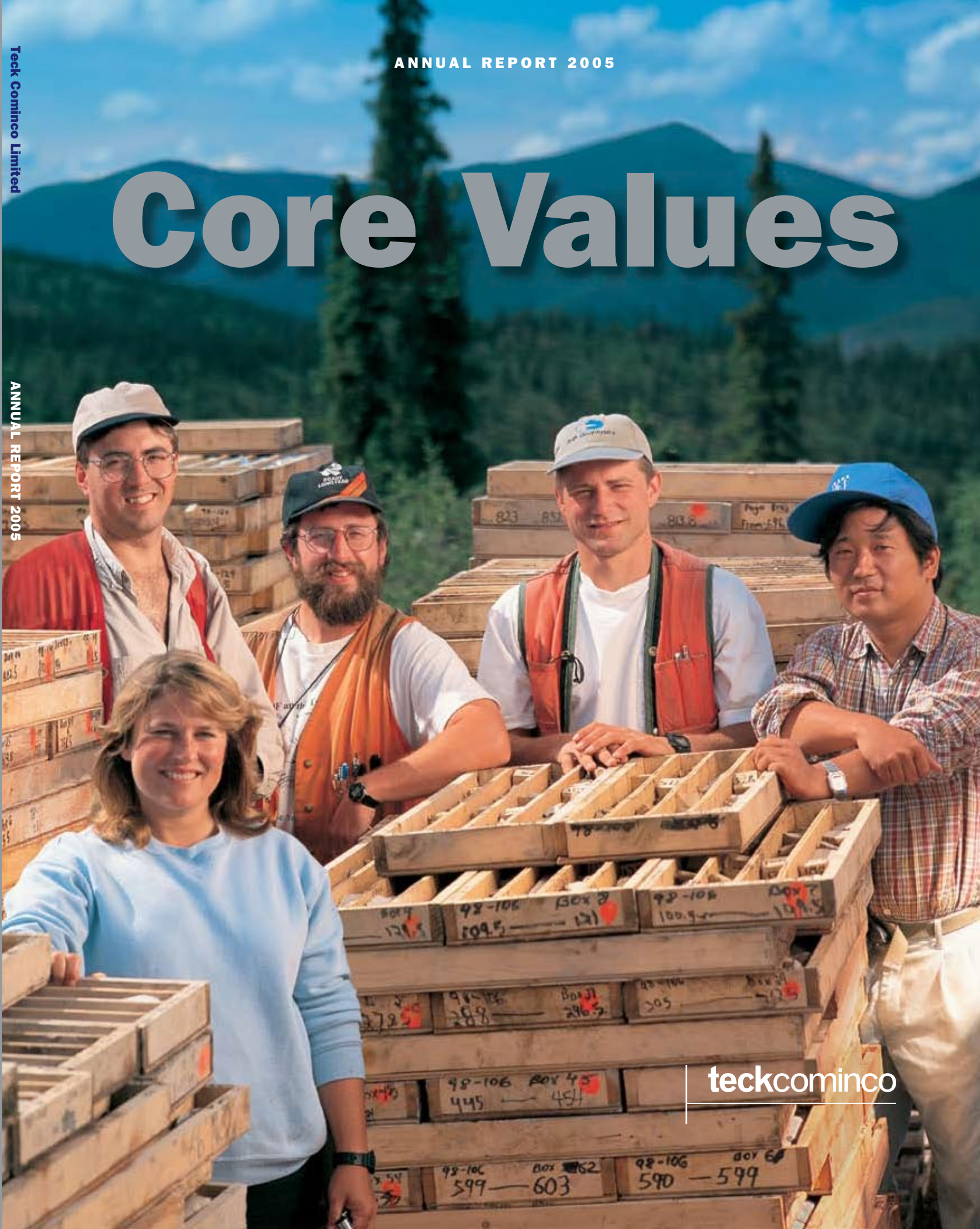
Core Values



teckcominco

Teck Cominco Limited
ANNUAL REPORT 2005

Core Values

ANNUAL MEETING

The annual meeting of the shareholders will be held at 11:00 a.m., April 26, 2006, in Waterfront Ballroom C, Fairmont Waterfront Hotel, 900 Canada Place Way, Vancouver, British Columbia.

FRONT COVER

Geologists Dr. Moira Smith and Paul Roberts of Teck Cominco, contract geologists Tim Tannenbaum and Morty Shumway, and Eiichi Fukuda of our partner Sumitomo Metal Mining America Inc. – part of the team that worked to prove up our newest gold mine, Pogo, in Alaska.

Forward-looking statements: This annual report contains forward-looking statements. Please refer to the caution on forward-looking information on page 15.

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Sustained Growth

Workers at the Cardinal River coal mine, Alberta.

REVENUE BY PRODUCT

($ in millions)	2005	2004
Smelter and Refineries	**$ 799**	$ 893
Mine Operations		
Zinc	**667**	561
Lead	**111**	127
Copper	**1,208**	792
Molybdenum	**326**	264
Coal	**1,173**	645
Gold	**131**	146
Total	**$ 4,415**	$ 3,428

OPERATING PROFIT BY OPERATION

(after depreciation, $ in millions)	2005	2004
Trail (zinc, lead)	**$ 149**	$ 135
Red Dog (zinc, lead)	**325**	207
HVC (copper, molybdenum)	**613**	431
Antamina (copper, zinc)	**384**	184
Elk Valley (coal)	**512**	125
Hemlo (gold)	**9**	32
Other	**14**	10
Total	**$ 2,006**	$ 1,124

All dollar amounts expressed throughout this report are in Canadian dollars unless otherwise noted.

Geographic Reach

Zinc

Teck Cominco operates the Red Dog zinc, lead mine in Alaska, the largest zinc mine in the world, under an agreement with the NANA Regional Corporation Inc., and is a 22.5% shareholder in the Antamina copper, zinc mine in Peru, which is the world's third largest zinc concentrate producer. The company also operates the Pend Oreille zinc mine in Washington, USA. Teck Cominco also produces refined zinc, lead and specialty metals from its Trail metallurgical complex in British Columbia.

Copper

Teck Cominco produces copper from its 97.5%-owned Highland Valley Copper mine (HVC) in British Columbia and its 22.5%-owned Antamina mine in Peru. HVC and Antamina are also significant producers of molybdenum.

Gold

Teck Cominco produced 230,000 ounces of gold in 2005 from its two 50%-owned mines in the Hemlo district of Ontario. The company completed construction of the 40%-owned Pogo mine in Alaska in 2005, which commenced operations in January 2006.

Coal

The Elk Valley Coal Partnership operates six coal mines in western Canada and is the second largest shipper of seaborne metallurgical coal in the world. Teck Cominco holds an effective 44.3% interest in the partnership and is managing partner.

Oil Sands

In 2005 the company acquired a 15% interest in the Fort Hills Energy Limited Partnership, which is developing the Fort Hills oil sands project in northern Alberta. The other partners are Petro-Canada (55%) and UTS Energy Corporation (30%).

Strong Assets, Diversification & Financial Strength

Record earnings
$1.3 billion, or $6.62 a share.

Dividend rate doubled
for second consecutive year to $0.80 a share.

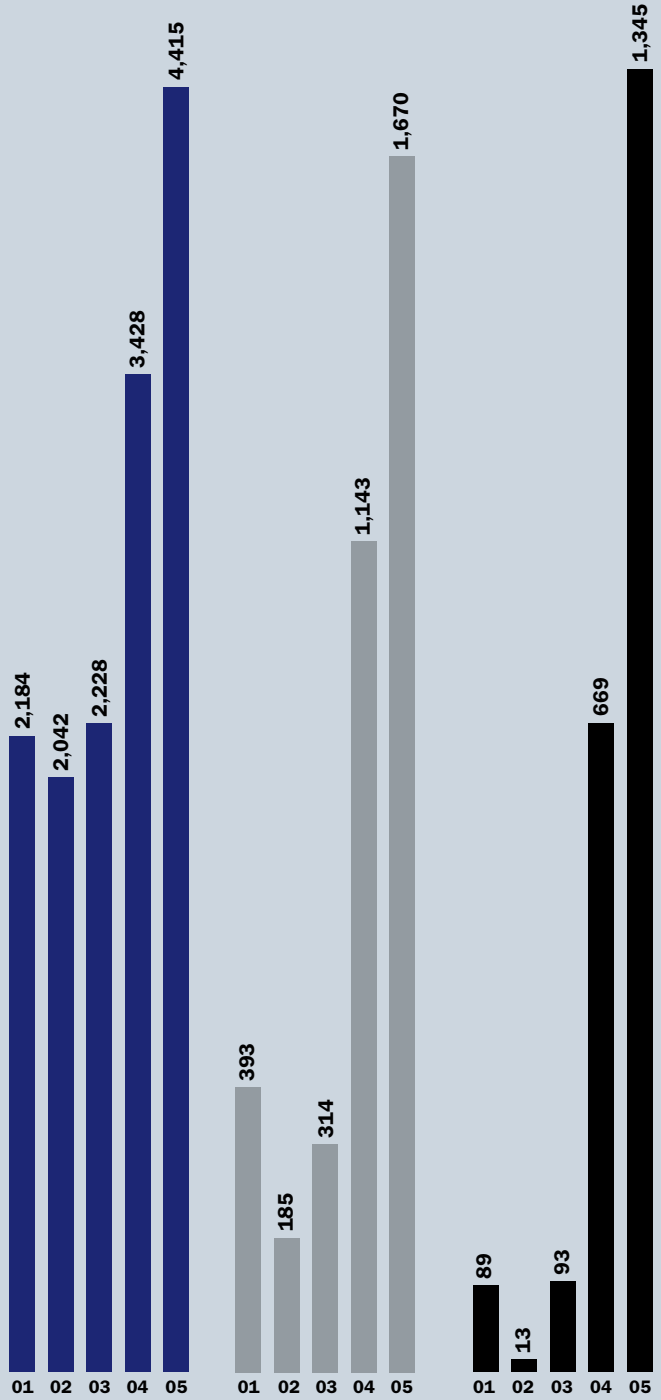
Diversified production
Copper, zinc and coal operations all contributing significant earnings.

New construction completed
Cheviot coal project in Alberta; Pogo gold mine in Alaska.

Oil sands agreement
to participate in the Fort Hills project, Alberta.

Proprietary CESL process being implemented
Construction started on hydrometallurgical copper and gold plant in Brazil.

Strongest balance sheet ever
$3.1 billion cash against debt of $1.7 billion at year-end.



Chairman's Letter

"This consistent revitalization and upgrading is essential in an industry in which all mines have a finite reserve life."

Norman B. Keevil
Chairman

To the Shareholders:

2005 was again a very good year. Cash flow and earnings were at record levels for the second consecutive year, a result of the upsurge in commodity prices but also a credit to the many people who have worked hard to build Teck Cominco into the strong producing company it is today.

Net earnings of $1.3 billion were more than double those of a year earlier, and cash flow was up from $1.1 billion to $1.7 billion. Our financial position is one of the strongest in the industry, with cash of $3.1 billion at year-end, against long-term debt of $1.7 billion.

The annual dividend rate, which was doubled to 40¢ a share at the end of 2004, was doubled again to 80¢ a share in mid-2005.

In addition to financial strength, what distinguishes Teck Cominco amongst its peers in the industry is its significant ore reserves position, operating and engineering skills and the diversity of its production base. In the latter respect, copper contributed 34% of operating profits in 2005, metallurgical coal 25%, and zinc and molybdenum each 15%. Gold was a relatively small contributor to the total, but that should increase in 2006 with the start-up of the new Pogo mine in Alaska, a joint venture with the Sumitomo Group.

During the year we took advantage of an opportunity to enter the oil sands business, agreeing to participate as to 15% with Petro-Canada and UTS Energy in developing the Fort Hills project in northern Alberta. The expertise brought by our open-pit mining people will be an important contributor to the success of this project, which is scheduled to begin production in 2011, and it will strengthen further our reserve base and diversification.

The solid results in 2005 reflect the timely development of the Antamina copper zinc mine in Peru, which was put into production in 2001, the acquisition of the balance of Cominco in the same year, the consolidation of the Canadian metallurgical coal business with Teck Cominco as operator in 2003, and the acquisition of the minority interest in Highland Valley Copper in 2004 – all significant events that helped to shape the present Teck Cominco.

Value of Experience

They also reflect the strong commodity prices which have developed over the past two years, beginning with copper, followed by coal and molybdenum, and more recently zinc.

This is a reversal of a 20-year trend during which prices in real terms had been declining for most of the materials the mining industry produces – the result of relatively slow consumption growth in the mature economies and the lack of significant offsetting growth engines from developing economies.

This has changed in the last few years, with the economies of China, India and Eastern Europe all growing rapidly. The result has been an increase in the living standards and aspirations of a large part of the world's population, which, once unleashed, will not lightly be turned back.

It may be an overstatement to call this a "super cycle", as some pundits have termed it, but there are fundamental demand-side reasons to expect that the coming decade will be better for the mining business than the previous two, notwithstanding periodic ups and downs within the overall trend.

If so, this will strain the ability of existing operations to supply the growing demand, and will require development of new mines to meet it. That will occur, but aside from by-products such as molybdenum where new capacity can be added fairly quickly, the need for engineering, permitting and construction decisions on greenfields projects means that the supply-side response cannot be immediate. In addition, many of the next generation of new mines may be more challenging, either because of lower grades, metallurgical complexity, distance from infrastructure or political instability.

As the number one producer of mined zinc in the world, with our Elk Valley Coal Partnership the number two seaborne metallurgical coal producer, with significant copper production and our new interest in the oil sands, with a strong balance sheet, and with an exceptional team of people, Teck Cominco is in a good position to continue to prosper in this changing environment.

On a personal note, I have been privileged to have been able to work with a number of highly professional people as we built Teck from a small $20 million company into one of the world's significant mining companies. I mentioned earlier some of the recent events which have helped to shape the present Teck Cominco, but this process of transformation has been a continuous one throughout the period – during which we and our various valued partners built 14 new mines and acquired or turned around others. This consistent revitalization and upgrading is essential in an industry in which all mines have a finite reserve life. Throughout, we have maintained our commitment to our core values of integrity, strong engineering and geological skills, financial discipline and building teams of people to implement these.

In closing, I would like once again to thank David Thompson, who retired as CEO last April, for his dedication to excellence which served the company so well during his tenure, to welcome Donald R. Lindsay, who succeeded him as CEO and who shares the same dedication, and to thank all of the members of the Teck Cominco team who are committed every day to making this a great company.

On behalf of the Board,

Norman B. Keevil
Chairman

February 15, 2006

Letter from the CEO

"In this year of transition, the priority was to reaffirm the Core Values of Teck Cominco – integrity, excellence, discipline, commitment, teamwork, innovation and respect – that continue to guide the management team."

Donald R. Lindsay
President and Chief Executive Officer

2005 was an extraordinary year in the history of Teck Cominco. Our financial results, with the benefit of high commodity prices, exceeded expectations, with net earnings of over $1.3 billion and a year-end cash balance in excess of $3 billion. Even more noteworthy was the fact that the positive trend was still accelerating at year-end.

In the midst of this powerful updraft, Teck Cominco was engaged in an important transition as several members of senior management prepared for a well-deserved retirement. It speaks to the character and commitment of these gentlemen that in most cases they delayed their retirements to assist in managing a controlled, evolutionary transition to the next generation. Extraordinary dedication for some, but for this team it was simply another demonstration of their Core Values.

In this year of transition, the priority was to reaffirm the Core Values of Teck Cominco – integrity, excellence, discipline, commitment, teamwork, innovation and respect – that continue to guide the management team. Core Values is a simple but powerful notion. They are perhaps best defined as the small set of principles that guide the way the people in an organization think and act. Core Values require no justification. They need not be kept up to date. They are the soul of the organization – the values that guide our decisions and actions.

It is also critical for Teck Cominco that we have a team that understands the value of vision and has the passion to pursue it. Great mining companies have always been built by teams of men and women who have dared to dream. They dream about "what might be there" when they finally get the financing to drill. They dream about how high a commodity price might go. They dream about what kind of a company they can build. Those dreams drive a team to build something great, something that will endure, something they can enjoy watching even after they retire, as it continues to prosper. I am pleased to be able to say, with confidence, that in this transitional year those dreams are alive and well at Teck Cominco.

Value of Commitment

MANAGEMENT

At the annual meeting in April, David Thompson retired as CEO of the company, after 25 years of dedicated service. David continues to support the company in his role as a Director, and I would like to thank him for his wise counsel throughout the year.

During the year, three additional senior management team members retired from the company.

Roger Brain, Senior Vice President, Marketing and Refining, retired after 30 years of service. Roger melded the company's metal production and sales groups into an efficient and dynamic organization, and greatly enhanced profitability in this area.

John Taylor, Senior Vice President, Finance, and Chief Financial Officer, retired after 28 years of service. During his career, John oversaw the financing of many important developments for the company while building an exceptionally strong balance sheet.

Jon Collins, Vice President, Exploration Business Development, retired after 40 years of service. Jon was instrumental in several important discoveries including the N-81 ore body at Pine Point, which extended the mine's life, and the Anarraaq zinc-lead deposit near the Red Dog mine. Throughout his career he was a tremendous partner and mentor.

I want to thank each of these gentlemen for their outstanding contributions to Teck Cominco and wish them a long, happy retirement.

Through the company's succession planning and management development programs, a number of executive appointments were made.

Peter Rozee was appointed Senior Vice President, Commercial Affairs. Peter joined the company in 2001 and has played an instrumental role in its recent growth.

Ron Millos was appointed Senior Vice President, Finance, and Chief Financial Officer. Most recently, Ron was Chief Financial Officer of Elk Valley Coal Partnership and Fording Canadian Coal Trust.

Mike Agg was appointed Vice President, Refining and Metal Sales. Most recently Mike was General Manager, Trail Operations. Earlier, he was General Manager of the Cajamarquilla refinery.

Rob Scott was appointed Vice President, Base Metal Mining, responsible for the Red Dog, Highland Valley, Antamina and Pend Oreille mines. Most recently, Rob was General Manager of the Red Dog mine.

Andrew Stonkus was appointed Vice President, Concentrate Marketing. Andrew has held a number of senior marketing and sales positions, most recently General Manager of Concentrate Marketing.

John Thompson was appointed Vice President, Technology. John heads a new division that is based on our technology strengths in research, the Product Technology Centre and Cominco Engineering Services Ltd. (CESL). Prior to this appointment, John was the company's Chief Geoscientist.

Richard Mundie, who has been with the company for 34 years, most recently as Vice President, Special Projects, has taken on a new and important challenge for us and moved to Beijing as our Chief Representative in China. Richard previously held several senior positions in business development and marketing, establishing many strong business relationships in the Pacific Rim and Far East. Richard's role is integral to our objective of making knowledge of China a core competency of the company.

Mike Filion was appointed Vice President, Environment, Health and Safety. This is an expansion of his previous responsibilities for the environmental affairs of the company and part of our continuing focus on improving our health and safety practices.

Ron Vance joined Teck Cominco at the beginning of 2006 as Senior Vice President, Corporate Development. Ron was most recently Managing Director and Senior Advisor at Rothschild Inc., where he advised CEOs of major mining companies on many transactions and corporate development initiatives. Ron is responsible for a wide range of activities related to the company's internal and external growth, including the Business Development area, the former Exploration Business Development area and the new Technology Division.

Each of these individuals brings strengths and capabilities that will strongly support achievement of the company's growth and development objectives. Most importantly, they have a deep, natural and shared understanding of our Core Values.

OPERATIONS

The combination of high commodity prices and consistent mine operating results has yielded record operating profits from Highland Valley Copper, Elk Valley Coal, Antamina and Red Dog.

Highland Valley was the largest source of earnings for 2005, generating an operating profit of $613 million. A new safety record was established, at 0.33 lost-time accidents per 200,000 hours worked, and the mine achieved a new record mill throughput of 138,800 tonnes per day. A five-year mine plan extension from 2008 to 2013 was implemented, which will add 2 billion pounds of copper and 33 million pounds of molybdenum production to the previous plan.

Teck Cominco's share of Antamina's operating profit increased to a record $384 million. Historically high mill recoveries and record copper production of 375,000 tonnes and molybdenum production of 14.8 million pounds were achieved, while establishing a new safety record of 0.26 lost-time accidents per 200,000 hours worked. Peruvian-regulated worker profit participation and the return of 50% of corporate taxes to fund community projects will make a positive contribution to local communities and regional sustainability.

Our average coal price for fiscal 2005 nearly doubled, resulting in increased operating profits from Elk Valley, from $125 million to a record $512 million. The annual production capacity at Elk Valley was successfully increased to 28 million tonnes from 25 million tonnes, through the addition of mine equipment at Fording River and Elkview, a plant expansion at Fording River, and the development of the Cheviot pit at Cardinal River. This positions Elk Valley to take full advantage of future market opportunities. However, the actual results for 2005 were below what we had expected at the beginning of the year. Delays in bringing Cheviot up to planned capacity hurt results, and sales were below expectations due to customers deferring shipments. Near the end of the year, our tire suppliers began to limit our allocation of new tires, which will prevent us from being able to take advantage of the new production capacity should sales permit.

Red Dog's operating profit increased to a record $325 million as zinc prices approached US$1 per pound by year-end. A shallow gas exploration program returned positive results, and a follow-up program is planned for 2006 to finalize the economic potential for replacement of diesel fuel for power generation.

Hemlo's operating profit declined to $9 million from $32 million as gold production declined 35,000 ounces to 460,000 ounces (100% basis). Poor ground conditions at David Bell restricted access to high-grade stopes and, when combined with the transition to a new mining method at Williams, production was negatively impacted. Hemlo operations continued to excel in safety performance, with the lowest medical injury frequency of all large Ontario underground mines.

Trail's operating profit improved to $149 million as increased power sales largely offset decreased metal sales due to a 2½-month labour interruption. Monthly throughput records were established for indium and germanium, and metal operations generated an $80 million operating profit, again reinforcing the diversification strategy into specialty metals. A one-year trial to process electronic scrap was initiated to potentially further diversify revenue sources. The company is proud of the operation's formal certification of its environmental management system (ISO 14001). A new collective agreement with the United Steelworkers, attained in October, will offer three years of labour stability.

FUTURE GROWTH

The company is fortunate to have in its portfolio a number of properties that can be re-started or developed in these times of buoyant commodity prices. Our engineering team is actively reviewing these projects, and we believe that decisions can be made during 2006 that will provide reasonable internal growth in the near future.

With respect to acquisitions, we remain committed to our diversification strategy and believe that it differentiates us from several of our competitors. We believe that diversification reduces volatility, and that a more stable earnings stream generally achieves a higher valuation in the marketplace. Opportunity to create shareholder value is quite simply the single most important criteria for acquisitions, rather than strict adherence to a specified short list of commodities or regions. We strive to bring as many people in the company, from the Board of Directors to engineers on site, to the highest level of preparation possible to be able to "recognize an opportunity, analyze it and act." Quality will always be far more important than quantity, as it must be in a cyclical business.

Many potential growth opportunities were reviewed during the year, but few were able to meet our criteria. One that did was the Fort Hills oil sands project in Alberta. Teck Cominco acquired a 15% interest in the project in November 2005 by committing to fund $850 million of the first $2.5 billion of project expenditures. The final feasibility study for the project is currently being undertaken by the partners. The opportunity to participate in a fully integrated oil sands project is consistent with our goal of adding long-life, high-margin businesses to our corporate portfolio where we can take advantage of our core skills such as open-pit mining. We are particularly pleased to be able to grow our business in Alberta, which is nearby compared to many other opportunities, and a safe jurisdiction in which to invest.

Shortly after announcing our oil sands commitment, we were able to access the US bond market to raise US$1 billion at relatively low interest rates, of which US$700 million carried a term of 30 years, somewhat unusual for resource companies.

EXPLORATION AND TECHNOLOGY

We have renewed our emphasis on exploration this year, as the world is discovering that it is very short of some key resources. New energy has been invested in our philosophy of striving to be the Partner of Choice for exploration and development companies around the world.

In 2005, the global exploration program led to the identification of several new opportunities. In June, Teck Cominco acquired an interest in the Santa Fe nickel laterite project and other properties in the same region of central Brazil. In November the first phase of drilling was completed, and the company opted to continue with a second phase of drilling planned for 2006.

In September 2005, Teck Cominco was selected to be the partner in the Carrapateena project, a new copper-gold discovery in South Australia. Many of the world's major mining companies competed for this opportunity. Evaluation of this project will begin in 2006.

Exploration re-commenced on the Pogo property in Alaska in July 2005, utilizing the new infrastructure related to the development of the Pogo gold mine. Drill testing of several gold targets was carried out in July and August 2005, and we are optimistic about the future potential of this property.

In December 2005, the company combined the three main facilities for ore characterization, mineral processing, environmental chemistry and product development into a Technology Division. The goal of the division is to use technology to create new business opportunities, implement operational improvements and provide customer support.

During 2005, Companhia Vale do Rio Doce (CVRD) obtained permits and began site preparation for the construction of a copper plant in Brazil that will use the hydrometallurgical process developed by CESL. The Technology Division will pursue further opportunities for the company to participate in projects where use of the CESL process enhances the economics.

SAFETY AND ENVIRONMENT

Teck Cominco is committed to the highest level of performance in employee health and safety, environmental protection and sustainability. This Core Value is embodied in our Charter of Corporate Responsibility. We report in detail about these commitments in our annual sustainability report.

It is with sadness that I report that two fatalities occurred in 2005. The sorrow that I, and all of our employees, feel at tragedies such as these is profound. We continue to strive to do whatever we can to ensure all of our employees and contractors return home to their families and friends without suffering any harm in the workplace.

We introduced several initiatives, with the aim of improving our health and safety culture and performance through improved training, communication and incident evaluation and reporting. Our objective is to be among the top quartile of companies in our industry. The Vice President, Environment, Health and Safety ensures these issues and initiatives receive support and that they are regularly reported to the Environment, Health and Safety Committee of the Board.

OBJECTIVES

Our objectives for 2005 included an operating profit of $500 million at Elk Valley Coal, the completion of mine construction at Pogo on schedule, the achievement of ISO 14001 at Trail and the generation of another new income source through exploration, development or acquisition. All of these were achieved. One objective, the completion of Stage II expansion at Cheviot and full production by the fall quarter, was only partially achieved.

Our objectives for 2006 are to complete the management succession program, surface additional value contained in certain business units, further develop our opportunity base in oil sands, advance several of our new and existing projects toward production and to once again generate another new income source through exploration, development or acquisition.

