferred shares to minority interests of subsidiary	1,056,000	
Working capital on acquisition of subsidiaries (note 2(a))	11,784,000	(367,000)
	<u>96,506,000</u>	<u>18,610,000</u>
Use of Working Capital		
Additional investment in subsidiary	2,757,000	
Mineral properties, rights and deferred costs	2,101,000	1,424,000
Producing petroleum properties	3,199,000	591,000
Non-producing petroleum properties	603,000	809,000
Plant and equipment	58,250,000	14,225,000
Investments in and advances to effectively controlled companies and corporate joint venture	19,039,000	697,000
Investments in and advances to related and other companies	133,000	195,000
Restatement of deferred income tax liabilities	141,000	
Term bank loans paid or currently maturing	9,475,000	2,120,000
Dividend paid	626,000	
	<u>96,324,000</u>	<u>20,061,000</u>
Increase (Decrease) in Working Capital	182,000	(1,451,000)
Working Capital — Beginning of Year	<u>3,315,000</u>	<u>4,766,000</u>
Working Capital — End of Year	<u>3,497,000</u>	<u>3,315,000</u>

TECK CORPORATION LIMITED

Consolidated Statement of Retained Earnings for the Year ended September 30, 1977

	1977 \$	1976 \$
Balance — Beginning of Year		
As previously reported	15,096,000	13,154,000
Adjustments of prior years' earnings (note 9)	(114,000)	(174,000)
As restated	14,982,000	12,980,000
Net earnings for the year	14,768,000	2,002,000
	29,750,000	14,982,000
Dividend	626,000	
Balance — End of Year	<u>29,124,000</u>	<u>14,982,000</u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Teck Corporation Limited as at September 30, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as we considered necessary in the circumstances.

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

September 30, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
November 11, 1977

Coopers & Lybrand
CHARTERED ACCOUNTANTS

TECK CORPORATION LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 1977

1. SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

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

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

Investments in corporate joint ventures

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

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

Investments in effectively controlled companies

The company follows the equity method of accounting for its investments in companies in which it owns from 20% to 50% and of which it deems itself to have effective control. Under this method the company records its share of earnings and losses of these companies, rather than dividends. Any excess of the cost of these investments over the related underlying equity in the net assets of the investee companies relates to mineral properties and will be amortized over the estimated life of the orebody upon commencement of production.

Translation of foreign currencies

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

Concentrates, bullion and settlements receivable

Concentrates, bullion and settlements receivable are recorded at estimated net realizable value which is based upon metal prices, weights and assays available at the year end, less provision for subsequent declines in metal prices.

Property, plant and equipment

(a) Petroleum properties and well development expenditures

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

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

(b) Mineral properties, rights, and deferred costs

Mineral properties and rights are carried at cost less amortization of certain rights and do not necessarily reflect present or future values. Mineral exploration costs are charged to earnings in the year in which they are incurred, except where these costs relate to specific areas having indicated economically recoverable reserves, in which case they are deferred.

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

(c) Plant and equipment

Plant and equipment is depreciated on a reducing balance basis relating to production and ore reserves.

Income and Mining taxes

The company records income and mining taxes on the tax allocation basis. Differences between the amount of expense reported for tax purposes and accounting purposes results in deferred income and mining taxes which are shown separately in the statement of earnings and balance sheet. Deferred income taxes relate primarily to the note receivable and depreciation and depletion of property, plant and equipment. Investment tax credits reduce the current year's charge for income taxes.

2. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Effective May 1, 1977, Highmont Mining Corporation Ltd. (N.P.L.) and Torwest Resources (1962) Ltd. (N.P.L.), previously accounted for as effectively controlled companies, were amalgamated into Highmont Mining Corporation (Highmont) whose major asset is a mineral property in the Highland Valley. Advances owed to the company were converted to shares in Highmont and additional shares were purchased. The company's percentage ownership in Highmont was increased to 51% as a result of these transactions. The cost of the investment in Highmont is \$5,563,000 of which \$5,034,000 was incurred prior to 1977 and was included with investments in effectively controlled companies in the 1976 consolidated balance sheet.

Effective August 1, 1977, the company purchased additional shares in Brameda Resources Limited, which is engaged in the exploration and development of coal and other mineral properties. The company's percentage ownership in Brameda has become 51%. The cost of the investment in Brameda is \$3,546,000 of which \$3,068,000 was incurred prior to 1977 and was included with investment in effectively controlled companies in the 1976 consolidated balance sheet.