OUTLOOK

2005 was an exceptional year for commodities – most commodity prices ended the year higher than they started. China again led the world in increased metal consumption. It is believed that customers around the world reduced their inventories during 2005, which leads to an expectation of strong metal demand in 2006, both from physical consumption and from inventory re-stocking.

The extremely tight zinc concentrate market has required refineries globally to reduce metal production. As a result, the refined market was in deficit in both 2004 and 2005. With no abatement in the tight concentrate market, we expect the price to be supported in 2006 by a deficit in refined product, with further declines in inventories.

2005 recorded the third consecutive deficit for refined copper on a global basis. By the end of the year, copper stocks were at unusually low levels. We expect copper to record a modest surplus in 2006 but low inventory levels should provide support for the price.

Historically high molybdenum prices remained relatively stable in 2005, averaging US$32/lb for molybdenum oxide, double the 2004 price. The lack of increased roaster capacity in 2005, combined with continued strong demand, helped maintain these high prices. With increased mine production in 2006 making its way to the market, this could mean some downward pressure from current price levels.

Supply shortages in 2004 contributed to Elk Valley Coal achieving a record US$125/tonne benchmark contract price for hard coking coal for the 2005 coal year commencing April 1, 2005. However, the relatively tight market has eased. While 2006 contract prices are expected to remain strong relative to historical levels of the last decade, volumes are still uncertain.

If these views are accurate, then the company should enjoy further increases in earnings and cash flows from the record levels set in 2005.

In closing, I would like to thank all of the employees for their dedication, and I congratulate them on their contribution to such an extraordinary year. Our Core Values have served us well, and I am confident that they will continue to do so in 2006.

Donald R. Lindsay
President & Chief Executive Officer

February 15, 2006

Reline crew in grinding mill at Highland Valley Copper.
From left to right: **Garth Tilley, Gilles Serre, Dave Snider.**

Corporate Governance

"Our Code of Ethics is filed on SEDAR and published on our website. It is an important tool in setting the tone from the top and indicates to the CEO and senior management the importance the directors place on compliance with the code."

Robert J. Wright
Deputy Chairman, Lead Director and Chairman,
Corporate Governance & Nominating Committee

Good corporate governance has, for many years, been an important matter for the directors and senior executives of Teck Cominco and its predecessor companies. Our Corporate Governance Committee for the past year has had myself as chair with Brian Aune and Chris Thompson as the other two members. Len Manuel, the general counsel of the company, actively participates in our efforts to ensure that our corporate governance practices are up to date and reflect the efforts of both the Board and management to make certain that what we do and how we do it meet the highest standards both in Canada and abroad where we carry on business.

Proposals for corporate governance guidelines and a proposed rule requiring public companies to describe specific aspects of their governance practices, first published in October 2004, became effective in June of 2005, and the Canadian Securities Administrators (CSA), in large part, agreed to National Policy 58-201, which provides specific guidance on corporate governance. In addition to the corporate governance guidelines, the CSA adopted a national instrument and new form dealing with the disclosure of corporate governance practices. The corporate governance disclosure in our Information Circular fully complies with the disclosure requirements.

We were pleased to see a "made in Canada" approach to the integration of the regulation of corporate governance disclosure in Canada with the approach taken in the United States. The Canadian approach recognizes it is not possible to develop a one-size-fits-all approach to governance. The new policy is not intended to be prescriptive, and it specifically recognizes that corporate governance is an evolving issue.

We have carefully considered the guidelines in developing our own corporate governance practices, which, like the emerging regulations, have evolved during the past year. In February of this year, we adopted a formal Board mandate and position descriptions for the Chairman of the Board and the Lead Director. We also adopted clear policies on the authority and responsibilities of all Board committees. In April of 2005, we approved a formal position description for the Chief Executive Officer

Value of Discipline

delineating his role and responsibilities in managing your corporation. Our Code of Ethics is filed on SEDAR and published on our website. It is an important tool in setting the tone from the top and indicates to the CEO and senior management the importance the directors place on compliance with the code. In November of 2005, we revised our "whistleblower" procedures to make certain that all of our employees have the ability to address any concerns they may have as to our business practices and ethics, or the actions of particular employees, without fear of reprisal.

In 2006, we will continue our biannual practice of Board surveys to assess both the performance of the Board and individual directors. I will then interview each director with respect to the responses and any other concerns they may have. We rely on the self-assessment approach to individual director performance and have found this, combined with the follow-up interview, to be an effective way of improving our performance collectively and individually.

The majority of the Board of Directors is unrelated and independent. A brief biography of each director is included in this report and in our Information Circular. In the past the Board has followed a practice of meeting without management at each of its meetings. The new governance guidance suggest that independent directors hold regularly scheduled meetings at which non-independent directors as well as members of management are not in attendance. While we believe that it is important that the Board meet without management, we believe the inclusion of the non-independent directors in such meetings does not inhibit a candid exchange of ideas.

All the key committees – Audit, Compensation, Corporate Governance and Nominating – are comprised entirely of independent directors. All of the other committees are made up of a majority of unrelated directors. All of the members of the Audit Committee are financially literate, and Hugh J. Bolton, Chairman of the Committee, is the company's designated Audit Committee financial expert.

Our Audit Committee plays a very important role in the oversight of the financial affairs and internal controls of the company. The mandate of the Committee is reviewed annually and this year was no exception. The Audit Committee oversees the progress of the assessment and certification of our financial controls. The purpose of this program is to build an auditable and sustainable program to comply with the US *Sarbanes-Oxley Act* of 2002 related to internal controls over financial reporting and equivalent Canadian rules.

The year 2004 saw an extensive and lengthy search process which canvassed in Canada and abroad to find a chief executive officer to succeed David Thompson, and continue the tradition established by Norman Keevil and David of operating your company effectively with the highest levels of personal and corporate integrity. The search concluded with the selection of Donald Lindsay, who joined Teck Cominco on January 1, 2005, and was appointed CEO following the annual meeting in April. The Board is well satisfied that Mr. Lindsay meets all the criteria that we sought and we are pleased to welcome him. We are confident that Teck Cominco will thrive under his stewardship.

Robert J. Wright
Deputy Chairman, Lead Director and Chairman,
Corporate Governance & Nominating Committee

February 15, 2006

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND OPERATING RESULTS

This discussion and analysis of financial position and results of operations of Teck Cominco Limited is prepared as at February 15, 2006, and should be read in conjunction with the audited consolidated financial statements of Teck Cominco Limited and the notes thereto for the year ended December 31, 2005. In this discussion, unless the context otherwise dictates, a reference to Teck Cominco or the company refers to Teck Cominco Limited and its subsidiaries including Teck Cominco Metals Ltd., and a reference to Teck Cominco Metals or to Cominco refers to Teck Cominco Metals Ltd. and its subsidiaries. Additional information relating to the company, including the company's annual information form, is available on SEDAR at **www.sedar.com**.

MD&A CONTENTS

Photographs and associated captions at pages 14-45 do not form part of the Management's Discussion and Analysis.

CAUTION ON FORWARD-LOOKING INFORMATION

This report contains certain statements which constitute forward-looking information. These forward-looking statements are not descriptive of historical matters and may refer to management's expectations or plans. These statements include but are not limited to statements concerning our business objectives and plans; future trends in our industry; future production costs and volumes; mineral grades, reserve and resource estimates and ore types; sales volumes and realized prices; capital spending plans; exploration plans; expansion plans; expected metallurgical coal market fundamentals and prices; availability of equipment and supplies; expected plant availability; success of process changes; our processing technologies; global economic growth and industrial demand; production of coal, base metal concentrates and refined metal by our operations; future metal prices and treatment charges; future royalties payable; changes in global metal and concentrate inventories; currency exchange rates; costs of energy, materials and supplies; the outcome of disputes and legal proceedings in which we are involved; future effective tax rates; and future benefits costs.

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operating or capital plans, including risks generally encountered in the development and operation of mineral properties and processing facilities such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, process upsets and equipment malfunctions; risks associated with labour disturbances and unavailability of skilled labour; fluctuations in the market prices of our principal products, which are cyclical and subject to substantial price fluctuations; risks created through competition for mining properties; risks associated with lack of access to markets; risks associated with mineral and oil and gas reserve and resource estimates, including the risk of errors in assumptions or methodologies; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with environmental compliance and permitting, including those created by changes in environmental legislation and regulation; risks associated with our dependence on third parties in the provision of transportation and other critical services; risks associated with aboriginal title claims and other title risks; social and political risks associated with operations in foreign countries; and risks associated with legal proceedings.

Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this annual report. Such statements are based on a number of assumptions which may prove to be incorrect, including, but not limited to, the following assumptions: that there is no material deterioration in general business and economic conditions; that there is no unanticipated fluctuation of interest rates and foreign exchange rates; that the supply and demand for, deliveries of, and the level and volatility of prices of zinc, copper, coal and gold and our other primary metals and minerals as well as oil, natural gas and petroleum products develop as expected; that we receive regulatory and governmental approvals for our development projects and other operations on a timely basis; that we are able to obtain financing for our development projects on reasonable terms; that there is no unforeseen deterioration in our costs of production or our production and productivity levels; that we are able to continue to secure adequate transportation for our products; that we are able to procure mining equipment and operating supplies (including tires) in sufficient quantities and on a timely basis; that engineering and construction timetables and capital costs for our development and expansion projects are not incorrectly estimated or affected by unforeseen circumstances; that costs of closure of various operations are accurately estimated; that there are no unanticipated changes to market competition; that our reserve estimates are within reasonable bounds of accuracy (including with respect to size, grade and recoverability) and that the geological, operational and price assumptions on which these are based are reasonable; that we realize expected premiums over London Metal Exchange cash and other benchmark prices; that our coal price negotiations with customers will be resolved on acceptable terms as to price and volume; that environmental and other proceedings or disputes are satisfactorily resolved; and that we maintain our ongoing relations with our employees and with our business partners and joint venturers.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. You should also carefully consider the matters discussed under "Risk Factors" in our Annual Information Form. We undertake no obligation to update publicly or otherwise revise any forward-looking statements or the foregoing list of factors, whether as a result of new information or future events or otherwise, except as may be required under applicable laws.

The dedication of Teck Cominco people is one of our most valuable assets.

Karen Thomas
Mine Technician II
Mine Engineering Group

Value of Dedication

Operations

Coal mining represents a major portion of Teck Cominco operations. The company is a 39% owner (increasing to 40% on April 1, 2006) and managing partner of the Elk Valley Coal Partnership, formed in 2003, which operates six metallurgical coal mines in Western Canada, with coal production of 26 million tonnes in 2005.

In base metal mining, Teck Cominco owns and operates the Red Dog zinc mine under an agreement with NANA Regional Corporation Inc., an Alaskan native corporation. In addition, the company has a 97.5% partnership interest in the Highland Valley Copper mine in British Columbia and a 22.5% interest in the Antamina copper, zinc mine in Peru. The company also owns the Pend Oreille zinc, lead mine in Washington State, which provides concentrates to the Trail metallurgical operations.

Teck Cominco's gold mining operations are represented with its 50% joint venture interest in two mines in the Hemlo camp in Ontario and a 40% interest in the Pogo mine in Alaska in a joint venture with the Sumitomo Group.

In smelting and refining, the company operates the wholly owned Trail metallurgical complex in British Columbia, producing refined zinc, lead and a number of by-products including germanium and indium.

The table below shows Teck Cominco's share of production of its principal products for the last five years and planned production for 2006.

First gold bar, poured February 12, 2006 – Pogo mine, Alaska.

Five-Year Production Record and 2006 Plan (Company's share)

	Units (000's)	2001	2002	2003	2004	2005	2006 Plan
Smelter and Refineries *(Note 1)*							
Zinc	tonnes	290	362	412	413	**223**	295
Lead	tonnes	55	81	88	84	**69**	95
Mine Operations *(Note 2)*							
Metallurgical coal *(Note 3)*	tonnes	6,671	6,889	7,558	9,277	**9,948**	9,700
Zinc	tonnes	731	714	665	619	**657**	660
Lead	tonnes	158	126	125	119	**110**	115
Copper	tonnes	150	202	176	248	**263**	260
Molybdenum	pounds	2,609	3,836	4,934	11,631	**9,482**	7,400
Gold	ounces	553	285	281	261	**245**	440

Notes:

(1) Planned production of refined zinc and lead in 2006 is higher than 2005 levels because 2005 production was affected by a strike from July to early October at Trail. Zinc production decreased with the sale of the Cajamarquilla zinc refinery in Peru at the end of 2004.

(2) Production and sales data for base metals refer to metals contained in concentrate.

(3) Coal production does not include the company's 5.3% indirect interest in Elk Valley Coal Partnership through its investment in Fording Canadian Coal Trust units.

Zinc Mining

Red Dog plant site – Alaska.

Red Dog (100%)

The Red Dog mine, located in northwest Alaska, is the world's largest zinc producer. It is operated by Teck Cominco under an agreement with NANA Regional Corporation Inc., an Alaskan native corporation.

In 2005, the mine produced 568,000 tonnes (1.25 billion pounds) of zinc and 102,000 tonnes (225 million pounds) of lead. Site operating costs increased 16% in 2005 as a result of escalating fuel, reagent, and grinding media costs. Capital expenditures in 2005 totalled $34 million compared with $19 million in 2004. A shallow gas exploration program returned positive preliminary results, and a follow-up program is planned for 2006 to determine the economic potential as a replacement for diesel fuel used for power generation.

Zinc sales in 2005 were 18% lower than the year before as above-normal sales volumes in 2004 resulted in lower opening inventories at the beginning of 2005.

Despite lower sales volumes, operating profit increased to $325 million from $207 million in 2004, primarily due to higher zinc and lead prices.

The lead concentrate produced by Red Dog contains significant amounts of silver. In 2005, Red Dog received by-product revenues for 1.97 million ounces of silver, net of treatment charges, as part of the sales proceeds of lead concentrates. Similar amounts of silver contained in lead concentrates are expected in 2006. Production in 2006 is estimated to be 574,000 tonnes (1.26 billion pounds) of zinc and 108,000 tonnes (238 million pounds) of lead. Capital expenditures for 2006 are planned at $31 million, including $9 million for infrastructure, $7 million for process improvements and $15 million for sustaining capital.

Red Dog Mine, Alaska, U.S.A.

100%	2005	2004	2003
Tonnes milled (000's)	**3,087**	2,948	3,154
Zinc grade (%)	**21.7**	22.0	21.7
Lead grade (%)	**5.6**	6.0	6.2
Zinc recovery (%)	**84.9**	85.6	84.6
Lead recovery (%)	**59.0**	65.9	63.8
Zinc production (000's tonnes)	**568.0**	554.2	579.3
Zinc sales (000's tonnes)	**544.8**	661.2	566.5
Lead production (000's tonnes)	**102.3**	117.0	124.9
Lead sales (000's tonnes)	**105.0**	126.8	124.4
Capital expenditures ($ millions)	**34**	19	7
Operating profit ($ millions)	**325**	207	42

Pursuant to a royalty agreement with NANA Regional Corporation Inc., the company pays NANA an annual advance royalty equal to the greater of 4.5% of Red Dog mine's net smelter return or US$1 million. After the company recovers certain capital expenditures including an interest factor, the company will pay to NANA a 25% net proceeds of production royalty from the Red Dog mine, increasing in 5% increments every fifth year to a maximum of 50%. Advance royalties previously paid will be recoverable against the 25% royalty on net proceeds of production. As at December 31, 2005, the amount of unrecovered capital expenditures including interest was US$621 million and the cumulative amount of advance royalties paid was US$114 million. The date on which the 25% net proceeds of production royalty will become payable to NANA will depend on a number of factors, including future zinc and lead prices, capital expenditures and the cumulative amount of advance royalty payments. The company estimates that payment of the 25% royalty could commence in 2010 assuming metal prices and capital expenditure levels are consistent with those in 2005.

Red Dog open pit – Alaska.

Pend Oreille (100%)

The Pend Oreille mine, located in northeastern Washington State, provides zinc and lead concentrates to the Trail smelter 80 km north of the mine in British Columbia. In 2005, production totalled 45,000 tonnes of zinc and 8,000 tonnes of lead in concentrates. Production in 2006 is estimated to be at similar levels. Development of an access ramp to the north end of the reserve is now complete, and exploration in the immediate vicinity of the mine will continue in 2006.

Operating profit improved to $2 million in 2005 compared with a $4 million operating loss in 2004 as a result of increased production and higher metal prices.

Coal

Cheviot coal mine – Alberta.

Elk Valley Coal Partnership (39%)

Elk Valley Coal operates five metallurgical coal mines in southeastern British Columbia and one in west central Alberta. Elk Valley Coal is the second largest seaborne exporter of metallurgical coal in the world. Expansion initiatives were completed in 2005 to increase the combined annual production capacity of the six operations to 28 million tonnes. Teck Cominco holds a 39% (40% on April 1, 2006) partnership interest in Elk Valley Coal and a 5.3% indirect interest through its investment in Fording Canadian Coal Trust.

Decisions were made in 2004 to proceed with the development of the Cheviot pit at Cardinal River and to proceed with expansion plans at the Fording River and Elkview operations.

Total expenditures in 2005 on these three projects were $131 million. The Fording River expansion and the development of the Cheviot pit at Cardinal River were completed in 2005, and the capacity addition work at Elkview is expected to be completed in 2007.

In August 2005, Elk Valley Coal finalized an agreement with POSCO and Nippon Steel Corporation that provided for ten-year sales contracts, with annual sales tonnage increasing from 4.9 million tonnes in the 2005 coal year to 6.3 million tonnes by the 2007 coal year. In addition, POSCO and Nippon Steel each contributed US$25 million to acquire a 2.5% equity interest in Elkview. The proceeds of the sale of the equity interest are being utilized to fund the equipment purchases required to expand annual production capacity to 7 million tonnes.

Coal Operations, B.C. and Alberta, Canada

100%	2005	2004	2003
Coal production (000's tonnes)			
Elk Valley Coal	**25,679**	24,889	18,406
Elkview	**–**	–	824
Bullmoose	**–**	–	479
Coal sales (000's tonnes)	**24,124**	25,004	22,566
Operating expenses (Cdn$/tonne)			
Cost of products sold	**32**	26	28
Transportation and other	**35**	29	25
Capital expenditures *(Note)* ($ millions)	**64**	43	15
Company's share of operating profit ($ millions)	**512**	125	91

Note: Sustaining capital expenditures exclude expansion capacity costs.

Additional waste stripping, which is required for sustaining a higher production rate, began in 2005 and is expected to continue into 2007.

A letter of intent was signed with JFE Steel Corporation on a ten-year coal sales contract to increase its annual tonnage to 2.5 million tonnes. The JFE contract is expected to be finalized in early 2006.

Coal sales by Elk Valley Coal declined slightly from the 2004 level to 24.1 million tonnes in 2005 despite the strong coal market fundamentals. The decrease was due mainly to a buildup of inventories caused by the deferral of shipments by several customers in the year. Despite the reduced sales level, the significantly higher coal prices led to a $387 million increase in Teck Cominco's share of Elk Valley Coal's operating profit, to $512 million from $125 million in 2004. The positive effect of the high coal prices was partially offset by higher production and transportation costs. Higher prices for repair parts and fuel and longer waste haul distances led to increased site costs. Higher rail rates in a new five-year rail contract with CP Rail and port rates partially linked to coal pricing led to significant increases in transportation costs.

A new four-year collective agreement at the Line Creek operation was reached and ratified in January 2006. The collective agreement at the Elkview mine expired at the end of October 2005 and negotiations are ongoing. The collective agreement at Fording River operations expires in April 2006.

Elk Valley Coal has requested a review of the loading rate under its contract with Westshore Terminals for the Elkview operations effective April 1, 2005. The contract provides that if the parties cannot agree on an appropriate rate, the matter will be resolved by arbitration. Arbitration is scheduled to take place in the second quarter of 2006.

Clifford Dortman, Shovel Operator – Elk Valley Coal, BC.

Copper

One of the five primary SAG mills – Highland Valley Copper, BC.

Highland Valley Copper (97.5%)

The Highland Valley mine, located in south central British Columbia, is one of the world's largest-tonnage copper mining and milling complexes.

Mill throughput exceeded 50 million tonnes for the second consecutive year as the operation achieved a record average throughput of 138,800 tonnes per day in 2005. Copper production totalled 179,000 tonnes (395 million pounds) and molybdenum production was 6.3 million pounds. Some ore from the closed Highmont mine was processed, beginning in October 2005. The Highmont ore has a higher molybdenum grade and a lower copper grade relative to ores from the Valley and Lornex pits and is economic at current metal prices.

Operating profit increased to a record $613 million from $431 million in 2004 due to higher metal prices and a 19% increase in copper sales volumes, despite a 36% drop in molybdenum sales.

Production in 2006 is estimated to be 178,000 tonnes (392 million pounds) of copper and 3.5 million pounds of molybdenum due to declining molybdenum grades. Capital expenditures for 2006 are planned at $65 million, including $43 million for new mine equipment, $9 million for the Valley pit crusher and conveyor relocation, and $13 million of sustaining capital expenditures. The current three-year agreement with the United Steelworkers of America will expire in September 2006.

The Highland Valley Copper mine is proceeding with an extension of the mine life by five years to 2013. Capital costs for the project are approximately $40 million. In addition, there will be stripping costs on the push-back of the Valley pit wall estimated to be $150 million in the four-year period from 2006 to 2009. These costs will be deferred and amortized over the extension period. Approximately 85% of the waste for the Valley pit expansion will be removed by the end of 2009, and the average strip ratio for the remaining mine life after 2009 is estimated to be 0.15 to 1. During the transition period, the mine strip ratio will increase and copper production will decline to approximately 120,000 tonnes per year in 2008 and 2009. Annual copper production for the four years following 2009 is estimated to average 165,000 tonnes per year.

Highland Valley Copper Mine, B.C., Canada

100%	2005	2004	2003
Tonnes milled (000's)	**50,666**	50,623	49,030
Copper grade (%)	**0.398**	0.384	0.393
Copper recovery (%)	**88.8**	87.7	88.5
Copper production (000's tonnes)	**179.0**	170.3	170.4
Copper sales (000's tonnes)	**185.8**	156.1	168.7
Molybdenum production (million lb)	**6.3**	10.7	7.3
Molybdenum sales (million lb)	**6.9**	10.8	7.0
Capital expenditures ($ millions)	**10**	4	7
Operating profit ($ millions) *(Note)*	**613**	431	56

Note: Commencing March 1, 2004, the company increased its interest to 97.5% and consolidated 100% of the mine's operating profit with a 2.5% minority interest. Operating profits in 2003 and the first two months of 2004 represent the company's 64% interest in the mine.

Antamina (22.5%)

The Antamina mine, located in the north central Peruvian Andes, is a joint venture between Teck Cominco (22.5%), BHP Billiton (33.75%), Falconbridge (33.75%) and Mitsubishi (10%). Production in 2005 was 375,000 tonnes (826 million pounds) of copper, 184,000 tonnes (406 million pounds) of zinc and 15 million pounds of molybdenum. The molybdenum flotation circuit capacity was increased and optimized in early 2005, resulting in significantly improved recoveries. A revised reserve and resource estimate was completed in mid-2005 based on 142,000 metres of drilling, which significantly improved local predictive capabilities but did not substantially change previously reported global reserve and resource estimates.

Antamina is subject to Peruvian regulated workers' participation, which is calculated at 8% of taxable earnings. In addition, 50% of Antamina's corporate taxes are mandated to be spent on local community projects. High commodity prices have resulted in payouts, which significantly increase workers' annual earnings and fund significant community projects.

The company's share of operating profit improved to $384 million compared with $184 million for 2004 as a result of higher metal prices and molybdenum sales.

Mill throughput in 2006 is planned to be 31 million tonnes producing 386,000 tonnes (852 million pounds) of copper, 164,000 tonnes (361 million pounds) of zinc and 18 million pounds of molybdenum. Planned capital expenditures are expected to be $69 million in 2006.

Antamina copper, zinc mine – Peru.

On the acquisition of the company's interest in the Antamina mine, the company granted the vendor a net profits royalty equivalent to 7.4% of the company's share of project cash flow after recovery of capital costs and an interest factor. As at December 31, 2005, the balance of the company's share of unrecovered project costs and interest was US$44 million, and the company estimates that the royalty will become payable in the first half of 2006.

Antamina Mine, Ancash, Peru

100%	2005	2004	2003
Tonnes milled (000's)	**30,344**	31,255	26,412
Copper grade (%)	**1.35**	1.34	1.19
Zinc grade (%)	**0.92**	0.97	1.86
Copper recovery (%)	**90.3**	87.3	80.9
Zinc recovery (%)	**82.7**	73.8	78.9
Copper production (000's tonnes)	**374.6**	362.1	252.4
Copper sales (000's tonnes)	**384.1**	341.3	260.8
Zinc production (000's tonnes)	**184.3**	190.1	362.7
Zinc sales (000's tonnes)	**190.5**	181.5	349.7
Molybdenum production (million lb)	**14.8**	7.9	1.2
Molybdenum sales (million lb)	**16.1**	4.0	1.6
Capital expenditures ($ millions)	**62**	39	51
Company's share (22.5%) of operating profit ($ millions)	**384**	184	26
Equity earnings (22.5%) ($ millions)	–	–	10

Gold

Underground at the Hemlo mines – Ontario.

Hemlo Mines (50%)

Teck Cominco has a 50% interest in the Williams and David Bell gold mines, located in northwestern Ontario approximately 350 km east of Thunder Bay. The mines are jointly operated by Teck Cominco Limited and Barrick Gold Corporation.

Teck Cominco's share of gold production was 230,000 ounces, or 7% below the previous year. The underground mine at Williams continues to go through significant transition as a greater percentage of production is being mined with Alimak methods, which require longer lead times for development. Underground access to and extraction of high-grade stopes at the David Bell mine continues to be restricted due to ground problems.

Teck Cominco's share of operating profit was $9 million in 2005, significantly lower than 2004 due mainly to lower production and higher operating costs. A weaker US dollar partially offset the impact of stronger US dollar gold prices. Hemlo gold production in 2006 is expected to be slightly higher than 2005 levels as the transition to Alimak mining at Williams improves ore availability. Ore grades are anticipated to remain similar for another two years, after which time they are expected to decline as the underground ores are depleted, which will put heavier reliance on the lower grade open pit. Based on current reserves, the David Bell mine is scheduled to close in 2009 and the Williams mine in 2011.