These acquisitions have been accounted for by the purchase method and the financial statements of Highmont and Brameda have been consolidated with those of the company from May 1, 1977 and August 1, 1977 respectively. Details of the net assets acquired are:

	Highmont Mining Corporation \$	Brameda Resources Limited \$	Total \$
Current assets	39,000	16,059,000	16,098,000
Current liabilities	3,000	4,311,000	4,314,000
Working capital	36,000	11,748,000	11,784,000
Investments in effectively controlled companies		726,000	726,000
Investments in associated and other companies	74,000	700,000	774,000
Mineral properties and related deferred costs ..	7,168,000	677,000	7,845,000
	7,278,000	13,851,000	21,129,000
Less: Minority interest in net assets	3,618,000	6,801,000	10,419,000
Company's interest in net assets acquired	3,660,000	7,050,000	10,710,000
Investment at effective date of purchase:			
Cost of shares	5,563,000	3,546,000	9,109,000
Equity in earnings (losses)	(420,000)	3,731,000	3,311,000
	5,143,000	7,277,000	12,420,000
Excess of cost of net assets acquired attributed to mineral properties	1,483,000	227,000	1,710,000

(b) Beacon Mining Company Limited and Cariboo-Bell Copper Mines Ltd. were disposed of during the year. Details of these disposals have not been disclosed separately since they are not material.

3. INVESTMENTS IN AND ADVANCES TO EFFECTIVELY CONTROLLED COMPANIES AND CORPORATE JOINT VENTURE

	Percentage ownership		Quoted market value of shares		Underlying equity in net assets		Equity in earnings (losses) before extraordinary items	
	1977	1976	1977	1976	1977	1976	1977	1976
			\$	\$	\$	\$	\$	\$
Shares in effectively controlled companies								
Brameda Resources Limited	47			4,903,000		(1,698,000)	34,000	(179,000)
Iso Mines Limited								(26,000)
Pickle Crow Explorations Ltd.	25			123,000		107,000		(29,000)
Highmont Mining Corporation Ltd. (N.P.L.)	22			963,000		1,144,000		
Torwest Resources (1962) Ltd. (N.P.L.) ...	25			305,000		254,000		
North Canadian Oils Ltd.							85,000	
Highland-Crow Resources Ltd.	39		482,000		498,000			
Casino Silver Mines Ltd.	38		204,000		570,000			
Shares in corporate joint venture								
Niobec Inc.	50	25	Not quoted		41,000	(114,000)	860,000	12,000
			<u>686,000</u>	<u>6,294,000</u>	<u>1,109,000</u>	<u>(307,000)</u>	<u>979,000</u>	<u>(222,000)</u>
Advances — at cost					<u>7,323,000</u>	<u>5,805,000</u>		
					8,432,000	5,498,000		
Excess of cost over underlying equity in net assets					<u>1,276,000</u>	<u>1,647,000</u>		
					<u>9,708,000</u>	<u>7,145,000</u>		

Investment in and advances to effectively controlled companies and corporate joint ventures are not temporary investments and the quoted market price of such shares, calculated at the same rate for both free and escrowed shares, does not necessarily reflect their present or future value.

4. INVESTMENTS IN AND ADVANCES TO RELATED AND OTHER COMPANIES

	Quoted market value of shares		Cost of investment	
	1977	1976	1977	1976
	\$	\$	\$	\$
Quoted investments	<u>1,998,000</u>	<u>6,240,000</u>	2,755,000	4,777,000
Other investments				
Advances, notes and debentures ..			5,333,000	1,863,000
Unquoted investments			<u>440,000</u>	<u>473,000</u>
			<u>8,528,000</u>	<u>7,113,000</u>

Investments in and advances to related and other companies are not temporary investments and the amounts shown, which represent costs to date, do not necessarily reflect present or future value.

5. PLANT AND EQUIPMENT

	1977		1976	
	Cost	Accumulated depreciation	Net book value	Net book value
	\$	\$	\$	\$
Petroleum	7,858,000	4,682,000	3,176,000	1,790,000
Mine	19,038,000	8,138,000	10,900,000	12,184,000
Afton Project	70,910,000		70,910,000	15,042,000
Other	648,000	386,000	262,000	250,000
	<u>98,454,000</u>	<u>13,206,000</u>	<u>85,248,000</u>	<u>29,266,000</u>

The company is constructing a mine, mill and smelter complex near Kamloops, B.C. having an estimated capital cost, including interest during construction, of \$85,000,000. Costs to date total \$73,407,000, including deferred costs of \$2,497,000, with firm commitments for an additional \$2,443,000. The company has arranged financing for this project by way of a term loan (note 6) and \$15,000,000 line of credit from the purchasers of the production. This line of credit may be drawn upon, if necessary, to satisfy the completion and deficiency guarantees. (See note 12(b)). To the extent that this line of credit is utilized, the company's obligations are reduced.