Exploration is focused on extending resources to the east and west and beneath current reserves. Exploration and resource conversion will remain the key focus areas for the property over the next several years.

Hemlo Mines, Ontario, Canada

100%	2005	2004	2003
Tonnes milled (000's)	**3,503**	3,662	3,576
Grade (grams/tonne)	**4.4**	4.5	4.9
Mill recovery (%)	**93.7**	94.0	95.0
Production (000's oz)	**460**	495	536
Cash operating cost per oz (US$)	**336**	266	239
Capital expenditures ($ millions)	**15**	27	28
Company's share (50%) of operating profit ($ millions)	**9**	32	30

Pogo Gold Mine (40%)

The Pogo gold mine is located 145 km southeast of Fairbanks, Alaska. It is a joint venture with Sumitomo Metal Mining Co. Ltd. (51%) and Sumitomo Corporation of Japan (9%). Teck Cominco has a 40% interest in the mine and is the operator.

The Pogo deposit was discovered in 1994 by the Sumitomo companies. In 1997, Teck Cominco secured its interest by signing a joint venture agreement that required funding the feasibility study and the initial development capital. After obtaining all key environmental permits in early 2004, construction of a 2,500 tons per day underground mine and mill started. Construction is substantially complete and the first feed was introduced to the mill in January 2006. This was two months ahead of schedule and was the culmination of an 11-year process from discovery, data gathering, permitting, design and construction. Site access required construction of an 80-km all-weather access road. Infrastructure for the project included an 80-km 138kV power transmission line, permanent camp for 200 people, gold processing facilities, water treatment plant and paste backfill plant/dry-stack tailings facility.

Annual gold production of 350,000 to 500,000 ounces is expected over the 10-year life of the project.

Production in 2006 is scheduled to be more than 400,000 ounces. Ramp-up of production will take place over the next few months, with full production expected by mid-year. The final construction cost for the project is estimated to be US$347 million.

Exploration work on the property was restarted in 2005. Drilling on the Chorizo prospect, located 12 km from the existing infrastructure on the eastern side of the property, resulted in the discovery of a new mineralized quartz vein. Additional drilling is planned in 2006.

Surface facilities at Pogo gold mine – Alaska.

Indium is a critical component of flat-screen TVs. In 2006, we will expand our annual production capacity from 45 to 75 tonnes.

Robert McLean
Refining Operator
Trail, BC

Value of Excellence

Smelting and Refining

Trail (100%)

The metallurgical operations at Trail, British Columbia, constitute one of the world's largest fully integrated zinc and lead smelting and refining complexes. The facility produces a variety of other metal, chemical and fertilizer products.

Refined zinc production of 223,000 tonnes in 2005 was 25% lower than the previous year as a result of the interruption caused by the 79-day strike that began on July 19, 2005. The strike ended on October 5, 2005, when the unions ratified the terms of a new collective agreement covering the three-year period from June 1, 2005, to May 31, 2008. Following the start-up in October, refined zinc production averaged 26,000 tonnes per month in November and December.

Refined lead production in 2005, at 69,000 tonnes, was impacted by both the scheduled 39-day lead smelter shutdown early in the year and the strike. These production disruptions were partially offset by improved operational performance. No major shutdowns are scheduled for 2006.

Indium production was also affected by the strike, with 33,000 kg produced in 2005 compared with 42,000 kg in 2004. Despite the production disruption caused by the strike, Trail's profit from metal operations of $80 million in 2005 was only 18% lower than the previous year due to higher metal prices and increased profitability from specialty metals. In 2006, Trail is expected to produce 295,000 tonnes of zinc, 95,000 tonnes of lead, 20 million ounces of silver and 52,000 kg of indium. Capital expenditures in 2006 are planned to be $37 million.

Indium production has traditionally been limited by high levels of tin in Bolivian concentrates, one of Trail's primary sources of indium. Tin causes metallurgical problems in the lead smelter, and a $9 million tin removal process in the drossing plant will be commissioned in the second quarter of 2006. This will increase indium production capacity to over 75,000 kg per year, though actual production will be restricted by the ability to acquire indium-bearing concentrates.

Trevor Allegretto, Environmental Technician, and Joanna Fraser – Trail, BC.

In February 2006, Trail began processing electronic scrap under a one-year permit to eventually recycle 20,000 tonnes of this waste material annually. The process addresses the critical social and environmental issue of electronic waste while providing Trail operations with a business opportunity that is independent of the metal price cycle.

Trail Smelting and Refining, B.C., Canada

100%	2005	2004	2003
Zinc production (tonnes)	**223,200**	296,000	283,100
Lead production (tonnes)	**68,600**	84,300	87,800
Zinc sales (tonnes)	**228,300**	295,500	288,400
Lead sales (tonnes)	**64,900**	82,100	83,700
Silver production (000's oz)	**15,100**	19,700	18,300
Indium production (kilograms)	**32,500**	41,800	36,100
Capital expenditures ($ millions)	**34**	24	40
Surplus power sold (gigawatt hrs)	**1,278**	957	769
Power price (US$/megawatt hr)	**58**	44	39
Operating profit (loss) ($ millions)			
Metal operations	**80**	98	(2)
Power sales	**69**	37	26

Walter Kutzner, a FortisBC Inc. Welder – Waneta Dam, BC.

Trail Power (100%)

Teck Cominco owns the Waneta hydroelectric dam, built in 1954 and located 10 km south of Trail, close to the border with the United States. The company also owns a 15-km transmission line from Waneta to the United States power distribution system. The Waneta Dam is one of several hydroelectric generating plants in the region. The operation of these plants is coordinated through contractual arrangements under which Teck Cominco receives approximately 2,690 GW.h per year of power, regardless of the water flow available for power generation.

Operating profit of $69 million in 2005 was significantly higher than $37 million earned in 2004 due to higher power prices, as well as increased sales volumes as a result of the metal operations being shut down during the strike. Surplus power sales in 2006 are expected to be approximately 950 GW.h. Planned capital expenditures for 2006 are $33 million to complete and install the fourth upgraded generator unit at Waneta Dam as well as to replace substations and other dam infrastructure.

Oil Sands Project

Fort Hills (15%)

In November 2005 the company acquired a 15% interest in the Fort Hills Energy Limited Partnership, which is developing the Fort Hills oil sands project in northern Alberta. The acquisition price will be satisfied by the company contributing $850 million (34%) of the first $2.5 billion of project expenditures and its 15% share thereafter. The project is owned 55% by Petro-Canada, 30% by UTS Energy Corporation, and 15% by Teck Cominco. Petro-Canada became a partner in the project in March 2005 and is the project operator.

The project will consist of an open-pit truck-shovel operation, bitumen extraction-froth treatment plant and an upgrader. An upgrader will be built in Sturgeon County, northeast of Edmonton, Alberta, to treat the recovered bitumen and produce a synthetic crude oil that will be marketed to oil refineries in North America.

Preliminary concept screening and selection work was carried out in 2005, with feasibility level engineering studies planned for 2006/2007. The engineering studies will be in sufficient detail to receive the partners' approval to proceed with detailed engineering and construction in late 2007. An Environmental Impact Assessment, which is expected to be complete by November 2006, has begun for the permitting of the upgrader portion of the project.

The project budget in 2006 is estimated to be $260 million, in addition to $60 million incurred in February 2006 to acquire additional leases. The company's 34% share of forecast 2006 expenditures is $109 million.

Mining to support pilot work at the Fort Hills oil sands project – Alberta.

Establishing strong relationships is a cornerstone of our success.

Richard Mundie
Vice President,
Asian Affairs, and Chief
Representative China,
Beijing, China

Value of Relationships

Markets

Commodities in General

Teck Cominco's principal products are copper, metallurgical coal and zinc, accounting for 27%, 27% and 21% of revenues respectively in 2005. Molybdenum is a significant by-product of the company's copper operations that accounted for 7% of revenue in 2005. The company also produces gold, lead, indium and germanium. The latter three are by-products of our zinc mining and refining business, and revenues from these products are included in the zinc segment.

Demand for all our major products increased in 2005, with strong global economic growth led by China. As the following charts illustrate, inventories for copper and zinc have declined as prices have strengthened.

If current trends in global economic conditions continue, we expect that prices of our principal products will remain strong over the medium term, with periods of price volatility. Our assessment of market dynamics suggests that economic growth and production capacity in China will continue to be a major factor influencing global supply and demand for commodities.

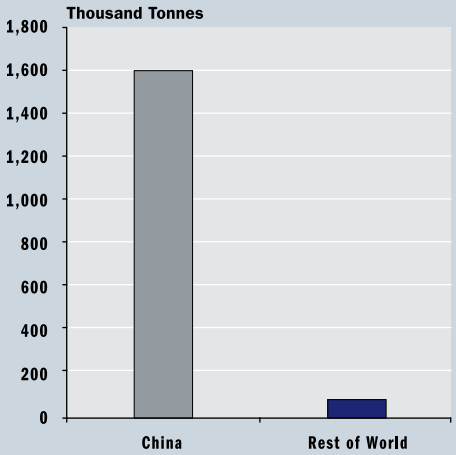
Zinc

In 2005, global zinc consumption was approximately 11 million tonnes, or 24 billion pounds. As with other commodities, escalating consumption in China has been a major factor in the increased demand for zinc. China is a significant producer of mined and refined zinc, and was a net exporter of the metal until 2004. That fact, coupled with significant new zinc production from the Red Dog mine expansion, the Antamina mine in Peru and the Century mine in Australia, contributed to excessive zinc inventories, which peaked in 2004 before beginning to decline sharply.

These circumstances contributed to recovery in the price of zinc lagging behind copper and other metals. The zinc price rallied late in the year and averaged US$0.63 per pound in 2005, compared with US$0.48 per pound the previous year.

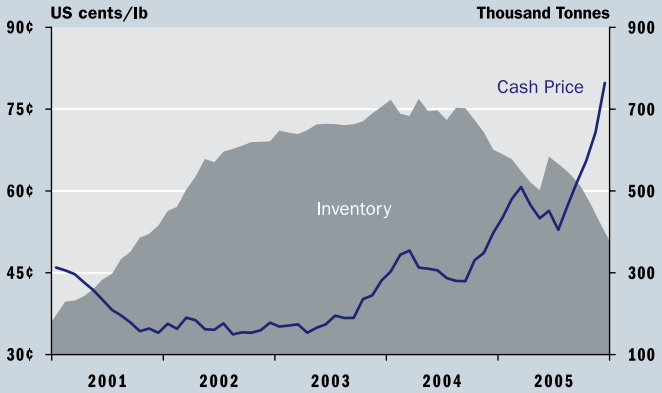
Currently there is a shortage in supply of zinc concentrates, which has led to reduced refined metal production and closures at some zinc refineries. With no significant new concentrate supplies identified over the near term and strong demand expected to continue, it is anticipated that supplies will remain tight through 2006.

Absolute Growth in Consumption 2000 to 2005 for Zinc



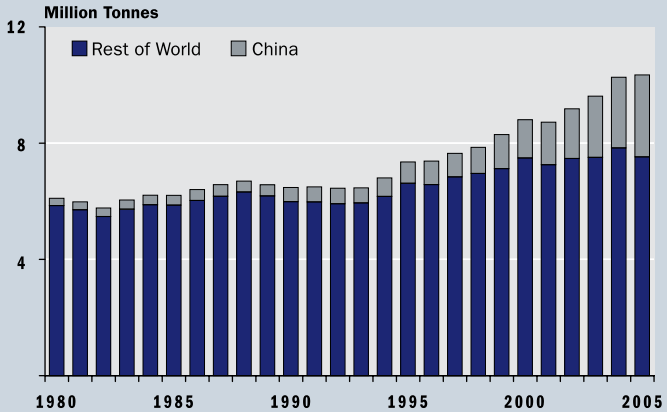
Source: ILZSG, CHR Metals

Zinc Price and Inventory (LME)



Source: London Metal Exchange (LME)

Global Demand for Zinc



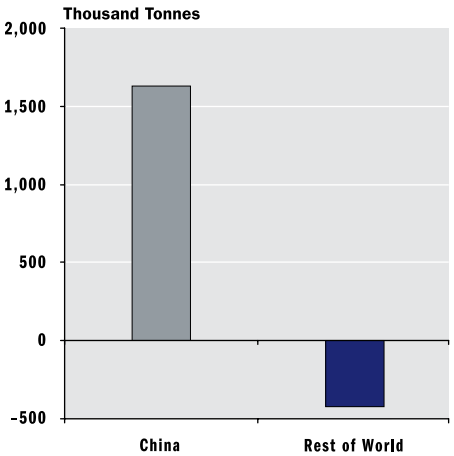
Source: International Lead & Zinc Study Group (ILZSG)

Copper

Current global consumption of copper is approximately 17 million tonnes per year, or 37 billion pounds. China presently accounts for approximately 22% of refined copper consumption and is the primary source of demand growth for copper. In 2005, the London Metal Exchange copper price averaged US$1.67 per pound, up 28% from the average price of US$1.30 per pound in 2004.

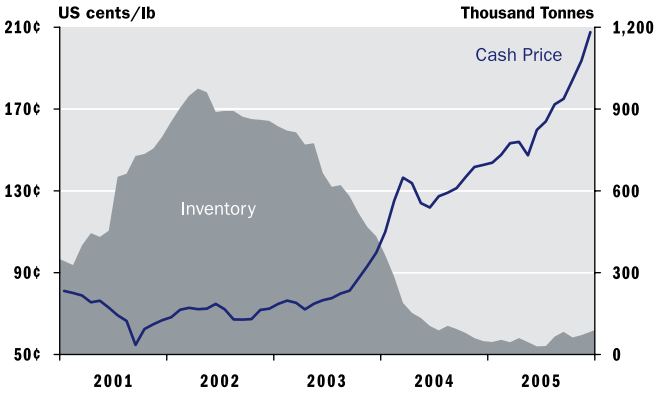
Global copper mine production rose by approximately 400,000 tonnes (2.5% of demand) in 2005 and is expected to increase by a further 650,000 tonnes in 2006. Even with increased production in 2005, inventories remained at historically low levels and the price of copper strengthened throughout the year. In 2006, it is anticipated that price volatility will continue, with prices expected to moderate as new supply becomes available and inventories increase.

Absolute Growth in Consumption 2000 to 2005 for Copper



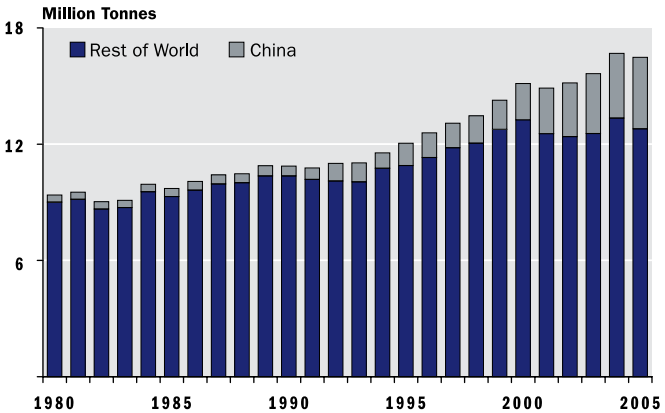
Source: ICSG, CHR Metals

Copper Price and Inventory (LME)



Source: London Metal Exchange (LME)

Global Demand for Copper



Source: International Copper Study Group (ICSG)

Coal

Teck Cominco is a major producer of metallurgical coal through its interest in the Elk Valley Coal Partnership. Unlike most major metals, which are priced on a daily basis through metal exchanges, the price for the majority of metallurgical coal sales is settled through annual negotiations with buyers in the steel industry for the "coal year" running from April 1 to March 31. For the 2005 coal year, strong global demand combined with limited supply resulted in the price for hard coking being set at US$125 per tonne, up from US$53 per tonne the previous year. Although Elk Valley Coal mines other types of coal, it is predominantly a producer of hard coking coal, resulting in a blended average price of US$122 per tonne for the 2005 coal year. The combination of 2004 and 2005 coal year prices resulted in an average price of US$99 per tonne for the 2005 calendar year.

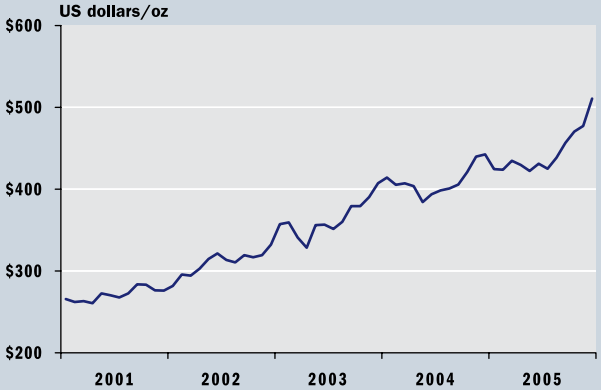
The relatively tight market for hard coking coal has eased over the course of 2005. While 2006 contract prices are expected to remain strong relative to historical levels of the last decade, volumes are still uncertain.

Gold

In 2005, the price of gold averaged US$445 per ounce and ended the year at US$513 per ounce. Gold prices have rallied from prices below US$300 per ounce in 2001 to their current level due to a combination of factors: the 1999 Washington Agreement of Central Banks to limit gold sales, producers relying more on current market prices and less on fixed price contracts, limited new production, weakness of the US dollar and increasing demand from investors.

It is anticipated that gold prices in 2006 will continue to be influenced by concerns over the strength of the US dollar and investors' preference to hold gold as a monetary asset.

Gold Average Price (London P.M. Fix)



Source: London Bullion Market Association (LBMA)

Other Products

Teck Cominco produces molybdenum as a by-product from its copper mine at Highland Valley and through its interest in the Antamina copper, zinc mine. Molybdenum is used in alloyed steel fabrication. High demand in 2005 resulted in an average price of US$32 per pound for the year. However, because it is a by-product that may be produced at a number of copper mines throughout the world, the supply-side response to increased demand during the year resulted in a decline in price to US$25 per pound by year-end. Additional molybdenum roaster capacity is expected to result in continued downward pressure on prices in 2006.

Teck Cominco's Trail refinery is a large producer of indium, which is a key component of coated glass used in thin-screen televisions and flat-panel computer monitors. Production in 2005 amounted to 32,500 kilograms. The 2005 price for indium averaged US$991 per kilogram compared with US$625 in 2004. The outlook for indium remains positive as demand growth is expected to continue.

Financial Review

Net earnings for the year ended December 31, 2005, were $1.3 billion, or $6.62 per share, compared with net earnings of $617 million or $3.18 per share in 2004, and net earnings of $134 million or $0.71 per share in 2003.

Net earnings in 2005 included a number of non-recurring items, including favourable tax adjustments of $94 million and gains on the sale of investments and assets which totalled $65 million on an after-tax basis. Net earnings in 2004 were net of a $52 million after-tax loss from a writedown of an investment in Sons of Gwalia Limited, while net earnings in 2003 included an after-tax gain of $41 million on the sale of assets.

The significantly higher earnings in 2005 and in 2004 compared with the previous year were both due to rising commodity prices, with prices of copper, zinc, lead, molybdenum, gold and coal surpassing the averages of the previous year. These average commodity prices and US dollar exchange rates are presented in the table on page 35. Partially offsetting the effect of higher metal prices was a weaker US dollar. The company's realized Canadian/US dollar exchange rate including hedging gains was 1.23 in 2005, compared with 1.32 in 2004 and 1.45 in 2003.

In addition to higher commodity prices, 2005 net earnings benefited from a 21% increase in copper sales volumes over 2004 due to higher production and a drawdown of inventory. Coal sales volumes in 2005 were similar to 2004, while zinc sales volumes decreased from 2004, when sales were significantly higher because of a drawdown in inventory and customers taking early deliveries. The reduction in zinc sales volumes, however, was more than offset by the significantly higher prices.

Compared with 2003, the 2004 net earnings benefited from a 5% and 27% increase in zinc and copper sales volumes respectively, as well as a 128% increase in molybdenum sales. The higher production and sales from Highland Valley Copper were mainly a result of acquiring an additional 34% interest in the mine in March 2004. The higher molybdenum sales were due to higher ore grades and mill recovery improvements at Highland Valley Copper.

Cash flow from operations in 2005, before changes to non-cash working capital items, was $1.7 billion, compared with $1.1 billion in 2004 and $314 million in 2003. The significant increase in cash flow from operations in the last two years was due mainly to rising commodity prices, partially offset by the effect of a weaker US dollar. In 2005, there were substantial increases in operating profits from zinc, copper and coal operations. In 2004, the most significant increases came from copper and zinc operations, driven by price increases for copper, zinc and by-products.

Financial Data

($ millions, except per share data)	**2005**	**2004**	**2003**
Earnings and Cash Flow			
Net earnings	**$ 1,345**	$ 617	$ 134
Cash flow from operations	**$ 1,670**	$ 1,143	$ 314
Earnings per share	**$ 6.62**	$ 3.18	$ 0.71
Diluted earnings per share	**$ 6.22**	$ 2.99	$ 0.68
Dividends (declared) per share	**$ 0.80**	$ 0.30	$ 0.20
Capital expenditures	**$ 326**	$ 216	$ 158
Investments	**$ 220**	$ 132	$ 297
Balance Sheet			
Total assets	**$ 8,809**	$ 6,059	$ 5,375
Long-term debt	**$ 1,508**	$ 627	$ 1,045

At December 31, 2005, the company had a cash balance of $3.1 billion against debt of $1.7 billion. The company's long-term debt to debt-plus-equity ratio was 28%, compared with 17% at the end of 2004.

Revenues

Revenues are affected by sales volumes, commodity prices and currency exchange rates. Comparative data for each operation on production and sales as well as revenues and operating profits are presented in the tables on pages 36 and 37.

Revenues from operations were $4.4 billion in 2005, compared with $3.4 billion in 2004 and $2.2 billion in 2003. Major revenue increases in 2005 over 2004 included approximately $466 million from copper and molybdenum sales and $528 million from coal operations.

The significant increase in revenues in 2004 over 2003 was due to higher commodity prices, higher coal sales volumes, the purchase of an additional 34% interest in Highland Valley Copper in the first quarter of 2004 and the change-over from equity accounting to consolidation of Antamina results on July 1, 2003.

Average Metal Prices and Exchange Rate

	2005	2004	2003
Zinc (LME Cash – US$/pound)	**0.63**	0.48	0.38
Copper (LME Cash – US$/pound)	**1.67**	1.30	0.81
Lead (LME Cash – US$/pound)	**0.44**	0.40	0.23
Molybdenum (realized – US$/pound)	**26**	17	4
Gold (LME PM fix – US$/ounce)	**445**	409	363
Coal (realized – US$/tonne)	**99**	52	45
Canadian/US$ exchange rate (Bank of Canada)	**1.21**	1.30	1.40

Costs and Expenses

General, administration and marketing expense was $89 million in 2005, compared with $68 million in 2004 and $55 million in 2003. The majority of the 2005 increase over 2004 related to stock-based compensation expense due to the appreciation in the company's share price.

Interest expense of $69 million in 2005 was $8 million higher than the previous year due mainly to the company's US$1.0 billion bond issue in September. Interest expense of $61 million in 2004 was lower than $65 million in 2003 due mainly to declining debt balances and a more favourable US dollar exchange rate.

Exploration expense was $70 million in 2005, compared with $42 million in 2004 and $30 million in 2003. The higher exploration expense is a reflection of the company's increased commitment to exploration. Exploration expense of $70 million in 2005 included $45 million or 64% of total expenditures on gold and copper projects, $17 million on nickel and poly-metallic projects and $8 million on diamond projects. Of the total expenditures, approximately 16% was spent in Canada, 14% in the United States and 27% in Australia, with the remaining expenditures incurred mostly in Brazil, Chile, Mexico and Peru.

Other income, net of miscellaneous expenses, of $155 million included income from the company's interest in the Fording Canadian Coal Trust of $76 million and gains on sale of investments of $58 million. Interest income increased to $56 million due to higher cash balances, which included the proceeds of the US$1.0 billion of bonds issued in the third quarter of 2005. Other expenses included $29 million of losses on commodity forward sales and $24 million in additional reclamation provisions on closed properties.

The provision for income and resource taxes of $575 million in 2005 included non-recurring favourable adjustments of $94 million to future tax liabilities as certain provisions for future taxes were no longer considered necessary. The composite tax rate, excluding the effect of these non-recurring adjustments, was 35%. Included in the provision for income and resource taxes are provincial mineral taxes on mining income earned in Canada, which is taxed at rates between 9% and 13%, partially offset by depletion allowances. The reconciliation of the tax provision to the statutory rates is presented in Note 19(b) of the financial statements.

Production and Sales Statistics *(Note 1)*

		Production			Sales		
Years ended December 31		**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
TRAIL OPERATIONS							
Refined Zinc *(thousand tonnes)*		**223**	296	283	**228**	296	288
Refined Lead *(thousand tonnes)*		**69**	84	88	**65**	82	84
Surplus Power *(GW.h)*		**–**	–	–	**1,278**	957	769
MINE OPERATIONS *(Note 2)*							
Zinc	Red Dog	**568**	554	579	**545**	651	567
(thousand tonnes)	Antamina	**41**	43	82	**43**	41	79
	Pend Oreille	**45**	17	–	**44**	17	–
	Other	**3**	5	4	**3**	5	36
		657	619	665	**635**	714	682
Copper	Highland Valley Copper *(Note 3)*	**175**	158	109	**181**	140	108
(thousand tonnes)	Antamina	**84**	82	57	**87**	77	59
	Louvicourt	**4**	8	10	**4**	8	10
		263	248	176	**272**	225	177
Lead	Red Dog	**102**	117	125	**105**	127	124
(thousand tonnes)	Pend Oreille	**8**	2	–	**8**	3	–
	Polaris	**–**	–	–	**–**	–	7
		110	119	125	**113**	130	131
Molybdenum	Highland Valley Copper	**6,149**	9,853	4,672	**6,682**	10,130	4,481
(thousand pounds)	Antamina	**3,333**	1,778	262	**3,628**	903	361
		9,482	11,631	4,934	**10,310**	11,033	4,842
Gold	Hemlo	**230**	247	268	**230**	246	268
(thousand ounces)	Other	**15**	14	13	**12**	13	13
		245	261	281	**242**	259	281
Coal	Elk Valley Coal *(Note 4)*	**9,948**	9,277	6,442	**9,352**	9,333	7,254
(thousand tonnes)	Elkview and Bullmoose	**–**	–	1,116	**–**	–	1,500
		9,948	9,277	7,558	**9,352**	9,333	8,754

Notes:

(1) The above production and sales volumes refer to the company's share.