6. LONG-TERM DEBT

(a) Long-term debt comprises:	1977 \$	1976 \$
Term bank loan with interest at 1¼% above the bank prime rate, repayable in annual instalments of \$600,000 on or before December 31, 1977 and increasing annually by \$100,000 to December 31, 1980	3,600,000	4,100,000
Term bank loan for the Newfoundland Zinc Project (U.S. \$9,165,000) with interest at 1% above the L.I.B.O. rate, repayable in quarterly instalments of U.S. \$540,000	9,344,000	10,803,000
Term bank loan for the Afton Project (U.S. \$73,000,000) with varying interest rates, repayable over eight years after commencement of production, subject to acceleration in the event of excess earnings as defined in the loan agreement .	75,295,000	18,563,000
	88,239,000	33,466,000
Mortgage loan payable		2,500,000
8% debenture due on demand after October 1, 1978	2,269,000	
Notes payable, 6% unsecured, without fixed repayment terms. Repayable by a subsidiary, out of its net profit after taxes	525,000	503,000
	91,033,000	36,469,000
Current portion of long-term debt	9,636,000	2,120,000
	<u>81,397,000</u>	<u>34,349,000</u>

Aggregate minimum amounts estimated to meet repayment provisions in each of the next five years:	1978 \$ 9,636,000	1981 \$14,670,000
	1979 \$18,129,000	1982 \$ 8,762,000
	1980 \$16,960,000	

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

Current bank loans aggregating \$9,169,000, and the \$3,600,000 term bank loan are secured by certain accounts receivable, marketable securities and investments.

The \$9,344,000 term bank loan is secured by a collateral fixed and floating charge debenture on the company's portion of the assets of the Newfoundland Zinc Project of approximately \$13,000,000 plus specific assignment of concentrate accounts receivable and concentrate inventories from the project of approximately \$3,000,000.

The \$75,295,000 term bank loan is secured by a first fixed and floating charge over all the assets of Afton Mines Ltd. (N.P.L.) and by an assignment of the sales contract and the financing agreement with the concentrate purchasers.

The 8% debenture is secured by the company's investment in and advances to Niobec Inc., a corporate joint venture (note 3).

(c) Foreign currency loans

Foreign currency loans aggregating Cdn \$84,639,000, converted at rates of exchange prevailing at September 30, and November 11, 1977 would be approximately Cdn \$88,000,000 and Cdn \$91,000,000 respectively.

7. CAPITAL STOCK

- The Class "A" shares carry the right to 100 votes per share and the Class "B" shares carry the right to one vote per share; in all other respects the Class "A" and "B" shares rank equally.
- Stock options are outstanding to officers and employees on Class "B" shares exercisable in varying annual amounts to October 1, 1979, as follows:
61,000 shares at \$2.60 per share;
2,000 shares at \$4.60 per share.
The company has reserved an additional 11,000 shares for future options yet to be granted.
- During the year 140,400 Class "B" shares were issued for cash consideration of \$365,040 under the terms of the stock option noted above.

8. EXTRAORDINARY ITEMS

Equity in extraordinary gains of effectively controlled companies includes \$8,604,000 net of applicable income taxes, relating to the sale of certain coal licenses held by Brameda Resources Limited to B.P. Exploration Canada Limited. Subsequent to this sale, Brameda Resources Limited became a subsidiary of the company (note 2).

\$12,900,000 of the proceeds of sale is due from B.P. Exploration Canada Limited as a note receivable. Income taxes relating to this note are included in the current liability "deferred income and mining taxes" of \$4,307,000. An additional \$5,000,000 will be received subject to the fulfilment of certain conditions but no recognition of this amount will be made until the conditions are fulfilled.

9. ADJUSTMENTS OF PRIOR YEARS' EARNINGS AND COMPARATIVE FIGURES

As a result of income tax reassessments applicable to the years 1972 to 1975, the balances of retained earnings at September 30, 1975 and September 30, 1976 previously reported as \$13,154,000 and \$15,096,000 respectively, have been restated to show a retroactive charge of \$114,000.

Certain other comparative figures have been reclassified to conform with the presentation in the 1977 financial statements which has had no effect on earnings or working capital.

10. JOINT VENTURE OPERATION

The company accounts for its investment in the Newfoundland Zinc Project on a line by line consolidation basis as described in note 1. The company's share of the assets, liabilities, income and expenses, excluding income and mining taxes, in this joint venture is as follows:

	\$
Current Assets	4,803,000
Property, Plant and Equipment	12,020,000
	<u>16,823,000</u>
Current Liabilities	3,092,000
Long-Term Debt	7,023,000
	<u>10,115,000</u>
Net smelter return	10,398,000
Operating expenses — excluding interest and depreciation	<u>4,921,000</u>

11. DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

The company has twelve directors and ten officers, seven of whom are also directors. The aggregate remuneration paid or payable by the company during the year to its directors and officers amounted to \$66,000 and \$243,000 respectively. The amounts paid by subsidiaries to directors and officers of the parent company were \$6,000 and \$27,000 respectively.