(2) Production and sales volumes of base metal mines refer to metals contained in concentrate.

(3) The company owns 97.5% of Highland Valley Copper since March 1, 2004, and owned 63.9% prior to that date.

(4) Results of the Elk Valley Coal Partnership represent the company's 39% direct interest in the Partnership commencing April 1, 2005, 38% from April 1, 2004 to March 31, 2005 and 35% prior to April 1, 2004. Effective April 1, 2006, the company's direct interest will be 40%.

Operating Profit, Revenue and Depreciation

($ in millions)	Operating Profit			Revenue			Depreciation and Amortization		
	2005	**2004**	**2003**	**2005**	**2004**	**2003**	**2005**	**2004**	**2003**
Zinc									
Trail (including power sales)	**$ 149**	$ 135	$ 24	**$ 937**	$ 1,006	$ 800	**$ 39**	$ 47	$ 46
Red Dog	**325**	207	42	**677**	626	408	**60**	68	65
Pend Oreille	**2**	(4)	–	**54**	17	–	**18**	5	–
Inter-segment sales and other	–	1	–	**(119)**	(108)	(64)	**1**	–	1
	476	339	66	**1,549**	1,541	1,144	**118**	120	112
Copper									
Highland Valley Copper *(Note 2)*	**613**	431	56	**1,021**	748	270	**60**	52	35
Antamina *(Note 3)*	**384**	184	26	**524**	318	100	**38**	41	20
Louvicourt	**12**	13	1	**21**	34	24	**3**	9	10
	1,009	628	83	**1,566**	1,100	394	**101**	102	65
Gold									
Hemlo	**9**	32	30	**127**	142	143	**21**	22	19
Coal									
Elk Valley Coal *(Note 4)*	**512**	125	73	**1,173**	645	450	**34**	31	25
Elkview and Bullmoose	–	–	18	–	–	97	–	–	2
	512	125	91	**1,173**	645	547	**34**	31	27
Total	**$ 2,006**	$ 1,124	$ 270	**$ 4,415**	$ 3,428	$ 2,228	**$ 274**	$ 275	$ 223

Notes:

(1) Operating profit and revenue are segregated by operations. Results of operations at Red Dog include sales of lead. Similarly, results of operations at Antamina include of zinc and molybdenum, and those at Highland Valley Copper include by-product molybdenum. Results of operations at Trail include by-products indium, germanium, gold, silver, fertilizers and surplus power sales.

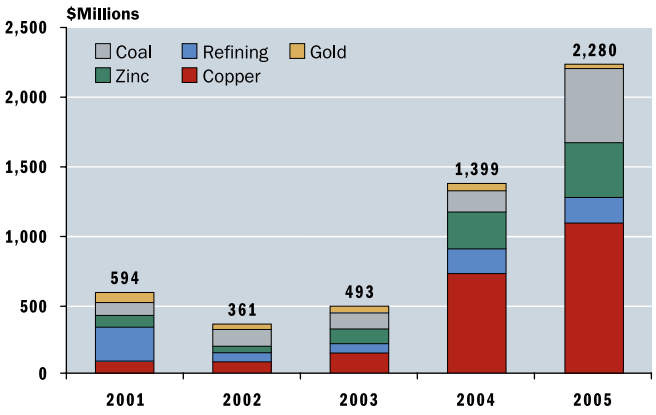
(2) Highland Valley Copper results were consolidated commencing March 1, 2004, with minority interests of 2.5%. Prior to March 1, 2004, the company had proportionately consolidated 63.9% of Highland Valley Copper.

(3) Antamina results were proportionately consolidated commencing July 1, 2003, and equity accounted prior to that date.

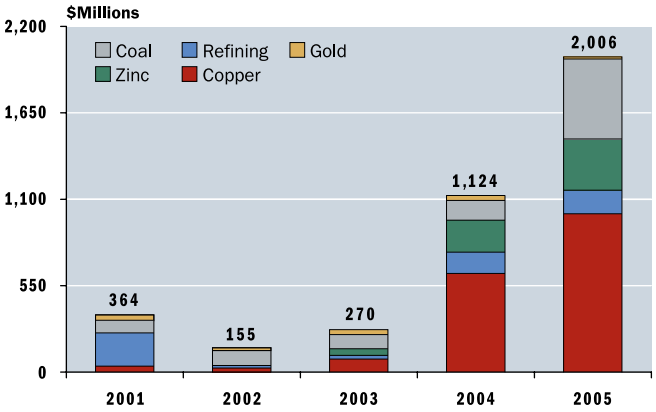
(4) Results of the Elk Valley Coal Partnership represent the company's 39% direct interest in the Partnership commencing April 1, 2005, 38% from April 1, 2004 to March 31, 2005 and 35% prior to April 1, 2004. Effective April 1, 2006, the company's direct interest will be 40%.

(5) Depreciation and amortization are deducted in calculating operating profit.

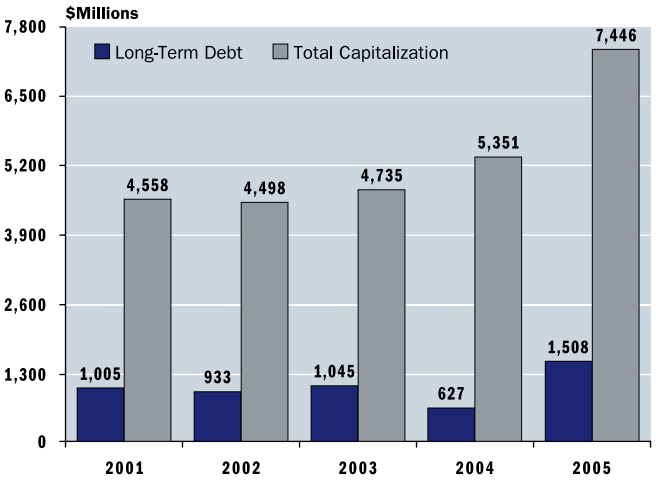
Operating Profit Before Depreciation



Operating Profit After Depreciation



Long-Term Debt & Total Capitalization



FINANCIAL POSITION AND LIQUIDITY

Operating Cash Flow

Cash flow from operations before changes to non-cash working capital items was $1.7 billion for 2005 compared with $1.1 billion a year ago, mainly as a result of the significantly higher prices for the company's main products. Operating cash flow of $1.1 billion in 2004 was higher than the $314 million in 2003 due also to rising copper and zinc prices, and the acquisition of an additional 34% interest in Highland Valley Copper in the first quarter of 2004.

Investing Activities

Capital expenditures in 2005 amounted to $326 million, with $170 million of sustaining capital expenditures and $156 million of project development expenditures. The company's share of development expenditures was $88 million on the Pogo gold mine and $51 million on the capacity expansion projects in the Elk Valley Coal Partnership. Total capital expenditures in 2004 were $216 million, including $67 million on the Pogo gold mine. Investments of $220 million in 2005 included the company's initial contribution of $17 million to the Fort Hills Energy Limited Partnership, and the balance in marketable securities.

The major investment in 2004 was the purchase of an additional 34% interest in Highland Valley Copper for $80 million. In 2003 the company invested $275 million in the Elk Valley Coal Partnership.

Major dispositions were the sale of marketable securities for $118 million in 2005, the sale of the Cajamarquilla zinc refinery in 2004 for net proceeds of $156 million and the sale of the Los Filos gold project in 2003 for net proceeds of $49 million.

Financing Activities

The company issued 10 and 30-year notes totalling US$300 million and US$700 million respectively in September 2005. Net proceeds of the issue totalled $1.2 billion. The 10-year notes have a coupon of 5.375%, and the 30-year notes have a coupon of 6.125% with interest paid semi-annually.

In 2005, repayment of long-term debt consisted of the company's share of the minimum and accelerated repayments of $95 million on the Antamina project debt. At December 31, 2005, Antamina's project debt had been reduced to US$558 million, of which the company's share was US$125 million (2004 – US$204 million). The 2004 long-term debt repayments of $124 million included total repayments of $60 million for the Antamina project debt.

In 2005, the company recorded $28 million as proceeds on the exercise of employee and director stock options. In 2004, the company issued 7.6 million Class B subordinate voting shares for $126 million: $90 million on the exercise of 5.0 million share purchase warrants, and $36 million on the exercise of employee and director stock options.

In September 2004, the company issued 7.3 million Class B subordinate voting shares on the conversion of a stated amount at maturity of US$156 million of the convertible debentures due 2006. The redemption and share issue, a non-cash transaction, was not included on the cash flow statement.

The company increased its semi-annual dividend to $0.40 per share in 2005, declaring semi-annual dividends of $81 million. The payment of the second semi-annual dividend was delayed until after year-end in light of proposed changes in tax legislation regarding dividends.

Cash Resources and Liquidity

At December 31, 2005, the company had a cash balance of $3.1 billion against debt of $1.7 billion. Long-term debt to debt-plus-equity ratio was 28%, compared with 17% at the end of 2004.

At December 31, 2005, the company had bank credit facilities aggregating $1.1 billion, 97% of which mature in 2008 and beyond. Unused credit lines under these facilities amounted to $912 million, after issuing letters of credit for $131 million.

Quarterly Earnings and Cash Flow

($ in millions, except per share information)	2005 Q4	2005 Q3	2005 Q2	2005 Q1
Revenues	$ 1,343	$ 1,150	$ 994	$ 928
Operating profit	700	560	417	329
Net earnings	510	405	225	205
Earnings per share	2.50	2.00	1.11	1.01
Cash flow from continuing operations	576	476	332	286

	2004 Q4	2004 Q3	2004 Q2	2004 Q1
Revenues	$ 1,051	$ 925	$ 777	$ 675
Operating profit	392	332	221	179
Net earnings	285	120	116	96
Earnings per share	1.42	0.62	0.60	0.51
Cash flow from continuing operations	403	329	231	180

In the fourth quarter of 2005, revenues from operations were $1.3 billion, compared with $1.1 billion in the same period a year ago. Major increases over 2004 were due to higher copper, zinc and coal prices.

Net earnings in the fourth quarter of 2005 were $510 million or $2.50 per share, compared with net earnings of $285 million or $1.42 per share in the fourth quarter of 2004.

The higher earnings in the fourth quarter of 2005 were principally the result of higher prices for the company's products. The average LME prices for copper and zinc were US$1.95 and US$0.74 per pound respectively in the quarter, up 39% and 45% from the same period a year earlier. A weaker US dollar partially offset the effect of the higher commodity prices. The company's realized Canadian/US dollar exchange rate including hedging gains was 1.19 in the fourth quarter, compared with 1.25 in the fourth quarter of 2004.

Included in fourth quarter earnings were a favourable tax adjustment of $52 million for the reduction of a future income tax liability and gains on the sale of investments of $20 million ($17 million on an after-tax basis).

Cash flow from operations, before changes to non-cash working capital items, was $576 million in the fourth quarter of 2005 compared with $403 million in the fourth quarter of 2004, with the increase due mainly to significantly higher operating profits for zinc, copper and coal operations.

OUTLOOK

Earnings and Cash Flow

The company's expected share of 2006 production volumes for its major products is as follows:

	2005 Actual	2006 Plan
Refined zinc (000's tonnes)	223	**295**
Refined lead (000's tonnes)	69	**95**
Zinc in concentrate (000's tonnes)	657	**660**
Lead in concentrate (000's tonnes)	110	**115**
Copper in concentrate (000's tonnes)	263	**260**
Molybdenum (000's pounds)	9,482	**7,400**
Gold (000's ounces)	245	**440**
Metallurgical coal (000's tonnes)*	9,948	**9,700**

* *Excluding the company's indirect interest in Elk Valley Coal Partnership through its investment in Fording Canadian Coal Trust units.*

At Trail, planned production of refined zinc and lead in 2006 is higher than 2005 levels because 2005 production was affected by the strike from July to early October. Power sales in 2006 are estimated to be 950 gigawatt hours.

Sales and profits of the Red Dog mine follow a seasonal pattern, with the highest sales volumes of zinc and most of the lead sales occurring in the last five months of the year, following the commencement of the shipping season in July. In the first two quarters of 2006, sales of zinc in concentrate are expected to be approximately 100,000 tonnes and 70,000 tonnes respectively and there will be immaterial sales of lead concentrate.

Molybdenum production at Highland Valley Copper in 2006 is expected to decrease by approximately 3 million pounds from the 2005 production level, as more ore will be processed from the Valley pit, which has a lower molybdenum content.

At Antamina, copper production in 2006 is expected to be slightly higher than the 2005 production level, while zinc production in 2006 is expected to decrease by approximately 10% due to changes to ore mix and grades.

Elk Valley Coal continues to move ahead with expansion projects that will ultimately increase its annualized production capacity to 30 million tonnes. However, Elk Valley Coal's production capacity is expected to be restricted in 2006 to approximately 24 to 25 million tonnes due to a global shortage of haulage truck tires. Elk Valley Coal anticipates this tire shortage will continue into 2007. Elk Valley Coal is currently negotiating with its customers on 2006 contract year sales prices, which will take effect on April 1, 2006.

Gold production is expected to increase by approximately 195,000 ounces from 2005 due to production from the new Pogo mine, which is expected to achieve commercial production in the second quarter of 2006.

Copper and zinc prices have strengthened in the fourth quarter, but are vulnerable to fluctuations due to changes in global economic conditions. Fluctuations in metal prices will affect the company's earnings and may result in significant settlement adjustments on outstanding settlements receivable. At December 31, 2005, outstanding settlements included 192 million pounds of copper having a carrying value of US$2.03 per pound and 205 million pounds of zinc at US$0.87 per pound. The amount of additional revenues recognized by the company as a result of settlement adjustments in respect of price increases will be reduced by price participation deductions as provided in the smelting and refinery agreements.

Any strengthening of the Canadian dollar relative to the US dollar will have a negative impact on the company's earnings, as the prices of the company's products are denominated in US dollars and a significant portion of the company's operating costs are Canadian dollar based. The US dollar weakened from an exchange rate of 1.20 to the Canadian dollar at December 31, 2004, to 1.16 at December 31, 2005.

Earnings Sensitivity

The estimated sensitivity of the company's annual earnings to changes in metal prices and US dollar exchange rate based on anticipated 2006 production is as follows:

	Change	Estimated Impact on Annual After-Tax Earnings
		(Cdn$ millions)
Zinc	US$0.01/pound	$ 10
Lead	US$0.01/pound	$ 3
Copper	US$0.01/pound	$ 4
Gold	US$10/ounce	$ 3
Coal	US$1/tonne	$ 7
Molybdenum	US$1/pound	$ 5
Power	US$10/MWh	$ 7
Cdn$/US$	Cdn$0.01	$ 17

Note: The effect on the company's earnings of commodity price movements will vary from quarter to quarter depending on sales volumes. On a quarterly basis, commodity price changes will result in price adjustments on outstanding receivables, which are not reflected in these sensitivity estimates. The impact of the US dollar exchange rate will depend on the underlying commodity prices.

The company's operations are experiencing rising production costs due to increasing prices for fuel, steel, tires, labour and maintenance parts and supplies. These rising prices, driven by increased global economic activities, are expected to continue into 2006 and affect the company's operating costs.

The composite tax rate on the company's regular earnings in 2006 is expected to increase to approximately 36% to 40%, as some of the tax losses which were available to reduce tax expense in 2005 have been fully recognized.

The company's capital expenditures are estimated to be $380 million for 2006. Planned sustaining capital expenditures for 2006 amount to $185 million, and development project costs are expected to be $195 million, including $45 million at Highland Valley Copper and $109 million on the Fort Hills oil sands project.

CONTINGENCIES

Legal Proceedings

On November 11, 2004, the District Court for Eastern Washington State denied a motion by TCML to dismiss, for want of jurisdiction, a citizen's suit brought by two members of the Confederated Tribes of the Colville Reservation (the "Tribes") supported by the State of Washington. On February 14, 2005, the Federal Court of Appeals for the 9th Circuit granted TCML's petition for permission to appeal and the District Court entered a stay of proceedings pending the appeal. The Government of Canada, the Mining Association of Canada and the Canadian Chamber of Commerce, the US Chamber of Commerce and the US National Mining Association filed amicus briefs in support of TCML's position. Oral argument of the appeal was heard on December 5, 2005, in Seattle, Washington, and the Court reserved judgment.

In September 2005, the District Court lifted the stay to allow the State of Washington and the Tribes to add the Tribes as an additional plaintiff and to file amended complaints adding the State's and the Tribes' claims for natural resource damages and cost recovery under the *Comprehensive Environmental Response, Compensation and Liability Act* ("CERCLA"). On September 29, 2005, the individual plaintiffs also served notice of their intention to file suit under the US *Resource Conservation and Recovery Act* ("RCRA") seeking injunctive relief and costs.

The original citizen's suit was brought pursuant to Section 310(a)(i) of the US Superfund Statute (CERCLA) to enforce a unilateral administrative order issued by the US Environmental Protection Agency (EPA) purporting to require TCML to conduct a remedial investigation and feasibility study with respect to metal contamination in the sediments of the Upper Columbia River and Lake Roosevelt. The EPA issued the order shortly after breaking off negotiations with the company during which TCML offered to fund human health and ecological studies to address the possible impact of historical discharges from the Trail Metallurgical Operations in British Columbia. Both the Canadian government and the company have the view that the EPA does not have jurisdiction to apply US law in Canada.

The Government of Canada and the Government of the US are continuing to pursue a bilateral agreement to facilitate the studies and appropriate remediation to address environmental concerns about the area. Such an agreement could provide a basis under which TCML's offer of funding for this work could be implemented.

There can be no assurance the amount offered to fund the studies will be sufficient or any offer to fund the studies will resolve the matter, or that TCML or its affiliates will not be faced with liability in relation to this matter. Until studies of the kind described above are completed, it is not possible to estimate the extent and cost, if any, of remediation that may be required.

Competition Investigation

In 2003, Teck Cominco Metals Ltd., as the marketing agent for Highland Valley Copper Partnership (HVC), responded to an Order issued pursuant to the *Competition Act* to produce documents relevant to the marketing of custom copper concentrates. This action was part of an industry-wide investigation involving major copper concentrate producers commenced in Canada, the US and Europe. The United States Department of Justice closed its investigation in late 2004. The European Commission did not find any grounds to proceed with the investigation and closed their file on the copper case in 2005. The company is cooperating in the continuing investigation in Canada, and there can be no assurance that the investigation in Canada will not result in further regulatory action against the company or HVC or that the company or HVC will not face prosecution or liability under the *Competition Act* or otherwise in relation to the investigation. The company can also not predict the course of the ongoing investigation in Canada or when the investigation will be completed.

Tax Recovery

The company has appealed the reassessment of Ontario mining taxes by the Minister of Finance (Ontario) on its gold hedging gains. In the case of another taxpayer under similar facts, the Ontario Court of Appeal ruled that gold hedging gains were exempt from Ontario mining taxes. The Minister of Finance (Ontario) appealed this ruling to the Supreme Court of Canada and a decision is pending. The company has analyzed the effect of these court cases and has not recorded any recovery of the disputed amounts pending possible appeal and discussions with the Minister of Finance (Ontario). The amount of mining taxes and interest which may be recovered is approximately $16 million.

CRITICAL ACCOUNTING ESTIMATES

In preparing financial statements management has to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Based on historical experience, current conditions and expert advice, management makes assumptions that are believed to be reasonable under the circumstances. These estimates and assumptions form the basis for judgments about the carrying value of assets and liabilities and reported amounts for revenues and expenses. Different assumptions would result in different estimates, and actual results may differ from results based on these estimates. These estimates and assumptions are also affected by management's application of accounting policies. Critical accounting estimates are those that affect the consolidated financial statements materially and involve a significant level of judgment by management. Management's critical accounting estimates apply to the assessment for the impairment of property, plant and equipment and the valuation of other assets and liabilities such as inventory, plant and equipment, investments, restoration and post-closure costs, accounting for income and mining taxes, mineral reserves, contingencies and pension and other post-retirement benefits.

Property, Plant and Equipment

The company capitalizes the development costs of mining projects when economically recoverable reserves are believed to exist. Upon commencement of production, these costs are amortized over the life of the mine based on proven and probable reserves. The estimation of the extent of reserves is a complex task in which a number of estimates and assumptions are made. These involve the use of geological sampling and models as well as estimates of future costs. New knowledge derived from further exploration and development of the ore body may affect reserve estimates. In addition, the estimation of economic reserves depends on assumptions regarding long-term commodity prices and in some cases exchange rates.

Where impairment conditions may exist, the expected undiscounted future cash flows from an asset are compared to its carrying value. These future cash flows are developed using assumptions that reflect the long-term operating plans for an asset given management's best estimate of the most probable set of economic conditions. Commodity prices used reflect market conditions at the time the model is developed. These models are updated from time to time, and lower prices are used should market conditions deteriorate. Inherent in these assumptions are significant risks and uncertainties. In management's view, based on assumptions which management believes to be reasonable, a reduction in the carrying value of property, plant and equipment is not required at December 31, 2005. Changes in market

conditions, reserve estimates and other assumptions used in these estimates may result in future writedowns.

Income and Resource Taxes

The determination of the company's tax expense for the year and its future tax liabilities and assets involves significant management estimation and judgment involving a number of assumptions. In determining these amounts management interprets tax legislation in a variety of jurisdictions and makes estimates of the expected timing of the reversal of future tax assets and liabilities. Management also makes estimates of the future earnings which affect the extent to which potential future tax benefits may be used. The company is subject to assessment by various taxation authorities, which may interpret tax legislation in a manner different from the company. These differences may affect the final amount or the timing of the payment of taxes. When such differences arise the company makes provision for such items based on management's best estimate of the final outcome of these matters.

Pension and Other Post-retirement Benefits

The cost of providing benefits through defined benefit pension plans and post-retirement benefits plans is actuarially determined. Cost and obligation estimates depend on management's assumptions about future events, which are used by the actuaries in calculating such amounts. These include assumptions with respect to discount rates, the expected return on plan assets, future compensation increases and health care cost trends. In addition, actuarial consultants utilize subjective factors such as withdrawal and mortality rates. Actual results may differ materially from those estimates based on these assumptions.

Asset Retirement Obligations

The amounts recorded for asset retirement costs are based on estimates included in closure and remediation plans. These estimates are based on engineering studies of the work that is required by environmental laws or public statements by management which result in an obligation. These estimates include an assumption on the rate at which costs may inflate in future periods. Actual costs and the timing of expenditures could differ from these estimates.

Recognition of Contingencies

The company is subject to a number of lawsuits and threatened lawsuits. A provision is made for amounts claimed through these lawsuits when management believes that it is more likely than not that the plaintiffs will be awarded damages or a monetary settlement will be made. Management seeks the advice of outside counsel in making such judgments when the amounts involved are material.

CHANGES IN ACCOUNTING POLICIES

Asset Retirement Obligations

Effective January 1, 2004, the company adopted a new accounting standard on asset retirement obligations. Under this standard, asset retirement obligations are recognized at discounted value for the costs associated with exit activities and recorded as a liability at fair value. The liability is accreted over time through periodic charges to earnings. In addition, the asset retirement cost is capitalized as part of the asset's carrying value at its initial discounted value and is amortized over the asset's useful life. This change in accounting policy was adopted retroactively and resulted in an increase in long-term liability of $210 million, an increase to property, plant and equipment of $113 million, a reduction of future income tax liabilities of $23 million and a decrease to opening retained earnings of $74 million. The change also resulted in a reduction of $12 million to previously reported 2003 net earnings.

Stock-Based Compensation

Effective January 1, 2004, the company adopted the fair value method of accounting for stock-based compensation. This method resulted in the recognition in earnings of the cost of stock-based compensation based on the estimated fair value of new stock-based awards granted to directors and employees in the year.

This change in accounting policy was adopted retroactively and resulted in a restatement and reduction of 2003 net earnings by $3 million pertaining to the stock options granted in the first quarter of 2003.

Hedge Accounting

On January 1, 2004, the company adopted Accounting Guideline 13 (AcG-13) "Hedging Relationships" and EIC 128 "Accounting for Trading, Speculative or Non Trading Derivative Financial Instruments". No adjustment was required to opening balances as a result of the adoption of this standard.

Variable Interest Entities

Effective January 1, 2005, the company adopted the new Accounting Guideline 15 (AcG-15) "Consolidation of Variable Interest Entities". The new standard establishes when a company should consolidate a variable interest entity in its financial statements. AcG-15 provides the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. Adoption of this guideline resulted in insignificant changes in certain balance sheet and income statement accounts and no change to earnings or retained earnings.

RECENT CANADIAN ACCOUNTING PRONOUNCEMENTS

Deferred Stripping Costs

In October 2005, the CICA Emerging Issues Committee (EIC) issued for comment a draft abstract, EIC D56 "Accounting for Deferred Stripping Costs in the Mining Industry". If adopted, this EIC pronouncement would require stripping costs to be accounted for as variable production costs to be included in inventory unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. A betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized on a units-of-production basis over the proven and probable reserves to which they relate. As at December 31, 2005, the company had capitalized deferred stripping costs of $52 million.

Derivative Instruments

In April 2005, the Canadian Institute of Chartered Accountants (CICA) issued three new standards relating to financial instruments. These standards are applicable for fiscal years beginning on or after October 1, 2006. The company is currently reviewing the impact of these new standards. These standards are as follows:

(i) Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented.

(ii) Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing Accounting Guideline 13 (AcG-13) "Hedging Relationships", and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(iii) Comprehensive Income, Section 1530

This standard introduces new rules for the reporting and display of comprehensive income. Comprehensive income, which is currently reported under US generally accepted accounting principles (GAAP), is the change in shareholders' equity (net assets) of an enterprise during a reporting period from transactions and other events and circumstances from non-owner sources. It includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. These items include holding gains and losses on certain investments, gains and losses on certain derivative instruments, and foreign currency gains and losses related to self-sustaining foreign operations.

OTHER INFORMATION

Outstanding Share Data

As at February 6, 2006, there were 198,790,155 Class B subordinate voting shares and 4,673,453 Class A common shares (Class A shares) outstanding. In addition, there were outstanding 2,653,306 director and employee stock options with exercise prices ranging between $6.39 and $45.28 per share. Exchangeable debentures due 2024 are convertible into a total of 11,489,400 Class B subordinate voting shares (equivalent to $9.72 per share). More information on these instruments and the terms of their conversion are set out in Note 16 of the company's 2005 year-end financial statements.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of December 31, 2005. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports filed or submitted by the company under Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules.

Contractual and Other Obligations

The company's contractual and other obligations as at December 31, 2005, are summarized as follows:

($ in millions)	Total	Less than 1 Year	2-3 Years	4-5 Years	More than 5 Years
Debt	$ 1,721	$ 213	$ 82	$ 40	$ 1,386
Operating leases	97	22	24	15	36
Road and port lease at Red Dog *(Note 1)*	792	21	42	42	687
Minimum purchase obligations *(Note 2):*					
Concentrate and other supply purchases	307	275	7	7	18
Shipping and distribution	102	16	31	23	32
Pension funding *(Note 3)*	72	53	–	–	–
Other non-pension post-retirement benefits *(Note 4)*	273	9	21	25	218
Asset retirement obligations *(Note 5)*	406	36	43	32	295
Contributions to the Fort Hills oil sands project *(Note 6)*	829	109	306	414	–
Other long-term liabilities *(Note 7)*	54	–	–	–	54

Notes:

(1) The company leases road and port facilities from the Alaska Industrial Development and Export Authority through which it ships metal concentrates produced at the Red Dog mine. Minimum lease payments are US$18 million per annum and are subject to deferral and abatement for force majeure events.

(2) The majority of the company's minimum purchase obligations are subject to continuing operations and force majeure provisions.

(3) As at December 31, 2005, the company had a net pension funding deficit of $72 million based on actuarial estimates prepared on a going concern basis. The amount of minimum funding for 2006 in respect of defined benefit pension plans is $53 million. The timing and amount of additional funding after 2006 is dependent upon future returns on plan assets, discount rates, and other actuarial assumptions.

(4) The company had a discounted, actuarially determined liability of $273 million in respect of other non-pension post-retirement benefits as at December 31, 2005. Amounts shown are estimated expenditures in the indicated years.

(5) Amounts shown for asset retirement obligations are estimated expenditures in the indicated years. In addition to the above, the company has ongoing treatment and monitoring costs of $2 million per annum for 2006–2031 and $8 million per annum for 2032–2105.

(6) The company has committed to contribute 34% of the first $2.5 billion of expenditures on the Fort Hills oil sands project.

(7) Other long-term liabilities include amounts for workers' compensation and severance. There are no minimum payment obligations for these amounts over the next five years.

Our social licence to mine is built on respect for local communities and the global environment.

Ruby Yan
UBC Mining Engineer
Co-op Student
Environmental Services

Value of Respect

Environment, Health and Safety, and Community

Teck Cominco is committed to creating value for our shareholders while continually improving our performance as a responsible corporate citizen and a leader in our industry. In terms of environment, health and safety, and community (EHSC), our company will continue to do our utmost to protect our employees from harm, continually improve our environmental performance and make positive contributions in the communities where we live and operate.

Focusing on Health and Safety

Our primary goal each year is to avoid injuries and incur no fatalities. It is with sincere regret that we report that two fatalities occurred at our operations in 2005: one at Greenhills involving a dozer operator and the other at Trail involving a contractor. Our condolences go out to the families and friends of both individuals.

This year we renewed our commitment to Health and Safety with the promotion of Michel Filion to the position of Vice President, Environment, Health and Safety. Exemplary safety records were achieved at many of the company's sites. The Hemlo Operations' Courageous Leadership Program stands out, not just for its commitment to zero incidents and its rigorous training program, but in results. In December 2005, Hemlo completed its first perfect month, with no lost times, no medical aids, no first aids and no environmental incidents – an impressive achievement for the 700 workers at the David Bell and Williams mines. Highland Valley Copper achieved a record safety performance as did Antamina, and congratulations are in order for success at both operations. Overall, we successfully met our goal of achieving an injury frequency of less than one per 200,000 hours of work.

Teck Cominco Health and Safety Statistics*

	2005	2004	2003	2002
Fatalities	**2**	2	2	3
Lost-time injuries	**117**	117	102	121
Frequency **	**0.92**	1.00	0.85	1.15
Severity ***	**120.0**	132.3	121.9	201.3

* *Restated to include contractors*
** *Frequency – lost-time injuries per 200,000 hours worked*
*** *Severity – days lost per 200,000 hours worked*

Hannah Paniyavluk Loon, NANA Shareholder Representative – Alaska.

Environmental Programs

Every year we establish targets for EHSC performance. The results of our performance and our environmental data will be reported in our annual sustainability report, which will be available by mid-year, at www.teckcominco.com/sustainability/reports/htm.

We have continued our efforts toward the ISO 14001 standards for full environmental management system certification. At year-end, 50% of our operations were certified. Our goal is to achieve certification of the remaining operations by the end of 2007.

Environmental audits and assessments are central to the company's environmental management program. The corporate office completed four audits in 2005 and five are planned for 2006. These audits, along with each operation's progress on action plans, are tracked quarterly and reviewed by the company's senior management committees and the Environment, Health and Safety Committee of the Board.

Thanks to our efforts in avoiding environmental impact and meeting regulatory requirements, we met our goal of no environmental incidents resulting in enforcement actions in 2005.

Recognition

The company received three reclamation awards in 2005. A citation was awarded for outstanding achievement in reclamation at the Fording River coal mine. A second citation for outstanding achievement for reclamation at a metal mine was awarded jointly to Teck Cominco and the Ministry of Environment for the Muskwa Kechika Joint Project. This program, at the dormant Churchill Copper mine in northeastern British Columbia, included relocating a landfill, moving tailings from the north tailings pond to an area above the river flood plain, and reclaiming the mill site area. Four adits were in-filled for public safety, and bridges and piers were removed at the three river and creek crossings of the access road.

The Association of Professional Engineers, Geologists and Geophysicists of the Northwest Territories and Nunavut awarded Teck Cominco the 2005 Award of Excellence in recognition of work done during the demolition and reclamation of the Polaris mine site on Little Cornwallis Island.

Energy Management

In 2005, we set a goal of implementing measures to reduce energy use per unit of production. Progress toward establishing these measures was made at the Hemlo mine which introduced a comprehensive energy management program during the year that will serve as a benchmark for other operations.

Analysis of Hemlo's energy management practices and a site-wide energy review undertaken in 2005 led to the identification of improvements that, when fully implemented, will reduce annual energy costs by approximately $1 million. Critical practice changes include establishing an energy management team, conducting energy awareness training and implementing a process to improve energy end-use accountability. Hemlo has fostered a continuous improvement culture and is committed to achieving significant energy reductions at the site.

Reducing Greenhouse Gas Emissions

In 2005, a goal was set to implement measures to reduce greenhouse gas emissions per unit of production. Working toward this goal, Trail operations undertook an analysis of emission sources to aid in the setting of targets to meet Large Final Emitter targets under Canada's commitments to the Kyoto Protocol. At the Red Dog mine, exploratory work is being carried out to identify local sources of natural gas, which could reduce use of diesel fuel as a key energy source.

Trail E-scrap Program

Teck Cominco has developed a new business that uses surplus furnace capacity at its Trail metallurgical complex to process thousands of tonnes of discarded electronic equipment (e-scrap) that would otherwise be deposited in landfills in western Canada and the United States. The e-scrap marketplace is evolving and growing. Environment Canada estimates that in 2005 more than 156,000 tonnes of electronic scrap were accumulated in Canada and 2 million tonnes in the US.

A two-year coordinated initiative of the company's business development groups working closely with community partners, federal and provincial regulators, and the smelter operations teams has now culminated in a sustainable way to avoid the accumulation of electronic waste while returning the contained zinc, lead, indium, germanium and cadmium to commercial use.

Highland Valley Centre for Sustainable Waste Management

Consultations are in progress on the development of a large solid waste management facility on the Highland Valley Copper mine site. The facility could receive up to 600,000 tonnes per year of municipal solid waste from a number of communities in southwest B.C. The waste would be placed on a triple liner on top of large rock piles. Any resulting leachate would be collected and treated. An active landfill gas collection system would be installed, and an energy facility to produce electricity and heat is under consideration. If the project successfully completes an Environmental Impact Assessment and arrangements can be made with the Greater Vancouver Regional District, local communities, and First Nations, the sustainable waste management facility could be operational by 2008.

The Britannia Project

The Britannia Project is a multi-faceted initiative that will transform a historic mine site into a social, economic and environmental asset on the Sea-to-Sky corridor in B.C. Teck Cominco is pleased to support this project that will result in the expansion of the BC Museum of Mining and construction of a garden which celebrates regeneration and reclamation of industrial landscapes. The project will also establish the Innovation and Sustainability Centre on the site of the old Britannia mine.

Goals for 2006

In 2006, Teck Cominco's EHSC goals will again be to incur no fatalities and achieve an injury frequency of less than one per 200,000 hours of work. The company will also work to avoid any environmental incidents that result in enforcement action. In the interest of focusing the management of our activities, we have set a goal of complying with guidelines of the Global Reporting Initiative. Full compliance will be implemented over the next three years. In 2006, Teck Cominco will also issue and implement formal policies on Energy/Greenhouse Gas management and Biodiversity/Conservation.

Persistence has rewarded our exploration teams with exceptional results.

Dr. Andrew Davies
Regional Chief Geoscientist
North America

Value of Passion

Exploration

Ramón Corlango, Field Assistant – Sonora, Mexico.

In 2005, the company made acquisitions and discoveries on several exploration fronts. Although copper, zinc and gold remain the primary metal commodities of interest, exciting new opportunities in nickel have also developed.

Copper

The main targets are large porphyry systems (southern Peru, northern Chile, Mexico); copper-gold porphyry systems (Canada, Mexico); and iron-oxide copper, gold (IOCG) systems (Australia, Chile, Brazil and Sweden).

A highlight was the acquisition of an option to purchase a 100% interest in the new Carrapateena copper-gold discovery in South Australia from RMG Services Pty Ltd. RMG's "discovery hole", drilled in late 2005, intersected 167 metres grading 1.9% copper and 0.7 g/t gold. Within that interval is a 68-metre section assaying 3% copper and 0.4 g/t gold. Carrapateena is approximately 100 km southeast of BHP Billiton's Olympic Dam mine. An aggressive program of geophysics and drilling is planned for 2006.

Also of interest is the discovery of a potential "exotic" or transported copper deposit on 100% Teck Cominco claims, immediately south of the large Cananea mine in northern Mexico. Limited drilling over a two-square-km area returned intercepts of 0.25%–0.35% leachable copper over widths of 10 to 20 metres immediately below surface. The target remains open in several directions and will be drilled in detail in 2006.

Interests have been acquired in several copper and copper-gold projects in Chile and British Columbia, including the Lorraine and Jan-Tam claims in central B.C. Drilling on the Lorraine project in 2005 returned 1.2% Cu and 0.7 g/t gold over 30 metres immediately below surface. A historical drill hole on the adjoining Jan-Tam claims intersected 178 metres of 0.75% copper.

Gold

At Pogo, a newly discovered mineralized vein system was found on the Chorizo prospect, 12 km east of the mine area. Additional drilling on the Chorizo Zone and other new targets will be undertaken in 2006.

No further drilling was done on the 78% owned Morelos Norte project in Mexico in 2005. A 25,000-metre in-fill drill program on the main mineralized areas is proposed for 2006. A large number of 100% owned high-sulphidation gold projects have been assembled in Argentina and Chile, with multiple surface samples assaying up to 9 g/t gold. Most of the targets have never been drilled and will be tested in 2006.

The company is also exploring for gold in Canada, the US, Mexico, Peru, Turkey, Namibia and Australia.

Zinc

Testing of several exploration targets at Lennard Shelf (Western Australia) did not return significant widths of mineralization. Further work will focus on the near-mine discovery potential around Pillara and Cadjebut.

Drilling of exploration targets continues in the Red Dog district in Alaska. Several priority exploration targets remain around the mineralized systems at Anarraaq, Aktigiruk, Paalaaq and Su Lik and may be drilled in 2006.

In Ireland, the company has acquired a 100% interest in 28 licences (roughly 84,000 hectares) and has an option to acquire a 75% interest on an additional 15 licences (roughly 45,000 hectares) in the prospective Irish Midlands. Several priority targets, including known mineralized systems, will be drilled in 2006.

Nickel

Through a series of cash payments and funding commitments, the company can earn a majority interest in the Santa Fe/Ipora nickel laterite project in western Goias State, Brazil. More than 11,500 metres of drilling in 2005 outlined three main zones of nickel laterite. The mineralized zones have not been fully tested and are known to extend beyond the limits of current drilling. The company owns 100% interest in several other nickel targets in the district. An extensive drilling program is planned for Santa Fe/Ipora and the Teck Cominco targets in 2006.

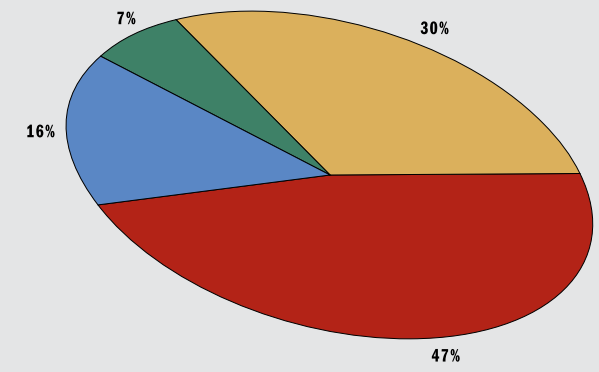
Outlook for 2006

Priority commodities in the company's planned $70 million exploration budget for 2006 are copper, gold, zinc and nickel. Roughly half of the budget is directed at over 25 copper projects, with large drill programs planned on multiple projects in Australia, Chile, Mexico and Canada. Mexico, Brazil, Chile and Argentina account for just over 50% of the planned expenditures.

Carrapateena (Australia) is the largest single copper project in terms of expenditures, with an initial budget of over $5 million. Gold exploration on over 20 projects accounts for 30% of the 2006 exploration budget, with significant programs in Mexico, Chile, Argentina and Turkey. The in-fill drill program on Morelos (Mexico) has an initial budget of $5 million. Expenditures on zinc exploration in 2006 are primarily focused on generating new programs in Ireland, Australia and Peru. The company plans to spend more than $5 million to continue evaluating the Santa Fe/Ipora nickel laterite project in Brazil.

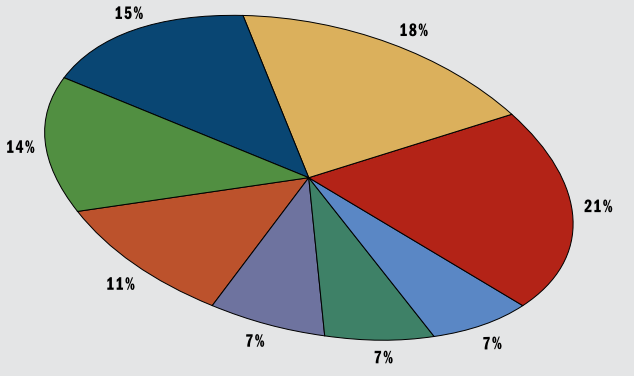
Senior Geologist Paul MacRobbie – Fye Canyon Property, Nevada.

2006 Exploration Budget by Allocated Commmodity



($70 million)–Excludes mine exploration projects

2006 Exploration Budget by Allocated Location



($70 million)–Excludes mine exploration projects

The future of mining depends on our ability to create new technologies that maximize return while minimizing environmental impact.

Sarah Mulherin
CESL Bench Technician
Vancouver, BC

Value of Innovation

Technology

In 2005, Teck Cominco reorganized the principal groups involved in advanced technologies into a new Technology Division. The division's mandate is to advance growth opportunities through the implementation of new technologies. The division works with internal and external customers to provide solutions for operations, particularly related to processing and the environment, and for customers who use Teck Cominco products and technology.

CESL

The application of Teck Cominco's proprietary Cominco Engineering Services Limited (CESL) hydrometallurgical process for the treatment of nickel, copper and copper-gold concentrates is being advanced at the recently combined pilot and demonstration plant facility in Richmond, British Columbia. The CESL process treats low-grade concentrates, and those containing a broad range of deleterious elements, in an environmentally sound manner. It is a potentially attractive option for some ore bodies. Using CESL to produce metal at, or close to, a mine site may enhance an operation's economics by removing the costs of transportation and conventional pyrometallurgical smelting by third parties. The Technology Division is actively seeking opportunities to participate in existing operations and new ventures through the application of the CESL process.

In the Carajas region of Brazil, Companhia Vale do Rio Doce (CVRD) has begun construction of a 10,000 tonne per year CESL hydrometallurgical pilot plant for copper. The plant is scheduled to begin production in 2007, processing copper-gold concentrates from CVRD operations in this region.

Applied Research and Technology

Based in Trail, British Columbia, this group assists operations through the application of new and existing technologies. In 2005, their work led to the successful transfer of technology to Red Dog and Antamina. Plant optimization, diagnostic metallurgy and ore characterization are applied at metal and coal operations, and to assist the evaluation and development of advanced exploration projects. Process technology is used to improve productivity and profitability, and to extract additional value from specialty metals (co-products) present in some ores and concentrates. Innovative solutions are applied to further improve water treatment at operations and help minimize potential environmental impacts.

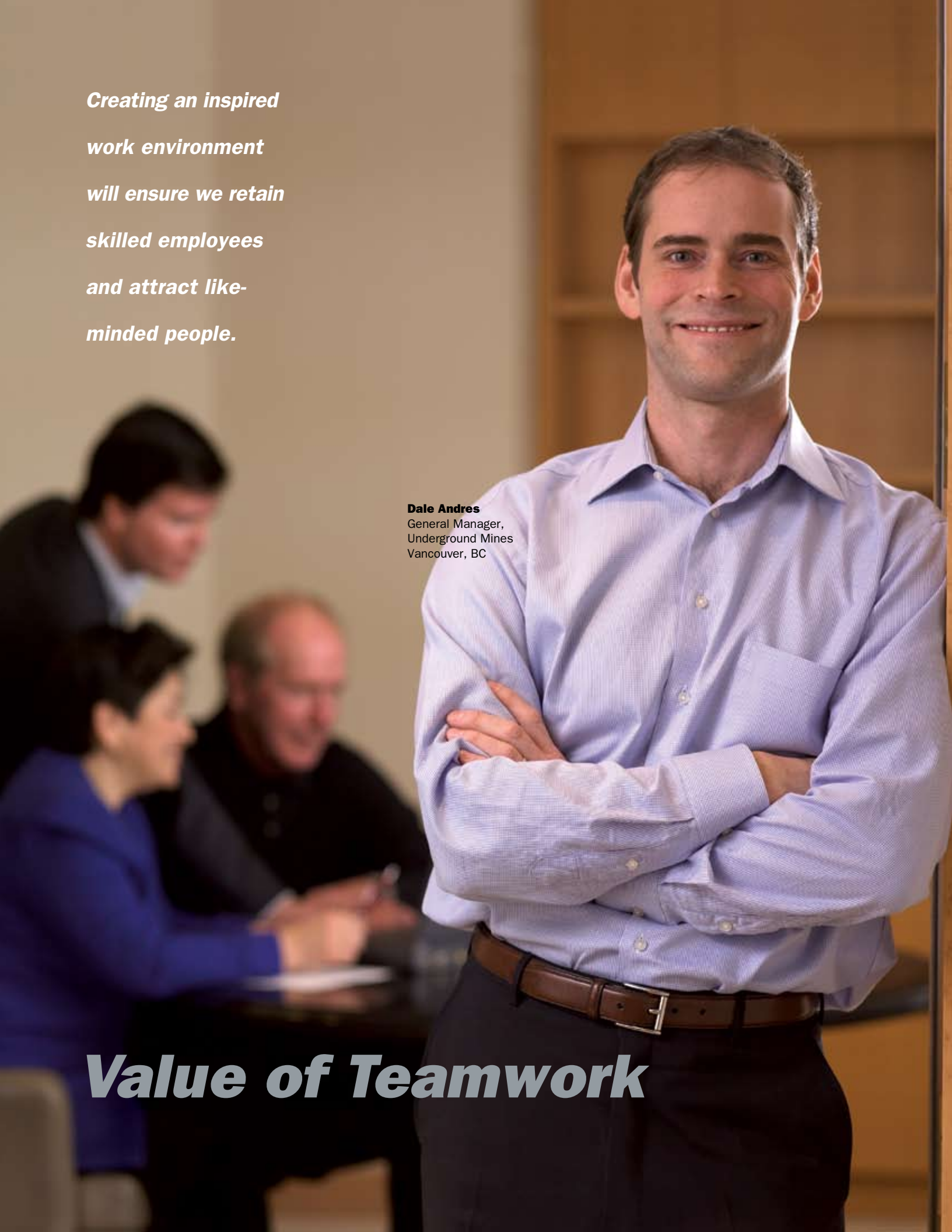
Product Technology Centre

The Product Technology Centre (PTC), in Mississauga, Ontario, develops, markets and supports technologies related to refined metal products, particularly zinc, lead and related specialty metals. PTC actively researches new galvanizing technologies and alloys, and supports customers with existing and new technologies such as advanced sensors. Corrosion research aids the development and use of zinc and zinc alloys. Ongoing lead technology developments with the continuous rotary extrusion (CRX) process are designed to produce lighter plates for lead-acid batteries. Similar extrusion technologies provide lead coatings for high-voltage transmission cables, and oil and gas downhole well cables. Research on zinc air batteries shows promise, with potential markets in China.

The Technology Division, particularly PTC and the technology group in Trail, works closely with Teck Cominco metal and concentrate marketing groups to aid in customer support, market development and market intelligence. Collaboration among these groups has assisted ongoing efforts to increase indium production and marketing.

Beyond the Company

Teck Cominco has a long history of working with industry research organizations and universities, much of it through collaborative programs. Recent partnerships include the McMaster University galvanizing simulator laboratory located at PTC, work by the technology group in Trail through the Australian Mineral Industry Research Association (AMIRA) on geometallurgy with applications to Red Dog, and a range of smaller projects focused on processing and exploration issues. Teck Cominco has been involved in creating university chairs, including the Norman B. Keevil Chair in Mineral Exploration at the University of British Columbia and the Teck Chair in Exploration Geophysics at the University of Toronto. Teck Cominco has also funded other chairs at the University of British Columbia, McGill University and Universidad Catolica de Chile. Teck Cominco's support and commitment to universities provides access to high-quality students, who represent potential employees at a time when the mining industry faces a highly competitive employment market. Teck Cominco supports technical training and skills development throughout its operations, research facilities, and the CESL process pilot and demonstration plant in Richmond, British Columbia.



Creating an inspired work environment will ensure we retain skilled employees and attract like-minded people.

Dale Andres
General Manager,
Underground Mines
Vancouver, BC

Value of Teamwork

Human Resources

Teck Cominco's expansion and new operations have created many new opportunities for Teck Cominco employees. There is a growing demand for skilled employees throughout the industry; the Mining Industry Training Adjustment Council predicts a need for 80,000 new workers in the mining industry in Canada over the next decade. Two major factors contribute to this: industry growth and the large number of upcoming retirements.

Like every company in the industry, Teck Cominco faces human resource challenges. In many of our operations the average age of employees ranges from the late forties to early fifties, which points to the growing need to replace skilled employees reaching retirement age. Steps are being taken to address these current and future needs, including recruiting campaigns, employee development programs, and succession and career planning processes that match employee strengths and interests with the company's staffing needs.

Every year, we carry out an extensive recruitment campaign at many Canadian universities with mining and metallurgy programs. In 2005, 19 engineers were recruited, and in 2006, a similar number will join the company. New engineers participate in a four-year development program, which provides on-the-job training and development specific to their engineering discipline. In some cases, engineers are assigned to different operations to gain further experience.

The company offers a number of employee development programs. Each operation runs formal production and maintenance training programs, as well as supervisory programs. In our Canadian operations, over 100 apprentices are employed in trades training programs for heavy duty mechanics, millwrights and electricians. Through an innovative program developed by Elk Valley Coal and College of the Rockies, trades apprentices are indentured by the college, allowing participants to gain practical experience at Elk Valley as well as with other employers in the region. In conjunction with Selkirk College, the Trail operation initiated an operator development program that graduates approximately 25 students each year. It is an important source of new skilled personnel for the Trail metallurgical complex.

In partnership with Simon Fraser University, MBA-level courses are offered to employees in technical and line management roles. Employees from across the company are participating in this program, which supplements their engineering backgrounds with business topics related to economics, finance, accounting, commercial law, industrial marketing, leadership and organization development,

Team members, CESL pilot facility – Vancouver, BC.

stakeholder relations and operations management.

On the industrial relations front, new collective agreements were negotiated at Coal Mountain and Line Creek. Both contracts were settled without a labour dispute. The Coal Mountain agreement will extend for five years and the Line Creek settlement for four years, providing both operations with lengthy periods of stability.

A strike at Trail commenced in mid-July and was resolved in early October with a new three-year contract. This was the first strike at Trail in 15 years. Following ratification of the new agreement, resumption of operations progressed smoothly, with high production rates and good quality achieved for the balance of the year.

Management's Responsibility for Financial Reporting

The financial statements, management discussion and analysis and the information contained in the annual report have been prepared by the management of the company. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and, where appropriate, reflect management's best estimates and judgments based on currently available information.

The Audit Committee of the Board of Directors, consisting of five members, meets periodically with management and the independent auditors to review the scope and result of the annual audit, and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, who are appointed by the shareholders, conducted an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the financial statements.

A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable. Management and the internal audit department of the company conduct ongoing reviews and evaluation of these controls and reports on their findings to management and the Audit Committee.