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

12. CONTINGENT LIABILITIES

- (a) The company is contingently liable in the amount of \$180,000 with respect to guarantee notes issued by a bank in connection with the company's share of oil exploration commitments.
- (b) The company has provided a completion guarantee for the Afton Project. In addition, it has agreed to provide funds for repayment of the bank loan in the event that the cash flow of the project is insufficient to meet scheduled repayments, up to a maximum of \$25,000,000. There are provisions whereby the \$25,000,000 commitment reduces as the bank loan is being repaid.
- (c) An action has been commenced against the company claiming participation in the syndicate which is developing the Montcalm Project; in the opinion of counsel for the company this action will be unsuccessful.

13. COMMITMENTS

The company's producing mining property operated as the Silverfields Division at Cobalt, Ontario is held under a lease expiring on July 4, 1982, the terms of which provide for a 10% royalty with a minimum annual payment of \$5,000.

14. ANTI-INFLATION ACT

The company is subject to restraint of profit margins, prices, compensation, and dividends under the terms of the Anti-Inflation Act and Regulations and has complied with the requirements of the legislation in all material respects.

COMPARATIVE FIGURES ('000)

	Year Ended September 30,				
	1977	1976	1975	1974	1973
	\$	\$	\$	\$	\$
Operating profit from petroleum operations	6,618	5,147	3,392	3,131	2,935
Operating profit from mining operations	8,057	4,298	3,955	4,180	2,837
Investment income	1,090	1,254	2,068	2,456	697
Technical services	340	161	164	74	
	<u>16,105</u>	<u>10,860</u>	<u>9,579</u>	<u>9,841</u>	<u>6,469</u>
Less: Administrative and general expenses	1,631	1,234	1,045	939	738
Interest expense	2,523	2,055	936	1,070	724
	<u>4,154</u>	<u>3,289</u>	<u>1,981</u>	<u>2,009</u>	<u>1,462</u>
Operating profit before exploration and write-offs	11,951	7,571	7,598	7,832	5,007
Petroleum and mining exploration	1,946	1,246	1,776	1,333	995
	<u>10,005</u>	<u>6,325</u>	<u>5,822</u>	<u>6,499</u>	<u>4,012</u>
Depletion, depreciation and amortization	3,368	2,616	1,162	868	709
Petroleum and mineral properties written off				29	182
	<u>3,368</u>	<u>2,616</u>	<u>1,162</u>	<u>897</u>	<u>891</u>
	<u>6,637</u>	<u>3,709</u>	<u>4,660</u>	<u>5,602</u>	<u>3,121</u>
Income and Mining taxes					
Current	1,781	256	587	359	281
Deferred	1,586	1,424	1,531	527	(122)
	<u>3,367</u>	<u>1,680</u>	<u>2,118</u>	<u>886</u>	<u>159</u>
	<u>3,270</u>	<u>2,029</u>	<u>2,542</u>	<u>4,716</u>	<u>2,962</u>
Minority interest	27	33	(3)	(10)	
Equity in net earnings (losses) of effectively controlled companies	979	(222)	(116)	(40)	(292)
Deferred income taxes resulting from equity accounting	(109)	(54)		(464)	(804)
	<u>897</u>	<u>(243)</u>	<u>(119)</u>	<u>(514)</u>	<u>(1,096)</u>
Net earnings for the year before extraordinary items	<u>4,167</u>	<u>1,786</u>	<u>2,423</u>	<u>4,202</u>	<u>1,866</u>
Extraordinary items					
Gain (loss) on disposal of investments and marketable securities	1,970	109	88	(19)	61
Equity in extraordinary earnings (losses) of effectively controlled companies	8,604		(105)	(15)	(1,927)
Other	27	107	62	(97)	879
	<u>10,601</u>	<u>216</u>	<u>45</u>	<u>(131)</u>	<u>(987)</u>
Net earnings for the year	<u>14,768</u>	<u>2,002</u>	<u>2,468</u>	<u>4,071</u>	<u>879</u>
Earnings per share					
Before extraordinary items	\$0.60	\$0.26	\$0.35	\$0.62	\$0.27
After extraordinary items	\$2.12	\$0.29	\$0.36	\$0.60	\$0.13

NOTE: During 1974 the company adopted the equity method of accounting for its interest in affiliated companies in which it has effective control and restated its 1973 figures to conform to this policy.