Donald R. Lindsay
President and Chief Executive Officer

Ronald A. Millos
Senior Vice President, Finance
and Chief Financial Officer

February 15, 2006

Auditors' Report to Shareholders

We have audited the consolidated balance sheets of Teck Cominco Limited as at December 31, 2005 and 2004 and the consolidated statements of earnings, retained earnings and cash flows for each of the years in the three-year period ended December 31, 2005. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2005 and 2004, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2005, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants

Vancouver, BC
February 2, 2006

Consolidated Balance Sheets

As at December 31

($ in millions)	2005	2004
ASSETS		
Current assets		
Cash and temporary investments (Note 21(a))	**$ 3,084**	$ 907
Accounts and settlements receivable (Note 5)	**531**	371
Inventories (Note 6)	**652**	533
	4,267	1,811
Investments (Note 7)	**666**	469
Property, plant and equipment (Note 8)	**3,532**	3,488
Other assets (Note 9)	**344**	291
	$ 8,809	$ 6,059
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 10)	**$ 442**	$ 375
Dividends payable	**81**	–
Current portion of long-term debt (Note 11)	**213**	38
Current income and resource taxes payable	**261**	40
Current portion of future income and resource taxes (Note 19(c))	**118**	7
	1,115	460
Long-term debt (Note 11)	**1,508**	627
Other liabilities (Note 12)	**648**	608
Future income and resource taxes (Note 19(c))	**907**	895
Exchangeable debentures (Note 15)	**248**	248
Shareholders' equity (Note 16)	**4,383**	3,221
	$ 8,809	$ 6,059

Commitments and contingencies (Note 22)

Approved on behalf of the Board of Directors

Hugh J. Bolton
Chairman of the Audit Committee

David A. Thompson
Director

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Earnings

Years ended December 31

($ in millions, except share data)	2005	2004	2003
Revenues	**$ 4,415**	$ 3,428	$ 2,228
Operating expenses	**(2,135)**	(2,029)	(1,735)
Depreciation and amortization	**(274)**	(275)	(223)
Operating profit	**2,006**	1,124	270
Other expenses			
General, administration and marketing	**(89)**	(68)	(55)
Interest on long-term debt (Note 17)	**(69)**	(61)	(65)
Exploration	**(70)**	(42)	(30)
Research and development	**(13)**	(14)	(14)
Other income (Note 18)	**155**	24	1
Writedown of investment (Note 7)	**–**	(64)	–
Gain on disposition of Los Filos property (Note 4(f))	**–**	–	58
	1,920	899	165
Provision for income and resource taxes (Note 19)	**(575)**	(305)	(50)
Equity earnings (Note 4(e))	**–**	–	10
Net earnings from continuing operations	**1,345**	594	125
Net earnings from discontinued operation (Note 4(c))	**–**	23	9
Net earnings	**$ 1,345**	$ 617	$ 134
Basic earnings per share (Note 16(k))	**$ 6.62**	$ 3.18	$ 0.71
Basic earnings per share from continuing operations	**$ 6.62**	$ 3.06	$ 0.66
Diluted earnings per share	**$ 6.22**	$ 2.99	$ 0.68
Diluted earnings per share from continuing operations	**$ 6.22**	$ 2.88	$ 0.64
Weighted average shares outstanding (millions)	**202.5**	193.0	184.8
Shares outstanding at the end of the year (millions)	**203.4**	201.4	186.5

Consolidated Statements of Retained Earnings

Years ended December 31

($ in millions)	2005	2004	2003
Retained earnings at the beginning of the year	**$ 1,049**	$ 495	$ 401
Net earnings	**1,345**	617	134
Dividends declared	**(162)**	(60)	(37)
Interest on exchangeable debentures, net of taxes (Note 16(c))	**(4)**	(3)	(3)
Retained earnings at the end of the year	**$ 2,228**	$ 1,049	$ 495

The accompanying notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

Years ended December 31

($ in millions)	**2005**	**2004**	**2003**
Operating activities			
Net earnings from continuing operations	**$ 1,345**	$ 594	$ 125
Items not affecting cash:			
Depreciation and amortization	**274**	275	223
Future income and resource taxes (Note 19(a))	**128**	199	6
Writedown of investment	**–**	64	–
Gain on sale of investments and assets	**(77)**	(16)	(45)
Other	**–**	27	5
	1,670	1,143	314
Net change in non-cash working capital items (Note 21(b))	**(23)**	(27)	27
	1,647	1,116	341
Financing activities			
Issuance of long-term debt	**1,167**	–	250
Repayment of long-term debt	**(95)**	(124)	(259)
Issuance of Class B subordinate voting shares	**28**	126	24
Dividends paid	**(81)**	(60)	(37)
Interest on exchangeable debentures (Note 16(c))	**(6)**	(5)	(5)
Additional contributions to pension plans	**(21)**	(34)	(9)
	992	(97)	(36)
Investing activities			
Property, plant and equipment	**(326)**	(216)	(158)
Investments and other assets	**(220)**	(52)	(22)
Proceeds from sale of investments and assets	**118**	21	24
Investment in coal partnership and income trust (Note 4(d))	**–**	–	(275)
Acquisition of interest in Highland Valley Copper (Note 4(b))	**–**	(80)	–
Proceeds from disposition of Los Filos (Note 4(f))	**–**	–	49
Proceeds from sale of Cajamarquilla (Note 4(c))	**–**	156	–
Deferred payment received from Aur Resources Inc.	**–**	–	48
Cash recognized upon consolidation of Antamina (Note 4(e))	**–**	–	41
	(428)	(171)	(293)
Effect of exchange rate changes on cash and temporary investments	**(34)**	(40)	(6)
Increase in cash and temporary investments from continuing operations	**2,177**	808	6
Increase (decrease) in cash from discontinued operation (Note 4(c))	**–**	3	(1)
Increase in cash and temporary investments	**2,177**	811	5
Cash and temporary investments at the beginning of the year	**907**	96	91
Cash and temporary investments at the end of the year	**$ 3,084**	$ 907	$ 96

The accompanying notes are an integral part of these financial statements.

Notes to Consolidated Financial Statements

Years ended December 31, 2005, 2004 and 2003

1. NATURE OF OPERATIONS

Teck Cominco Limited (the company) is engaged in mining and related activities including exploration, development, processing, smelting and refining. The company's major products are zinc, metallurgical coal, copper, precious metals, lead, molybdenum, electrical power, fertilizers and specialty metals. The company also has a partnership interest in an oil sands development project.

2. SIGNIFICANT ACCOUNTING POLICIES

Generally Accepted Accounting Principles

The consolidated financial statements of the company are prepared using generally accepted accounting principles (GAAP) in Canada. Note 24 reconciles the company's consolidated financial statements prepared in accordance with accounting principles generally accepted in Canada to financial statements prepared with accounting principles generally accepted in the United States.

Basis of Presentation

These consolidated financial statements include the accounts of the company and all of its subsidiaries. The significant subsidiaries include Teck Cominco Metals Ltd. (TCML), Teck Cominco American Inc. (TCAI), Teck Cominco Alaska Inc. (TCAK) and Teck Pogo Inc. (TPI). Many of the company's mining activities are conducted through interests in joint ventures and partnerships where the company shares joint control. These joint ventures and partnerships are accounted for using the proportionate consolidation method.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements. Significant areas where management's judgment is applied include asset and investment valuations, ore reserve determinations, finished and in-process inventory quantities, plant and equipment lives, contingent liabilities, tax provisions and future tax balances, asset retirement obligations, pension and other post retirement benefits and other accrued liabilities. Ore reserve determinations involve estimates of future costs and commodity prices. Actual results could differ from these estimates.

Translation of Foreign Currencies

For integrated foreign operations, monetary assets and liabilities are translated at year-end exchange rates and other assets and liabilities are translated at historical rates. Revenues, expenses and cash flows are translated at monthly average exchange rates. Gains and losses on translation of monetary assets and monetary liabilities are charged to earnings.

The accounts of self-sustaining foreign operations are translated at year-end exchange rates, and revenues and expenses are translated at monthly average exchange rates. Differences arising from these foreign currency translations are recorded in shareholders' equity as a cumulative translation adjustment until they are realized by a reduction in the investment.

Cash and Temporary Investments

Cash and temporary investments include cash on account, demand deposits and temporary investments which are readily convertible to known amounts of cash and are subject to insignificant changes in value.

Investments

The investment in Fording Canadian Coal Trust (Fording) is recorded at cost plus the company's share of earnings less cash distributions. The investment in Fort Hills Energy Limited Partnership (Fort Hills) is accounted for using the equity basis. Investments other than Fording and Fort Hills are carried at cost less any amounts written off to reflect an impairment in value which is considered to be other than temporary.

Inventories

Finished goods, work in process and raw material inventories are valued at the lower of cost and net realizable value. For mining operations, finished goods are valued upon production of concentrates or clean coal. Raw materials include concentrates for use at smelter and refinery operations. In-process inventory includes inventory in the smelting and refining process. Supplies inventory is valued at the lower of average cost and replacement value.

For work in process and finished goods, cost includes all direct costs incurred in production including direct labour and materials, freight, depreciation and amortization and directly attributable overhead costs. For supplies and raw materials, cost includes acquisition, freight and other directly attributable costs.

The company uses both joint-product and by-product costing for work in process and finished goods inventories. Joint costing is applied to primary products at the Red Dog, Antamina and Pend Oreille mines and the Trail operations, where the profitability of the operation is dependent upon the production of a number of primary

products. Joint costing allocates total production costs based on the relative values of the products. Where by-product costing is used, by-products are allocated the incremental costs of processes which are specific to the production of that product.

Property, Plant and Equipment

(a) Plant and equipment

Plant and equipment are recorded at cost. The cost of plant and processing equipment at the company's mining operations is amortized on a units of production basis over the lesser of the estimated useful life of the asset or the estimated proven and probable ore reserves. Amortization of plant and equipment at smelter operations is calculated on a straight-line basis over the estimated useful life of the asset. Mobile equipment is depreciated over the estimated equipment operating hours. Buildings are amortized on a straight-line basis over their estimated useful life, not exceeding the estimated life of the mine.

(b) Mineral properties and development costs

Exploration costs and costs of acquiring mineral properties are charged to earnings in the year in which they are incurred, except where these costs relate to specific properties for which economically recoverable reserves as shown by an economic study are believed to exist, in which case they are deferred.

When the company incurs debt directly related to the construction of a new operation or major expansion, the interest and financing costs associated with such debt are capitalized during the construction period.

Upon commencement of commercial production, mineral properties and deferred costs relating to mines are amortized over the estimated life of the proven and probable reserves to which they relate calculated on a units of production basis.

(c) Underground development costs

Underground development costs are amortized using the block amortization method, whereby capital costs associated with each section of the mine are amortized over the reserves of that particular section of the mine.

(d) Asset impairment

The company performs impairment tests on its property, plant and equipment when events or changes in circumstance indicate that the carrying value of assets may not be recoverable. These tests compare expected undiscounted future cash flows from these assets to their carrying values. If shortfalls exist, assets are written down to the discounted value of the future cash flows based on the company's average cost of borrowing.

(e) Repairs and maintenance

Repairs and maintenance, including shutdown maintenance costs, are charged to expense as incurred except when these repairs significantly extend asset life or result in an operating improvement. In these instances the portion of these repairs relating to the betterment is capitalized as part of plant and equipment.

Revenue Recognition

Sales are recognized and revenues are recorded when title transfers and the rights and obligations of ownership pass to the customer. The majority of the company's metal concentrates are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to the date of sale. In these circumstances, revenues are recorded at the time of sale based on forward prices for the expected date of the final settlement. Subsequent variations in the price are recognized in revenue as settlement adjustments each period end and in the period when the price is finalized.

Income and Resource Taxes

Current income taxes are recorded based on the estimated income and resource taxes payable on taxable income for the current year. Future income tax assets and liabilities are recognized based on the difference between the tax and accounting value of assets and liabilities and are calculated using the tax rates for the periods in which the differences are expected to reverse. Tax rate changes are recognized in earnings in the period of substantive enactment. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

The company is subject to assessments by various taxation authorities which may interpret tax legislations differently from the company. The company provides for such differences where known based on management's best estimate of the probable outcome of these matters.

2. SIGNIFICANT ACCOUNTING POLICIES, continued

Pension and Other Employee Future Benefits

(a) Defined benefit pension plans

Defined benefit pension plan obligations are based on actuarial determinations. The projected benefit method prorated on services has been used to determine the accrued benefit obligation. Certain actuarial assumptions used in the determination of defined benefit pension plan liabilities and non-pension post-retirement benefits are based upon management's best estimates, including expected plan performance, salary escalation, expected health care costs and retirement dates of employees.

Past service costs and transitional assets or liabilities are amortized on a straight-line basis over the expected average remaining service period of active employees expected to receive benefits under the plan up to the full eligibility date.

Differences between the actuarial liabilities and the amounts recorded in the financial statements will arise from changes in plan assumptions, changes in benefits, or through experience as results differ from actuarial assumptions. Cumulative differences which are greater than 10% of the fair value of the plan assets or the accrued benefit obligation are amortized over the average remaining service life of the related employees.

(b) Defined contribution pension plans

The cost of providing benefits through defined contribution plans is charged to earnings as the obligation to contribute is incurred.

(c) Non-pension post-retirement plans

The company provides certain health care benefits for certain employees when they retire. The cost of these benefits is expensed over the period in which the employees render services. These non-pension post-retirement benefits are funded by the company as they become due.

Stock-Based Compensation

The fair value method of accounting is used for stock-based awards. Under this method, the compensation cost of options and other stock-based compensation arrangements are estimated at fair value at the grant date and charged to earnings over the vesting period.

Stock-based compensation expense relating to deferred and restricted share units is accrued over the vesting period of the units based on the quoted market value of Class B Subordinated Voting Shares. The expense and liability is adjusted each reporting period for changes in the underlying share price.

Research and Development

Research costs are expensed as incurred. Development costs are only deferred when the product or process is clearly defined, the technical feasibility has been established, the future market for the product or process is clearly defined, and the company is committed to and has the resources to complete the project.

Asset Retirement Obligations

Future obligations to retire an asset including dismantling, remediation and ongoing treatment and monitoring of the site are initially recognized and recorded as a liability at fair value, based on the company's current credit adjusted risk-free discount rate and an estimated inflation factor. The liability is adjusted for changes in the expected amounts and timing of cash flows required to discharge the liability and accreted to full value over time through periodic charges to earnings. The amount of the asset retirement liability initially recognized is capitalized as part of the asset's carrying value and amortized over the asset's estimated useful life. Future asset retirement obligations are only recorded when the timing or amount of remediation costs can be reasonably estimated. The cost and timing of asset retirement obligations for the company's mines and legacy sites can be estimated and liabilities are recorded for each of these sites.

Earnings Per Share

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. The company follows the treasury stock method in the calculation of diluted earnings per share. Under this method, dilution is calculated based upon the net number of common shares issued should "in the money" options and warrants be exercised and the proceeds are used to repurchase common shares at the average market price in the period. Dilution from convertible securities is calculated based on the number of shares to be issued after taking into account the reduction of the related after-tax interest expense.

Derivatives and Hedging Activities

The company's risk management policy is to mitigate the impact of market risks to enable the company to plan its business with greater certainty. In particular, the company may use foreign exchange forward contracts,

commodity price contracts and interest rate swaps to manage exposure to fluctuations in foreign exchange, metal prices and interest rates. The company's use of derivatives is based on established practices and parameters which are subject to the oversight of the Board of Directors.

Certain of the company's commodity and foreign exchange forward contracts are accounted for as cash flow hedges of anticipated commodity sales. Realized gains or losses on these contracts are recognized in revenue. The Inco exchangeable debentures are also accounted for as a cash flow hedge. The company's interest rate swaps are accounted for as fair value hedges, with realized gains or losses recognized in interest expense. From time to time, the company also designates a portion of its US dollar debt as a hedge of a portion of its net investment in foreign subsidiaries whose functional currency is the US dollar. Foreign exchange gains and losses on the designated debt are included in the cumulative translation adjustment in shareholders' equity.

The fair values of the derivative instruments that do not qualify for hedge accounting are recorded on the balance sheet with realized and unrealized gains and losses charged to other income.

3. ADOPTION OF NEW ACCOUNTING STANDARDS

(a) Variable interest entities

Effective January 1, 2005, the company adopted the new Accounting Guideline 15 (AcG-15) "Consolidation of Variable Interest Entities". The new standard establishes when a company should consolidate a variable interest entity in its financial statements. AcG-15 provides the definition of a variable interest entity and requires a variable interest entity to be consolidated if a company is at risk of absorbing the variable interest entity's expected losses, or is entitled to receive a majority of the variable interest entity's residual returns, or both. Adoption of this guideline resulted in insignificant changes in certain balance sheet and income statement accounts and no change to earnings or retained earnings.

(b) Asset retirement obligations

On January 1, 2004, the company adopted CICA Handbook Section 3110 "Asset Retirement Obligations". The retroactive adoption of this standard resulted in a restatement as of January 1, 2004 to increase long-term liabilities by $210 million, increase property, plant and equipment by $113 million, reduce future income tax liabilities by $23 million and decrease opening retained earnings by $74 million.

(c) Stock-based compensation

Effective January 1, 2004, the company adopted CICA Handbook Section 3870 "Stock-Based Compensation and Other Stock-Based Payments", which uses the fair value method of accounting for stock-based awards. The company applied the new provisions with retroactive restatement. As a result, a cumulative decrease of $8 million to retained earnings, an increase of $7 million to contributed surplus and an increase of $1 million to share capital were recorded on January 1, 2004 with respect to stock options granted in 2003 and 2002.

(d) Hedging and accounting for derivative financial instruments

On January 1, 2004, the company adopted Accounting Guideline 13 (AcG-13) "Hedging Relationships" and Emerging Issues Committee (EIC) 128 "Accounting for Trading, Speculative or Non Trading Derivative Financial Instruments". No adjustment was required to opening balances as a result of the adoption of this standard.

(e) Recent Canadian accounting pronouncements

(i) Deferred stripping costs

In October 2005, the Canadian Institute of Chartered Accountants (CICA) issued for comment a draft abstract, EIC D56 "Accounting for Deferred Stripping Costs in the Mining Industry". If adopted, this abstract would require stripping costs to be accounted for as variable production costs to be included in inventory unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized. A betterment occurs when stripping activity increases future output of the mine by providing access to additional sources of reserves. Capitalized stripping costs would be amortized on a units of production basis over the proven and probable reserves to which they relate.

3. ADOPTION OF NEW ACCOUNTING STANDARDS, continued

As at December 31, 2005, the company has $52 million in deferred stripping costs. Should EIC D56 be adopted, the company will continue to defer stripping costs of major mine expansions which allow the company to mine reserves not previously included in the reserve base. In 2006, the company would expect to defer approximately $23 million of costs in respect of the mine expansion at Highland Valley Copper.

(ii) Financial instruments

In April 2005, the CICA issued three new standards relating to financial instruments. These standards are applicable for fiscal years beginning on or after October 1, 2006. The company is currently reviewing the impact of these new standards. These standards are as follows:

Financial Instruments – Recognition and Measurement, Section 3855

This standard prescribes when a financial asset, financial liability, or non-financial derivative is to be recognized on the balance sheet and whether fair value or cost-based measures are used. It also specifies how financial instrument gains and losses are to be presented.

Hedges, Section 3865

This standard is applicable when a company chooses to designate a hedging relationship for accounting purposes. It builds on the existing AcG–13 "Hedging Relationships" and Section 1650 "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Comprehensive Income, Section 1530

A new standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized.

4. ACQUISITIONS AND DISPOSITIONS

(a) Acquisition of interest in Fort Hills Energy Limited Partnership

In November 2005, the company completed an agreement to acquire a 15% interest in the Fort Hills Energy Limited Partnership, which is developing the Fort Hills oil sands project in Alberta, Canada. To earn its 15% interest the company is required to contribute 34% ($850 million) of project expenditures up to $2.5 billion and its 15% share of project expenditures thereafter (Note 22 (c)). The interest in Fort Hills is recorded as an investment using the equity method of accounting and had a carrying value of $17 million as at December 31, 2005 (Note 7).

(b) Acquisition of additional interest in Highland Valley Copper

On March 2, 2004, the company completed the acquisition of a further 33.6% share in the Highland Valley Copper mine in British Columbia to increase the company's share to 97.5%. The company purchased the additional interest for a net acquisition cost of $80 million. Values assigned to the net assets acquired were as follows:

	($ in millions)
Current assets (excluding cash)	$ 29
Property, plant and equipment	154
Other assets	9
Current liabilities	(8)
Long-term liabilities	(47)
Future income tax liability	(57)
Net assets acquired	$ 80

(c) Sale of Cajamarquilla (Discontinued operation)

On December 15, 2004 the company completed the sale of its 85% interest in the Cajamarquilla zinc refinery for proceeds of $168 million (US$142 million) after repayment of debt of $56 million (US $47 million). The company recorded an after-tax gain of $12 million on the transaction being total

consideration of $224 million less net assets disposed of $186 million less a cumulative foreign exchange loss of $26 million.

The agreement for sale also provides that, in each of the years from 2005 to 2009 inclusive, additional consideration may be paid to the company of approximately US$365,000 for each US$0.01 that the average annual price of zinc exceeds US$0.454 per pound. The company has recorded an additional gain of US$6 million as result of the price participation in 2005.

Should the acquirer, Votorantim Metals, proceed with the expansion of the refinery during the first three years following the sale, the company would be entitled to additional consideration of US$13 million in year one, US$9 million in year two and US$4 million in year three. The expansion did not occur in 2005.

For accounting purposes, Cajamarquilla is considered a discontinued operation and its results for 2004 and prior years are presented as a single line item on the Statements of Earnings and the Statements of Cash Flows. Earnings and cash flow from Cajamarquilla for 2004 and 2003 were as follows:

($ in millions)	2004	2003
Earnings from discontinued operation		
Revenues	$ 196	$ 182
Cost of sales	(173)	(164)
Other expenses	(7)	(7)
Income taxes	(5)	(2)
Net earnings	11	9
Gain on sale	12	–
Net earnings from discontinued operation	$ 23	$ 9
Cash flow from discontinued operation		
Operating activities	$ 26	$ 13
Financing activities	(20)	(9)
Investing activities	(2)	(4)
Effect of exchange rate changes on cash	(1)	(1)
Net increase (decrease) in cash	$ 3	$ (1)

d) Investment in Elk Valley Coal Partnership and Fording Canadian Coal Trust

On February 28, 2003, the company completed a transaction with Fording Inc., Westshore Terminals Income Fund, Sherritt International Corporation and the Ontario Teachers Pension Plan Board to combine the metallurgical coal assets of Fording Inc., Luscar Energy Partnership and the company. The company contributed its Elkview mine, with a net book value of $167 million, and $125 million in cash for a total acquisition cost of $292 million to obtain an initial 35% interest in the resulting Elk Valley Coal Partnership (Elk Valley Coal). Under the terms of the Partnership Agreement, the company is the manager of Elk Valley Coal. The company also paid $150 million for a 9.1% interest in the Fording Canadian Coal Trust, which was formed by the reorganization of Fording Inc. into an income trust. Fording owns the remainder of Elk Valley Coal and other assets. The company accounts for its direct interest in Elk Valley Coal using the proportionate consolidation method of accounting.

On formation of Elk Valley Coal the net assets acquired were assigned costs based on their fair values as follows:

	($ in millions)
Current assets	$ 95
Property, plant and equipment	368
Current liabilities	(51)
Long-term liabilities	(43)
Future income tax liability	(77)
Net assets acquired	$ 292

Under the terms of the Partnership Agreement, the company could increase its interest in Elk Valley Coal by up to 5% if Elk Valley Coal achieved certain specified synergies by March 31, 2007. Following the issue of the opinion of the independent expert engaged to assess the synergies of Elk Valley Coal for the coal year ended March 31, 2004, the company and Fording Inc. reached agreement in July 2004 on the synergies realized and the resulting adjustments to Elk Valley Coal interests. As a result of this agreement, the company's 35% interest was increased by 3% effective April 1, 2004, and by an additional 1% on April 1, 2005 and will be increased by a further 1% on April 1, 2006, bringing the company's total direct interest in Elk Valley Coal to 40% on April 1, 2006.

4. ACQUISITIONS AND DISPOSITIONS, continued

The company has treated the additional interest as part of the initial consideration for the assets contributed on the formation of Elk Valley Coal and accordingly no gain has been recorded. The company has adjusted its financial statements to reflect the additional 3% share effective April 1, 2004 and 1% share effective April 1, 2005 of the assets, liabilities, revenues, expenses and cash flow of Elk Valley Coal.

(e) Consolidation of Antamina

The company owns a 22.5% interest in the Antamina mine in Peru. In July 2003 the mine achieved completion and the project debt became non-recourse to the shareholders of the project. This resulted in the removal of certain voting restrictions on the company with respect to the management of the mine, and the company began to proportionately consolidate its investment in Antamina. Prior to July 1, 2003 the company's investment in Antamina was equity-accounted.

Values were assigned to the net assets of Antamina at the date of commencement of proportionate consolidation as follows:

	($ in millions)
Cash	$ 41
Working capital	27
Property, plant and equipment	611
Senior debt	(360)
Other liabilities	(12)
Net investment	$ 307

(f) Disposition of Los Filos property

In October 2003, the company sold its 70% interest in the Los Filos gold property in Mexico for cash proceeds of $64 million (US$48 million) before current taxes of $15 million. The company recorded a gain on disposition of $58 million (US$43 million) on the sale.

(g) Acquisition of Lennard Shelf zinc mines

In November 2003, the company acquired the mineral properties, plant, equipment and infrastructure of the Lennard Shelf zinc mines in Western Australia for $26 million. The mines had been shut down and placed on care and maintenance prior to the acquisition. In April 2004, the company entered into an agreement whereby Falconbridge Limited acquired a 50% joint venture interest in these mines by agreeing to fund maintenance and exploration expenditures for an amount equal to the company's initial investment.

5. ACCOUNTS AND SETTLEMENTS RECEIVABLE

Accounts and settlements receivable consist of trade receivables and are recorded at cost net of a provision for doubtful accounts based on expected collectibility. As at December 31, 2005, accounts and settlements receivable are net of an allowance for doubtful accounts of $3 million (2004 – $4 million).

6. INVENTORIES

($ in millions)	2005	2004
Finished product	$ 266	$ 266
Work in process	166	97
Raw materials	80	47
Supplies inventory	140	123
	$ 652	$ 533

7. INVESTMENTS

($ in millions)	2005	2004
Inco Limited common shares pledged as security (Note 15)	$ 246	$ 246
Fording Canadian Coal Trust (8.75% interest) (Note 4(d))	153	138
Fort Hills Energy Limited Partnership (Note 4(a))	17	–
Marketable securities	250	85
	$ 666	$ 469

The investment in Fording and the marketable securities had a combined quoted market value of $847 million at December 31, 2005 (2004 – $561 million).

During 2004, the company fully provided for the $64 million investment in Sons of Gwalia. In 2004, Sons of Gwalia had appointed Voluntary Administrators under the Australia Corporations Act 2001 and its shares were suspended from trading. In 2005, the company sold its investment in Sons of Gwalia for a nominal value.

8. PROPERTY, PLANT AND EQUIPMENT

($ in millions)	2005	2004
Mines and mining facilities	$ 4,651	$ 4,494
Accumulated depreciation and amortization	(2,463)	(2,263)
	2,188	2,231
Smelter and refineries	1,649	1,624
Accumulated depreciation and amortization	(650)	(622)
	999	1,002
Pogo gold project	273	176
Mineral properties	72	79
	$ 3,532	$ 3,488

9. OTHER ASSETS

($ in millions)	2005	2004
Pension assets (Note 14(a))	$ 151	$ 83
Future income and resource tax assets (Note 19(c))	115	137
Long-term receivables	47	44
Other	31	27
	$ 344	$ 291

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

($ in millions)	2005	2004
Trade payables	$ 228	$ 233
Payroll related liabilities	99	68
Capital project accruals	39	22
Current portion of asset retirement obligations (Note 13)	36	35
Accrued interest	35	17
Other	5	–
	$ 442	$ 375

11. LONG-TERM DEBT

($ in millions)	2005	2004
6.125% debentures due October 2035 (US$700 million) (a)	$ 806	$ –
5.375% debentures due October 2015 (US$300 million) (a)	349	–
7% debentures due September 2012 (US$200 million)	231	238
6.875% debentures due February 2006 (US$150 million)	175	181
Antamina senior debt (US$125 million; 2004 – US$204 million) (b)	146	245
Other	14	1
	1,721	665
Less current portion (f)	(213)	(38)
	$ 1,508	$ 627

(a) On September 28, 2005, the company issued US$300 million of 5.375% notes due October 1, 2015 and US$700 million of 6.125% notes due October 1, 2035. Net proceeds, after issue costs of $11 million, were $1.16 billion. The issue costs are deferred as part of other assets and amortized over the term of the debentures.

(b) In 1999, Compañia Minera Antamina S.A. (Antamina) completed senior debt financing for the Antamina project. All material assets and agreements of Antamina and the common shares and subordinated debt of Antamina held by the company are pledged as security for the senior debt. The interest rates on the senior debt are based on LIBOR plus a variable spread. At December 31, 2005, the average interest rate on senior debt was 7.97% (2004 – 5.68%). The repayment terms of the principal amount of the various senior debt facilities vary from 6.5 to 10.5 years from the first repayment date which was September 2002, with minimum semi-annual repayments of US$16 million. Certain conditions must be met prior to distributions by Antamina to shareholders including the requirement to make prepayments on the senior debt. In addition, Antamina must maintain cash balances for the benefit and interest of the senior lenders which may only be used to make principal payments. The company's share of these balances totalled $26 million at December 31, 2005 (2004 – $28 million).

11. LONG-TERM DEBT, continued

(c) Elk Valley Coal has a $150 million revolving credit facility for working capital purposes, of which the company's 39% share is $59 million. At December 31, 2005, Elk Valley Coal had issued outstanding letters of credit and guarantees totalling $81 million.

Highland Valley Copper has a US$25 million demand revolving facility for working capital purposes. At December 31, 2005, Highland Valley Copper had issued letters of credit for $10 million.

(d) At December 31, 2005, the company had revolving credit facilities aggregating $1.04 billion which are available until 2010. The company has issued $131 million of letters of credit leaving the unused portion of the credit facility at $912 million as at December 31, 2005.

(e) The company's bank credit facilities require the maintenance of a defined debt to capitalization ratio and a defined tangible net worth ratio. As at December 31, 2005, the company was in compliance with all debt covenants and default provisions.

(f) Scheduled repayments of long-term debt are as follows:

	($ in millions)
2006	$ 213
2007	41
2008	41
2009	40
2010	–
2011 and thereafter	1,386
	$ 1,721

12. OTHER LIABILITIES

($ in millions)	2005	2004
Asset retirement obligations (Note 13)	$ 370	$ 348
Other post-closure costs	37	35
Accrued benefit liability (Note 14(a))		
Defined benefit pension plans	42	31
Non-pension post-retirement benefits	164	151
Minority interests	18	10
Provision for worker's compensation benefits	7	24
Other	10	9
	$ 648	$ 608

13. ASSET RETIREMENT OBLIGATIONS

The company has recorded an asset retirement obligation for each of its operating mines and closed mine operations. The company's refining and smelting facilities in Trail are considered to be indefinite life operations and neither the amounts that may be required to retire these facilities nor the timing of required expenditures can be estimated at this time. In this case, the recorded liability is limited to secondary sites and components of the facilities where costs and expected dates of existing retirement and remediation requirements can be estimated.

The following table summarizes the movements in the asset retirement obligation for the years ended December 31, 2005 and 2004:

($ in millions)	2005	2004
At January 1	$ 383	$ 373
Changes in cash flow estimates	22	30
Expenditures and settlements	(29)	(53)
Accretion expense	25	21
Obligations assumed on acquisitions	–	27
Obligations incurred in the period	10	–
Foreign currency translation adjustments	(5)	(15)
At December 31	406	383
Current portion	(36)	(35)
	$ 370	$ 348

The asset retirement obligations were initially recorded as a liability at fair value, assuming a credit adjusted risk-free discount rate of 5.75% and an inflation factor of 2.75%. The liability for retirement and remediation on an undiscounted basis before inflation is estimated to be approximately $329 million. In addition, for ongoing treatment and monitoring of the sites, the estimated undiscounted payments in current dollars before inflation adjustment are $1.8 million per annum for 2006–2030 and $7.5 million per annum for 2031–2105. Due to the nature of closure plans, cash expenditures are expected to occur over a significant period of time, being from one year for plans which are already in progress to over 100 years for the longest plan.

The change in cash flow estimates included $18 million in 2005 (2004 – $15 million) relating to asset retirement obligations at closed properties that have been recognized in other expense (Note 18(b)).

14. PENSION AND OTHER EMPLOYEE FUTURE BENEFITS

Defined Contribution Plans

The company has defined contribution pension plans for certain groups of employees. The company's share of contributions to these plans is expensed in the year it is earned by the employee.

Defined Benefit Plans and Non-pension Post-Retirement Benefits

The company has various defined benefit pension plans that provide benefits based principally on employees' years of service. These plans are only eligible to certain qualifying employees. The plans are 'flat-benefit' or 'final-pay' plans which are not indexed. Annual contributions to these plans are actuarially determined and made at or in excess of minimum requirements prescribed by legislation.

The company has several post-retirement plans, which generally provide post-retirement medical and life insurance benefits to certain qualifying employees.

All defined benefit pension plans are actuarially evaluated for funding purposes on a three-year cycle. The most significant plan, which accounts for 61% of the accrued benefit obligation at December 31, 2005, was last actuarially evaluated on December 31, 2004. The measurement date used to determine substantially all of the accrued benefit obligation and plan assets for determination of accounting information was December 31, 2005.

14. PENSION AND OTHER EMPLOYEE FUTURE BENEFITS, continued

(a) Actuarial valuation of plans

($ in millions)	2005		2004	
	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans
Accrued benefit obligation				
Balance at beginning of year	$ 1,036	$ 229	$ 894	$ 203
Current service cost	19	4	18	4
Benefits paid	(65)	(9)	(66)	(8)
Interest cost	62	14	59	13
Actuarial revaluation	125	37	50	16
Past service costs arising from plan improvements	21	–	26	–
Foreign currency exchange rate changes	(2)	(1)	(6)	(2)
Transfers from other plans	2	–	59	5
Other	–	(1)	2	(2)
Balance at end of year	1,198	273	1,036	229
Plan assets				
Fair value at beginning of year	975	–	816	–
Actual return on plan assets	129	–	94	–
Benefits paid	(65)	(9)	(66)	(8)
Foreign currency exchange rate changes	(2)	–	(4)	–
Contributions	87	9	78	8
Transfer from other plans	2	–	55	–
Other	–	–	2	–
Fair value at end of year	1,126	–	975	–
Funding deficit	(72)	(273)	(61)	(229)
Unamortized actuarial costs	137	111	84	78
Unamortized past service costs	44	(2)	29	–
Total accrued asset (liability)	$ 109	$ (164)	$ 52	$ (151)
Represented by				
Pension assets (Note 9)	$ 151	$ –	$ 83	$ –
Accrued benefit liability (Note 12)	(42)	(164)	(31)	(151)
	$ 109	$ (164)	$ 52	$ (151)

(b) Funding status

The funding status of the company's defined benefit pension plans is as follows:

($ in millions)	2005			2004		
	Plans where assets exceed benefit obligations	Plans where benefit obligations exceed assets	Total	Plans where assets exceed benefit obligations	Plans where benefit obligations exceed assets	Total
Plan assets	$ 720	$ 406	$ 1,126	$ 258	$ 717	$ 975
Benefit obligations	(690)	(508)	(1,198)	(241)	(795)	(1,036)
Excess (deficit) of plan assets over benefit obligations	$ 30	$ (102)	$ (72)	$ 17	$ (78)	$ (61)

The company expects to contribute $53 million to its defined contribution and defined benefit pension plans in 2006 based on minimum funding requirements and before any voluntary contributions.

The estimated future benefit payments to pensioners for the next five years and five years thereafter are as follows:

($ in millions)	2006	2007	2008	2009	2010	2011-2015
	$ 74	$ 76	$ 77	$ 80	$ 83	$ 454

(c) Significant assumptions

The assumptions used to calculate annual expenses are those used to calculate the accrued benefit obligation at the end of the previous year. Weighted average assumptions used to calculate the accrued benefit obligation at the end of each year are as follows:

	2005		2004		2003	
	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans
Discount rate	5%	5%	6%	6%	6.25%	6.25%
Assumed long-term rate of return on assets	7%	–	7.25%	–	7.5%	–
Rate of increase in future compensation	4%	4%	4%	4%	4%	4%
Initial medical trend rate	–	10%	–	11%	–	12%
Ultimate medical trend rate	–	5%	–	5%	–	5%
Years to reach ultimate medical trend rate	–	6	–	6	–	7
Dental trend rates	–	4%	–	4%	–	4%

The expected long-term rate of return on plan assets is developed based on the historical and projected returns for each asset class, as well as the target asset allocation of the pension portfolio. Projected rates of return for fixed income securities and equities are developed using a model which factors in long-term government debt rates, real bond yield trend, inflation, and equity premiums based on a combination of historical experience and future long-term expectations.

The discount rate used to determine the accrued benefit obligation is determined by reference to the market interest rates at the measurement date of high quality debt instruments.

14. PENSION AND OTHER EMPLOYEE FUTURE BENEFITS, continued

(d) Employee future benefits expense

($ in millions)	2005		2004		2003	
	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans
Current service cost	$ 19	$ 4	$ 18	$ 4	$ 15	$ 2
Interest cost	62	14	59	13	56	11
Expected gain on assets	(69)	–	(63)	–	(54)	–
Actuarial loss recognized	5	5	7	5	11	2
Early retirement window	1	–	3	–	3	–
Past service cost recognized	6	–	4	–	1	–
Other	9	(1)	7	–	1	–
Expense recognized for the year	$ 33	$ 22	$ 35	$ 22	$ 33	$ 15

The defined contribution expense for 2005 is $7 million (2004 – $5 million; 2003 – $6 million).

Certain employee future benefit costs incurred in the year and the actual return on plan assets in excess of or short of the actuarially assumed return are not taken into income and are amortized over the expected average remaining service life of employees. Employee future benefit expenses recognized in the year are reconciled to employee future benefit costs incurred as follows:

($ in millions)	2005		2004		2003	
	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans	Defined benefit pension plans	Non-pension post-retirement benefit plans
Expense recognized	$ 33	$ 22	$ 35	$ 22	$ 33	$ 15
Difference between expected and actual return on plan assets	(60)	–	(31)	–	(48)	–
Difference between actuarial losses (gains) amortized and actuarial losses (gains) arising	120	32	43	11	(9)	26
Difference between past service costs amortized and past service costs arising	15	–	23	–	7	–
Other	(9)	1	(7)	–	(1)	–
Costs incurred (recovered)	$ 99	$ 55	$ 63	$ 33	$ (18)	$ 41

(e) Health care sensitivity

A one percentage change in the initial and ultimate medical trend rates assumptions, as shown in Note 14(c), would have the following effect on post-retirement health care obligations and expense:

($ in millions)	Increase (decrease) in service and interest cost	Increase (decrease) in obligation
Impact of 1% increase in medical trend rate	$ 3	$ 39
Impact of 1% decrease in medical trend rate	(2)	(33)

(f) Investment of plan assets

The company's pension plan investment strategies support the objectives of each defined benefit plan and are related to the plan demographics and timing of expected benefit payments to plan members. The objective for the plan asset portfolios is to achieve an annual portfolio return over a four-year period equal to at least the Consumer Price Index plus 4%. To achieve this objective a strategic asset allocation policy has been developed for each defined benefit plan. The asset allocation is monitored quarterly and rebalanced if the funds in an asset class exceed their allowable allocation ranges. Reviews of the investment guidelines for each plan are undertaken at least annually and the portfolio and investment managers' performance is monitored quarterly.

The assets of the company's defined benefit pension plans are managed by pension fund managers under the oversight of the Teck Cominco Pension Fund Co-ordinating Society.

The company's pension plan asset composition at December 31 is as follows:

	2005	2004
Equity securities	58%	60%
Debt securities	37%	37%
Other	5%	3%
Total	100%	100%

15. EXCHANGEABLE DEBENTURES

($ in millions)	2005	2004
Exchangeable debentures due 2021 at quoted market value	$ 260	$ 240
Deferred gain (loss)	(12)	8
	$ 248	$ 248

In September 1996, the company issued $248 million of 3% exchangeable debentures due September 30, 2021. Each $1,000 principal amount of the exchangeable debentures is exchangeable at the option of the holder for 20.7254 common shares of Inco Limited (Inco), subject to adjustment if certain events occur, without payment of accrued interest. The company may satisfy the exchange obligation by a cash payment determined with reference to the market value of the Inco common shares at the time of the exchange.

The exchangeable debentures are redeemable at the option of the company on or after September 12, 2006. Redemption may be satisfied by delivery of the Inco common shares owned by the company, or payment of a cash amount equal to the market value of the Inco common shares at the time of redemption.

Inco common shares (note 7) held by the company have been pledged as security for the exchangeable debentures. The Inco exchangeable debentures are accounted for as a cash flow hedge of the anticipated disposition of the Inco common shares held by the company. The deferred gain or loss on the exchangeable debentures will be recognized against the corresponding gain or loss on disposition of the Inco common shares.

16. SHAREHOLDERS' EQUITY

	2005		2004	
	Shares (in 000's)	Amount ($ in millions)	Shares (in 000's)	Amount ($ in millions)
Capital stock (a)				
Class A common shares	4,674	$ 7	4,674	$ 7
Class B subordinate voting shares (b)	198,752	2,148	196,682	2,117
		2,155		2,124
Retained earnings		2,228		1,049
Exchangeable debentures due 2024 (c)		107		107
Contributed surplus (j)		61		58
Cumulative translation adjustment (i)		(168)		(117)
		$ 4,383		$ 3,221

(a) Authorized share capital

The company's authorized share capital consists of an unlimited number of Class A common shares (Class A shares) without par value, an unlimited number of Class B subordinate voting shares without par value and an unlimited number of preferred shares without par value issuable in series.

The Class A shares carry the right to 100 votes per share and the Class B subordinate voting shares carry the right to one vote per share. Each Class A share is convertible, at the option of the holder, into one Class B subordinate voting share. In all other respects the Class A and Class B subordinate voting shares rank equally. Subject to certain exceptions, if a take-over bid is made in respect of the Class A shares and is not made concurrently with an offer to purchase Class B subordinate voting shares on identical terms, each outstanding Class B subordinate voting share will be convertible into a Class A share, if the take-over bid is accepted by holders of a majority of the Class A shares.

(b) Class B subordinate voting shares

	Shares (in 000's)	Amount ($ in millions)
At December 31, 2002	179,855	$ 1,779
Options exercised	1,943	25
Issued to holders of shares of predecessor companies merged with the company	12	–
At December 31, 2003	181,810	1,804
Options exercised (f)	2,609	38
Issued for convertible subordinated debentures (d)	7,275	185
Exercise of warrants (h)	4,980	90
Conversion of Class A shares to Class B subordinate voting shares	8	–
At December 31, 2004	196,682	2,117
Options exercised (f)	2,067	31
Issued to holders of shares of predecessor companies merged with the company	3	–
At December 31, 2005	198,752	$ 2,148

At December 31, 2005 there were 375,158 Class B subordinate voting shares (2004 – 378,022 shares) reserved for issuance to the former shareholders of predecessor companies that merged with the company in prior years.

(c) Exchangeable debentures due 2024

In April 1999 the company issued $150 million of 25-year debentures with each $1,000 debenture exchangeable, at a reference price of $23.50 per share, into 42.5532 shares of Cominco Ltd. At the time of the merger with Cominco Ltd. in 2001, holders of these debentures were paid $6 in respect of each underlying Cominco share as a partial repayment. The face value of each $1,000 debenture was reduced to $745 and each debenture became convertible into 76.596 Class B subordinate voting shares for a total, if exchanged, of 11,489,000 Class B subordinate voting shares. Interest is at 2% above the company's dividend yield using a share price of $9.72 to a maximum of 8%. In 2005 and 2004, the effective interest rate so determined was 5.74% and 4.07% respectively.

The debentures are exchangeable by the holder or redeemable by the company at any time. If redeemed by the company, the company will pay a premium of $19 per $1,000 principal amount up to April 30, 2006 and nil thereafter.

By virtue of the company's option to deliver a fixed number of Class B subordinate voting shares to satisfy the principal payments, the debentures net of issue costs and taxes are classified as a component of shareholders' equity. The interest, net of taxes, is charged directly to retained earnings.

(d) Redemption of convertible debt

On October 12, 2004, the company issued 7.3 million Class B subordinate voting shares on conversion of US$156 million stated amount at maturity of its convertible subordinated debentures due 2006, which were called for redemption. Debentures with a stated amount at maturity of US$14 million were redeemed for cash.

(e) Preference shares

In November 2003, the Articles of the company were amended and the company issued 790,000 Series 1 and 550,000 Series 2 preference shares to replace certain preference shares of its wholly-owned subsidiary, TCML (formerly Cominco Ltd.). These shares entitle the holders to receive dividends and redemptions based upon a rate of return index governed by world prices for lead and silver. The rate of return index to date has been insufficient to trigger any dividend or redemption. Based on foreseeable metal prices these shares are expected to expire in March 2006 without any dividends or redemptions. Accordingly, the company has assigned no value to these shares.

(f) Share options

In the year ended December 31, 2005, the company granted 367,200 Class B subordinate voting share options at market price to employees. These share options have an exercise price of $45.28, a vesting period of three years and expire in 2011.

The company recorded stock-based compensation expense of $6 million (2004 – $4 million; 2003 – $3 million) relating to share options.

The weighted average fair value of Class B subordinate voting share options was estimated as $18 per share option (2004 – $10; 2003 – $3) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

Valuation assumptions for share options

	2005	2004	2003
Dividend yield	0.88%	0.80%	1.77%
Risk free interest rate	3.75%	3.50%	4.50%
Expected life	4.7 years	4.5 years	3.5 years
Expected volatility	36%	36%	25%

Outstanding share options

	2005		2004	
	Shares (in 000's)	Weighted average exercise price	Shares (in 000's)	Weighted average exercise price
Outstanding at beginning of year	4,426	$ 15.09	6,228	$ 13.22
Granted under plan	367	45.28	836	25.09
Exercised	(2,067)	13.77	(2,609)	13.76
SARs exercised	–	–	(6)	13.83
Expired	(14)	25.09	(23)	22.36
Forfeited	(21)	31.39	–	–
Outstanding at end of year	2,691	$ 20.04	4,426	$ 15.09
Vested and exercisable at end of year	1,803	$ 13.51	3,822	$ 13.51

16. SHAREHOLDERS' EQUITY, continued

Information relating to share options outstanding at December 31, 2005:

Outstanding share options (in 000's)	Vested share options (in 000's)	Price range	Weighted average exercise price on outstanding options	Weighted average remaining life on outstanding options (months)
41	41	$ 6.39 – $ 9.59	$ 7.50	42
1,417	1,417	$ 9.60 – $ 14.39	$ 11.90	40
165	165	$ 14.40 – $ 21.60	$ 16.17	19
707	180	$ 21.61 – $ 32.42	$ 25.09	50
361	–	$ 32.43 – $ 45.28	$ 45.28	62
2,691	1,803	$ 6.39 – $ 45.28	$ 20.04	44

(g) Deferred Share Units and Restricted Share Units

Under the Deferred Share Unit (DSU) or Restricted Share Unit (RSU) plan, directors and employees may receive either DSUs or RSUs, each of which entitle the holder to a cash payment equal to the market value of a Class B subordinate voting share of the company at the time they are redeemed. In the case of directors, these units vest immediately. The units granted to employees vest after three years. Upon normal retirement the units vest immediately and when early retirement occurs, units vest on a pro-rata basis. When employees are terminated without cause, units vest on a pro-rata basis. Should employees be terminated with cause, units would be forfeited. DSUs may only be redeemed at the time a holder ceases to be an employee or director while RSUs must be redeemed at the end of a three-year period measured from the end of the year immediately preceding the grant. Additional share units are issued to reflect dividends paid on Class B subordinate voting shares.

As at December 31, 2005, the outstanding DSUs and RSUs issued are 222,320 and 122,547 respectively. The company recorded an expense of $12 million in the year (2004 – $3 million), in respect of the current year grants and appreciation of all outstanding units.

(h) Warrants

In May 2004, the company received $90 million on the exercise of the 4,980,000 remaining warrants to purchase Class B subordinate voting shares at a price of $18 per share. The warrants were issued in 1999.

(i) Cumulative translation adjustment

The cumulative translation adjustment represents the net unrealized foreign exchange gains (losses) on translation of the accounts of self-sustaining foreign subsidiaries, net of foreign exchange losses on the portion of US dollar denominated debt designated as hedges against these investments.

($ in millions)	2005	2004	2003
Cumulative translation adjustment – beginning of year	$ (117)	$ (43)	$ 105
Exchange differences on investments in foreign subsidiaries	(53)	(134)	(338)
Exchange differences on debt designated as a hedge of self-sustaining foreign subsidiaries	–	34	190
Exchange loss realized on reduction or disposal of foreign investment (Note 4(c))	2	26	–
Cumulative translation adjustment – end of year	$ (168)	$ (117)	$ (43)

(j) Contributed surplus

($ in millions)	2005	2004	2003
Beginning of year	$ 58	$ 57	$ 55
Stock-based compensation expense (f)	6	4	3
Transfer to Class B subordinate voting shares on exercise of share options	(3)	(2)	(1)
Redemption of convertible debt (d)	–	(1)	–
End of year	$ 61	$ 58	$ 57

(k) Earnings per share

The following table reconciles the basic and diluted earnings per share of the company:

($ in millions, except per share data)	2005	2004	2003
Basic earnings			
Earnings from continuing operations	$ 1,345	$ 594	$ 125
Less interest on exchangeable debentures, net of taxes	(4)	(3)	(3)
Earnings from continuing operations, less interest on exchangeable debentures, net of taxes	1,341	591	122
Earnings from discontinued operation	–	23	9
Net earnings available to common shareholders	$ 1,341	$ 614	$ 131
Diluted earnings			
Earnings from continuing operations	$ 1,345	$ 594	$ 125
Earnings from discontinued operation	–	23	9
Net diluted earnings available to common shareholders	$ 1,345	$ 617	$ 134
Weighted average shares outstanding (000's)	202,472	192,993	184,823
Effect of dilutive securities			
Incremental shares from share options	2,121	1,830	468
Shares issuable on conversion of exchangeable debentures	11,489	11,489	11,489
Weighted average diluted shares outstanding	216,082	206,312	196,780
Basic earnings per share	$ 6.62	$ 3.18	$ 0.71
Basic earnings per share from continuing operations	$ 6.62	$ 3.06	$ 0.66
Diluted earnings per share	$ 6.22	$ 2.99	$ 0.68
Diluted earnings per share from continuing operations	$ 6.22	$ 2.88	$ 0.64

In 2003, convertible debentures and warrants were outstanding and convertible into Class B subordinate voting shares but were not dilutive.

(l) Dividends

On a per share basis, the dividends declared for the year ended December 31, 2005 were $0.80 (2004 – $0.30; 2003 – $0.20).

17. INTEREST ON LONG-TERM DEBT

The company incurred interest expense on long-term debt as follows:

($ in millions)	2005	2004	2003
Interest expense	$ 69	$ 58	$ 61
Amortization of debt discount	–	3	5
	69	61	66
Less amounts capitalized	–	–	(1)
	$ 69	$ 61	$ 65

18. OTHER INCOME (EXPENSE)

($ in millions)	2005	2004	2003
Income from Fording	$ 76	$ 13	$ 10
Gain on sale of investments and assets	58	25	22
Interest and investment income	56	10	5
Insurance proceeds	21	12	20
Additional Quebrada Blanca and Cajamarquilla sales proceeds	19	12	–
Gain on dilution of interest in Elkview mine	19	–	–
Non-hedge derivative losses (a)	(29)	(4)	–
Asset retirement expense for closed properties (b)	(24)	(22)	(24)
Minority interests	(15)	(9)	–
Miscellaneous expense	(26)	(13)	(32)
	$ 155	$ 24	$ 1

(a) Included in non-hedge derivative losses is $26 million (2004 – $8 million) relating to copper forward collars and $3 million (2004 – $(4) million) relating to zinc forward purchase commitments that are not accounted for as hedges.

(b) Included in asset retirement expense is $18 million (2004 – $15 million) relating to increases in the estimated requirement of asset retirement obligations for closed properties and $6 million (2004 – $7 million) in accretion relating to these properties (Note 13).

19. INCOME AND RESOURCE TAXES

(a) Income and resource tax expense

($ in millions)	2005	2004	2003
Current			
Income tax	$ 331	$ 26	$ 21
Resource tax	116	76	20
Large corporation tax	–	4	3
	447	106	44
Future			
Income tax	116	205	2
Resource tax	12	(6)	4
	128	199	6
	$ 575	$ 305	$ 50

(b) Reconciliation of income and resource taxes calculated at the statutory rates to the actual tax provision

($ in millions)	2005	2004	2003
Tax expense at the statutory income tax rate of 34.4% (2004 – 35.5%; 2003 – 37.6%)	$ 661	$ 319	$ 62
Tax effect of			
Resource taxes, net of resource and depletion allowances	48	31	12
Non-taxable portion of income	(35)	–	–
Benefit of tax losses not previously recognized	(45)	(31)	–
Benefit of tax rate reduction	(21)	–	–
Difference in tax rates in foreign jurisdictions	(9)	(12)	(21)
Other	(24)	(2)	(3)
	$ 575	$ 305	$ 50

(c) Temporary differences giving rise to future income and resource tax assets and liabilities

($ in millions)	2005	2004
Future income and resource tax assets		
Net operating loss carry forwards	$ 188	$ 227
Property, plant and equipment	(124)	(88)
Research and development tax credits	1	38
Asset retirement obligations	37	36
Other	21	33
Valuation allowance	–	(94)
	123	152
Less current portion	(8)	(15)
	$ 115	$ 137
Future income and resource tax liabilities		
Property, plant and equipment	$ 739	$ 721
Net operating loss carry forwards	–	(6)
Asset retirement obligations	(92)	(91)
Amounts relating to partnership year ends	348	191
Other	30	87
	1,025	902
Less current portion	(118)	(7)
	$ 907	$ 895

(d) Earnings and taxes by jurisdiction

(i) Earnings before income and resource taxes from continuing operations are earned in the following tax jurisdictions:

($ in millions)	2005	2004	2003
Canada	$ 1,215	$ 534	$ 79
Foreign	705	365	86
	$ 1,920	$ 899	$ 165

(ii) Income and resource tax expense from continuing operations by jurisdiction is as follows:

($ in millions)	2005	2004	2003
Current income and resource taxes			
Canada	$ 339	$ 101	$ 29
Foreign	108	5	15
	447	106	44
Future income and resource taxes			
Canada	115	151	11
Foreign	13	48	(5)
	128	199	6
	$ 575	$ 305	$ 50

(e) The company has non-resident subsidiaries that have undistributed earnings. Provisions have not been recorded for taxes that may arise on repatriation of these earnings as these undistributed earnings are not expected to be repatriated in the foreseeable future. It is not practical to determine the future taxes that may be payable upon the repatriation of such earnings.

(f) Loss carry forwards

(i) Canada and provincial tax jurisdictions

At December 31, 2005, the company had no remaining Canadian and provincial net operating loss carry forwards (2004 – $15 million).

(ii) United States federal and state tax jurisdictions

At December 31, 2005, the company had United States federal and state net operating loss carry forwards of $477 million (2004 – $560 million). These loss carry forwards expire at various dates between 2007 and 2024.

(g) Valuation allowance

The company has fully recognized the benefit of regular income loss carry forwards. In 2004, the company had a valuation allowance relating to US operations of $94 million.

(h) Other disclosure

In the normal course of business, the company is subject to audit by taxation authorities. For major entities, audits by the Canadian taxation authorities on years after 2000 are not yet completed. These audits may alter the timing or amount of taxable income or deductions. The amount ultimately reassessed upon resolution of issues raised may differ from the amount accrued.

20. PARTNERSHIPS AND JOINT VENTURES

The principal operations of the company which are accounted for using the proportionate consolidation method of accounting are Elk Valley Coal and the Antamina, Pogo and Hemlo mines. Prior to the acquisition of a further 33.6% interest in the first quarter of 2004, Highland Valley Copper was also accounted for as a joint venture. Antamina has been accounted for as a joint venture beginning July 1, 2003. The company's share of the assets and liabilities, revenues and expenses and cash flows of these operations is as follows:

($ in millions)	2005	2004	2003
Assets			
Cash	$ 166	$ 143	$ 79
Other current assets	320	204	201
Mineral properties, plant and equipment	1,258	1,128	1,306
	$ 1,744	$ 1,475	$ 1,586
Liabilities and Equity			
Current liabilities	$ 223	$ 150	$ 84
Long-term liabilities	381	447	557
Equity	1,140	878	945
	$ 1,744	$ 1,475	$ 1,586
Earnings			
Revenues	$ 1,847	$ 1,223	$ 1,019
Expenses	1,033	920	834
Net earnings	$ 814	$ 303	$ 185
Cash flow			
Operating activities	$ 843	$ 496	$ 325
Financing activities	(83)	(61)	(30)
Investing activities	(203)	(144)	(58)
Distributions	(526)	(203)	(195)
Cash recognized on consolidation of Antamina	–	–	41
Effect of exchange rates on cash	(8)	(6)	(2)
Increase in cash	$ 23	$ 82	$ 81

21. SUPPLEMENTARY CASH FLOW INFORMATION

($ in millions)	2005	2004	2003
(a) Components of cash and temporary investments			
Cash	$ 132	$ 115	$ 65
Money market investments with maturities from the date of acquisition of			
Less than 3 months	1,966	760	31
3-6 months	911	32	–
6-12 months	75	–	–
	$ 3,084	$ 907	$ 96
(b) Changes to non-cash working capital items			
Accounts and settlements receivable	$ (164)	$ (58)	$ (76)
Inventories	(122)	(24)	102
Accounts payable and accrued liabilities	34	6	(1)
Current income and resource taxes payable	229	49	2
	$ (23)	$ (27)	$ 27
(c) Interest and taxes paid			
Interest paid	$ 49	$ 50	$ 57
Income and resource taxes paid	$ 177	$ 79	$ 14
(d) Non-cash financing transaction			
Value ascribed to shares issued on conversion of debt (Note 16(d))	$ –	$ 185	$ –

22. COMMITMENTS AND CONTINGENCIES

(a) Derivatives and financial instruments

The company's derivative positions at December 31, 2005 are as follows:

	2006	2007	2008	2009	Total	Unrealized gain (loss)
						(Cdn$ millions)
Gold (thousands of ozs)						
Fixed forward sales contracts	–	44	44	43	131	
Average price (US$/oz)	–	350	350	350	350	$ (30)
Fixed forward sales contracts	34	8	–	–	42	
Average price (C$/oz)	520	520	–	–	520	(4)
US dollars (millions) (i)						
Fixed forward sales contracts	159	–	–	–	159	
Average exchange rate	1.44	–	–	–	1.44	45
Zinc (millions of lbs) (ii)						
Fixed forward purchase commitments	7	–	–	–	7	
Average price (US¢/lb)	61	–	–	–	61	2
Lead (millions of lbs) (ii)						
Fixed forward purchase commitments	2	–	–	–	2	
Average price (US¢/lb)	40	–	–	–	40	–

Interest rate swap Principal amount	Rate swapped	Rate obtained	Maturity date	Unrealized gain
US$100 million	7.00%	LIBOR plus 2.14%	September 2012	–

(i) Included in the US dollar forward sales contracts of US$159 million is the company's share of forward sales contracts at Elk Valley Coal of US$37 million.

(ii) From time to time, certain customers purchase refined zinc and lead at fixed forward prices from the company's smelter and refinery operations. The forward purchase commitments for zinc and lead are matched to these fixed price sales commitments to customers. As the fixed price sales commitments to customers contain a fixed premium component, the relationships are not considered to be sufficiently effective under hedge standards. Accordingly, the company is unable to apply hedge accounting to zinc and lead forward purchase commitments and has recognized mark-to-market and realized losses in other income and expense.

(b) Legal proceedings and contingencies

The company considers provisions for all its outstanding and pending legal claims to be adequate. The final outcome with respect to actions outstanding or pending as at December 31, 2005, or with respect to future claims, cannot be predicted with certainty.

Lake Roosevelt

On November 11, 2004, the District Court for Eastern Washington State denied a motion by TCML to dismiss, for want of jurisdiction, a citizen's suit brought by two members of the Confederated Tribes of the Colville Reservation (the "Tribes") supported by the State of Washington. On February 14, 2005, the Federal Court of Appeals for the 9th Circuit granted TCML's petition for permission to appeal and the District Court entered a stay of proceedings pending the appeal. The Government of Canada, the Mining Association of Canada and the Canadian

22. COMMITMENTS AND CONTINGENCIES, continued

Chamber of Commerce, the US Chamber of Commerce and the US National Mining Association have filed amicus briefs in support of TCML's position. Oral argument of the appeal was heard on December 5, 2005 in Seattle, Washington and the Court reserved judgment.

In September 2005, the District Court lifted the Stay to allow the State of Washington and the Tribes to add the Tribes as an additional plaintiff and to file amended complaints adding the State's and the Tribes' claims for natural resource damages and cost recovery under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"). On September 29, 2005, the individual plaintiffs also served notice of their intention to file suit under the US Resource Conservation and Recovery Act ("RCRA") seeking injunctive relief and costs.

The original citizen's suit was brought pursuant to Section 310(a)(i) of the US Superfund Statute (CERCLA) to enforce a unilateral administrative order issued by the US Environmental Protection Agency (EPA) purporting to require TCML to conduct a remedial investigation and feasibility study with respect to metal contamination in the sediments of the Upper Columbia River and Lake Roosevelt. The EPA issued the order shortly after breaking off negotiations with the company during which TCML offered to fund human health and ecological studies, to address the possible impact of historical discharges from the Trail Metallurgical Operations in British Columbia. Both the Canadian government and the company have the view that the EPA does not have jurisdiction to apply US law in Canada.

The Government of Canada and the Government of the US are continuing to pursue a bilateral agreement to facilitate the studies and appropriate remediation to address environmental concerns about the area. Such an agreement could provide a basis under which TCML's offer of funding for this work could be implemented.

There can be no assurance the amount offered to fund the studies will be sufficient or any offer to fund the studies will resolve the matter, or that TCML or its affiliates will not be faced with liability in relation to this matter. Until studies of the kind described above are completed, it is not possible to estimate the extent and cost, if any, of remediation that may be required.

Competition Investigation

TCML, as the marketing agent for HVC, responded to an Order issued in May 2003 pursuant to the Competition Act to produce documents relevant to the marketing of custom copper concentrates. The order was part of an industry-wide investigation involving major copper concentrate producers commenced in Canada, the US and Europe to determine whether there is evidence of a cartel agreement and related illegal practices concerning pricing, customer allocation and market sharing in the copper concentrate sector. The United States Department of Justice and the European Commission decided not to proceed with their investigations and have closed their files on the case. The company is co-operating in the continuing investigation in Canada. There can be no assurance that the investigation will not result in further regulatory action against the company or HVC in Canada or that the company or HVC will not face prosecution or liability under the Competition Act or otherwise in relation to the investigation. The company can also not predict the course of the ongoing investigation in Canada or when the investigation will be completed.

Tax Recovery

The company has appealed the reassessment of Ontario mining taxes by the Minister of Finance (Ontario) on its gold hedging gains. In a similar case, the Ontario Court of Appeal ruled that gold hedging gains were exempt from Ontario mining taxes. The Minister of Finance (Ontario) appealed this ruling to the Supreme Court of Canada and is currently awaiting a decision. The company has assessed the effect of these court cases and has not recorded any recovery of the disputed amounts pending the outcome of the appeal. The amount of mining taxes and interest which may be recovered is approximately $16 million.

(c) Commitments and guarantees

Red Dog Commitments

Pursuant to a royalty agreement with NANA Regional Corporation Inc. (NANA), TCAK pays NANA an annual advance royalty equal to the greater of 4.5% of Red Dog mine's net smelter return or US$1 million. After the company recovers certain capital expenditures including an interest factor, TCAK will pay to NANA 25% of net proceeds of production from the Red

Dog mine, increasing in 5% increments every fifth year to a maximum of 50%. Advance royalties previously paid will be recoverable against the 25% royalty on net proceeds of production. As at December 31, 2005, the amount of unrecovered capital expenditures including interest was US$621 million (2004 – US$837 million), and the cumulative amount of advance royalties paid was US$114 million (2004 – US$97 million). The date on which the 25% net proceeds of production royalty will become payable to NANA will depend on a number of factors, including future zinc and lead prices, capital expenditures and the cumulative amount of advance royalty payments.

TCAK leases road and port facilities from the Alaska Industrial Development and Export Authority through which it ships all concentrate produced at the Red Dog mine. The lease requires TCAK to pay a minimum annual user fee of US$18 million, with fee escalation provisions based on zinc price and annual tonnage.

TCAK has also entered into agreements for the transportation and handling of concentrates from the millsite. These agreements have varying terms expiring at various dates through 2010 and include provisions for extensions. There are minimum tonnage requirements and the minimum annual fees amount to approximately US$9 million, with adjustment provisions based on variable cost factors.

Antamina Royalty

On the acquisition of the company's interest in the Antamina mine, the company granted the vendor a net profits royalty equivalent to 7.4% of the company's share of the project's free cash flow after recovery of capital costs and an interest factor on approximately 60% of project costs. As at December 31, 2005 the company's share of unrecovered project costs including interest was US$44 million (2004 – US$185 million).

Fort Hills

Under the Fort Hills Energy Limited Partnership agreement the company has committed to contribute 34% of the first $2.5 billion of partnership expenditures on the Fort Hills project. In the event that the project is abandoned, all limited partners are required to make additional contributions such that the aggregate contributions of all partners equal $2.5 billion. Any unspent amounts will be distributed by the partnership, with the company receiving its 15% limited partner's share.

Elk Valley Coal Partnership Guarantee

Elk Valley Coal has provided an unsecured guarantee, limited in recourse against the company to the assets of Elk Valley Coal and the interest of the company therein, with respect to up to $400 million of borrowings by Fording incurred principally in connection with the financing of the transaction pursuant to which the company acquired its interest in Elk Valley Coal.

Operating Leases

Amounts payable under operating leases are $97 million, with annual payments of $22 million in 2006, $14 million in 2007, $10 million in 2008, $8 million in 2009, $7 million in 2010, and $36 million thereafter. The leases are primarily for office premises, mobile equipment and rail cars.

Forward Purchase Commitments

The company has a number of forward purchase commitments for the purchase of concentrates and power, and for shipping and distribution of its products which are incurred in the normal course of business. The majority of these contracts are subject to force majeure provisions.

Environmental Protection

The company's operations are affected by federal, provincial, state and local laws and regulations concerning environmental protection. The company's provisions for future reclamation and site restoration are based on known requirements. It is not possible to estimate the impact on operating results, if any, of future legislative or regulatory developments.

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and temporary investments, accounts and settlements receivable, long-term receivables and deposits, other investments, accounts payable and accrued liabilities, long-term debt and other liabilities represent their fair value unless otherwise disclosed. The carrying amounts and the quoted market values of the company's investments are disclosed in Note 7, and the debentures exchangeable for Inco common shares are disclosed in Note 15. The market values for derivative and financial instruments are disclosed in Note 22(a).

23. FAIR VALUE OF FINANCIAL INSTRUMENTS, continued

The carrying amounts and estimated fair values of the company's debt instruments at December 31 are summarized as follows:

($ in millions)	2005		2004	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
6.125% debentures due October 2035	$ 806	$ 810	$ –	$ –
5.375% debentures due October 2015	349	347	–	–
7% debentures due September 2012	231	254	238	265
6.875% debentures due February 2006	175	175	181	186
Antamina senior debt	146	146	245	245

24. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES

The effect of the material measurement differences between generally accepted accounting principles in Canada and the United States on the company's net earnings is summarized as follows:

($ in millions, except per share data)	2005	2004	2003
Net earnings under Canadian GAAP	$ 1,345	$ 617	$ 134
Add (deduct)			
Inventory valuation (a)	–	–	17
Exchangeable debentures due 2024 and convertible debentures (b)	(6)	(6)	(3)
Unrealized holding gains (losses) on investments (c)	33	(51)	94
Share of earnings (losses) in Antamina and Fording (d)	(1)	(3)	12
Deferred start-up costs (e)	3	(4)	3
Derivative instruments (g)			
Embedded derivative	(25)	46	(131)
Fair value hedges	(62)	31	177
Asset retirement obligations (h)	(3)	(4)	(4)
Capitalized interest (k)	8	2	–
Tax effect of adjustments	23	(16)	(75)
Net earnings before changes in accounting principles	1,315	612	224
Add (deduct)			
Asset retirement obligation – cumulative adjustment (h)	–	–	(58)
Underground development amortization (j)	–	(7)	–
Tax effect of adjustments	–	3	21
Net earnings under US GAAP before comprehensive income adjustments	1,315	608	187
Add (deduct)			
Unrealized holding gains (losses) on investments (c)	51	(4)	36
Cumulative translation adjustment (f)	(51)	(79)	(148)
Derivative instruments – cash flow hedges (g)	(30)	(33)	31
Additional minimum pension liability (i)	(22)	52	47
Tax effect of adjustments	11	(1)	(22)
Comprehensive income	$ 1,274	$ 543	$ 131
Earnings per share under US GAAP, before changes in accounting principles			
Basic	$ 6.49	$ 3.17	$ 1.19
Diluted	$ 6.09	$ 2.96	$ 1.12
Earnings per share under US GAAP, before comprehensive income adjustments			
Basic	$ 6.49	$ 3.15	$ 0.99
Diluted	$ 6.09	$ 2.95	$ 0.93

Balance Sheets under Canadian GAAP and US GAAP

($ in millions)	2005		2004	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
Assets				
Current assets				
Cash and temporary investments	$ 3,084	$ 3,084	$ 907	$ 907
Accounts and settlements receivable	531	531	371	371
Inventories	652	652	533	533
Derivative instruments (g)	–	45	–	77
	4,267	4,312	1,811	1,888
Investments (c,d)	666	760	469	460
Property, plant and equipment (e,h,j,k)	3,532	3,469	3,488	3,427
Other assets (g,i)	344	382	291	417
	$ 8,809	$ 8,923	$ 6,059	$ 6,192
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (g)	$ 442	$ 445	$ 375	$ 395
Dividends payable	81	81	–	–
Current portion of long-term debt	213	213	38	38
Current income and resource taxes payable	261	261	40	40
Current portion of future taxes	118	118	7	7
	1,115	1,118	460	480
Long-term debt (b)	1,508	1,615	627	734
Other liabilities (g,h)	648	615	608	552
Future income and resource taxes	907	938	895	935
Exchangeable debentures	248	248	248	248
Shareholders' equity	4,383	4,389	3,221	3,243
	$ 8,809	$ 8,923	$ 6,059	$ 6,192

Shareholders' Equity under Canadian GAAP and US GAAP

($ in millions)	2005		2004	
	Canadian GAAP	US GAAP	Canadian GAAP	US GAAP
Capital stock	$ 2,155	$ 2,155	$ 2,124	$ 2,124
Retained earnings	2,228	2,330	1,049	1,177
Exchangeable debentures due 2024 (b)	107	–	107	–
Contributed surplus	61	61	58	58
Cumulative translation adjustment (f)	(168)	–	(117)	–
Accumulated other comprehensive income (f)	–	(157)	–	(116)
	$ 4,383	$ 4,389	$ 3,221	$ 3,243

24. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES, continued

(a) Coal inventory valuation at Bullmoose mine

Production inventory at the Bullmoose mine was previously recorded at net realizable value. US GAAP requires such inventory to be valued at the lower of cost and market. The Bullmoose mine was closed during 2003.

(b) Exchangeable debentures due 2024 and convertible debentures

Under Canadian GAAP a portion of the convertible debentures, which were settled in full during 2004, was classified as equity. The difference between the carrying amount of the debentures and the contractual liability was amortized to earnings over the term of the debentures. The exchangeable debentures due 2024 have been classified as equity with related interest being charged directly to retained earnings. Under US GAAP both debentures would be classified as liabilities and interest would be charged against current period earnings.

(c) Unrealized holding gains (losses) on investments

For US GAAP purposes, certain of the company's marketable securities are considered to be either available-for-sale securities or trading securities. Available-for-sale securities are carried at market value with unrealized gains or losses included in other comprehensive income until realized or until an other-than-temporary decline occurs. The company's trading securities are carried at market value with unrealized gains or losses included in net earnings.

(d) Share of earnings (losses) in Antamina and Fording Canadian Coal Trust

Adjustments in respect of the company's share of earnings in Antamina and Fording arise due to various differences between US and Canadian GAAP. Prior to July 1, 2003, the company equity-accounted its interest in Antamina. The company began to proportionately consolidate its investment in Antamina on July 1, 2003. As a result, the company's share of US GAAP reconciling items for Antamina are separately included beginning July 1, 2003 in the related adjustments.

(e) Deferred start-up costs

Under Canadian GAAP, certain mine start-up costs are deferred until the mine reaches commercial levels of production and are amortized over the life of the project. Under US GAAP, these costs are expensed as incurred.

(f) Comprehensive income

Under US GAAP, comprehensive income is recognized and measured in accordance with FASB Statement No. 130 "Reporting Comprehensive Income". Comprehensive income includes all changes in equity other than those resulting from investments by owners and distributions to owners. Comprehensive income includes two components, net income and other comprehensive income. Other comprehensive income includes amounts that are recorded as an element of shareholders' equity but are excluded from net income as these transactions or events were attributable to changes from non-owner sources. These items include minimum pension liability adjustments, holding gains and losses on certain investments, gains and losses on certain derivative instruments and foreign currency gains and losses related to self-sustaining foreign operations (cumulative translation adjustment). A standard for comprehensive income and other comprehensive income is not yet effective under Canadian GAAP.

(g) Derivative instruments

Under Canadian GAAP, derivative instruments to which hedge accounting is applied are held off-balance sheet with realized gains and losses recorded in net earnings. Non-hedge derivative instruments must be recorded on the balance sheet at fair value with changes in fair value recorded in other income (Note 22(a)).

For US GAAP purposes, all derivatives are recorded on the balance sheet as either assets or liabilities at fair value. The accounting for changes in the fair value of derivatives depends on whether the derivative has been designated as a fair value or cash flow hedge and whether it qualifies as part of a hedging relationship.

(i) For fair value hedges, the effective portion of the changes in fair value of the derivatives is offset by changes in the fair value of the hedged item in net earnings. For cash flow hedges the effective portion of the changes in fair value are accumulated in other comprehensive income and released into net earnings when the hedged item affects net earnings. For derivatives not accounted for as part of a hedging relationship, changes in fair value are included in net earnings.

(ii) The company's exchangeable debentures due 2021 include an option to settle the debt with Inco shares. Under US GAAP, this option constitutes an embedded derivative which must be accounted for as a separate derivative instrument and recorded on the balance sheet at fair value with changes in fair value included in net earnings. A standard for embedded derivatives does not yet exist under Canadian GAAP.

In 2005 and 2004, certain instruments entered into by Elk Valley Coal were designated as cash flow hedges. For US GAAP purposes, the company did not designate any other derivatives as hedges under SFAS 133 in the periods presented.

(h) Asset retirement obligations

For US GAAP purposes the company adopted FASB Statement No. 143, "Accounting for Asset Retirement Obligations", effective January 1, 2003. The company adopted the provisions of CICA 3110, "Asset Retirement Obligations", for Canadian GAAP purposes effective January 1, 2004, and retroactively restated the Canadian GAAP results to account for this policy change.

The Canadian and US standards for Asset Retirement Obligations are substantially the same; however due to the difference in adoption dates, different assumptions were used. This resulted in differences in the asset and liability balances on adoption and will result in different amortization and accretion charges over time.

(i) Additional minimum pension liability

For US GAAP purposes, the company is required to recognize an additional minimum pension liability in the amount of the excess of the company's unfunded accrued benefit obligation over the fair value of the plan assets. An intangible asset is recorded equal to any unrecognized past service costs. Changes in the additional minimum pension liability and intangible asset are recorded in other comprehensive income.

(j) Underground development amortization

Under Canadian GAAP, the company retroactively adopted the block method of underground amortization, effective January 1, 2004, which resulted in a $4 million charge to opening retained earnings. US GAAP requires that such a change be accounted for as a cumulative adjustment through the current period income statement. Net earnings under US GAAP were reduced by $4 million after-tax during 2004.

24. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES IN CANADA AND THE UNITED STATES, continued

(k) Capitalized interest

For US GAAP purposes, interest costs must be capitalized for all assets that are under development. For Canadian GAAP, interest may be capitalized only on project specific debt.

(l) Cash flow from operating activities

Under US GAAP, cash flow from operating activities must be presented as the amount calculated after taking into effect the changes in non-cash working capital items. The disclosure of a subtotal referring to the amount of cash flow from operating activities before changes to working capital items is not permitted.

(m) Recent US accounting pronouncements

During June 2005, the FASB issued SFAS No. 154, Accounting for Changes and Error Corrections. The new standard requires that entities which make a voluntary change in accounting principle apply that change retroactively to prior period financial statements, unless this would be impracticable. For changes in methods of depreciation and amortization for long-lived assets, the change must be accounted for prospectively, as a change in estimate. SFAS No. 154 is effective for the company's 2006 financial statements.

In June 2005, the Emerging Issues Task Force issued EITF 04-06 "Accounting for Post-Production Stripping Costs in the Mining Industry". The EITF requires that stripping costs incurred during the production phase of a mine are variable production costs that should be included in the costs of the inventory produced during the period that the stripping costs are incurred. EITF 04-06 is effective for the company's 2006 financial statements. In Canada, the ASFB issued EIC D56 "Accounting for Deferred Stripping Costs in the Mining Industry". If adopted, this EIC would require stripping costs to be accounted for as variable production costs to be included in inventory unless the stripping activity can be shown to be a betterment of the mineral property, in which case the stripping costs would be capitalized.

As at December 31, 2005 the company has $52 million in deferred stripping costs. Should EIC D56 be adopted, the company will continue to defer stripping costs of major mine expansions which allow the company to mine reserves not previously included in the reserve base. In 2006, the company would expect to defer approximately $23 million of costs in respect of the mine expansion at Highland Valley Copper. These costs would be included in variable production costs for US GAAP purposes.

25. SEGMENTED INFORMATION

The company has six reportable segments: zinc smelters, zinc mines, copper, gold, coal, and corporate and other. Revenue from refined lead, electrical power, fertilizers and specialty metals earned at smelting operations are included in zinc smelter revenue for segmented purposes. All revenue from a mine is included in one segment based upon the principal product of the mine. The corporate segment includes the company's administrative, investment, exploration and business development activities.

($ in millions)	2005						
	Zinc smelters	Zinc mines	Copper	Gold	Coal	Corporate and other	Total
Segment revenues	$ 937	$ 731	$ 1,566	$ 127	$ 1,173	$ 194	$ 4,728
Less inter-segment revenues	–	(159)	(11)	–	(2)	(141)	(313)
Revenues	937	572	1,555	127	1,171	53	4,415
Operating profit	149	327	1,009	9	512	–	2,006
Interest expense	–	–	(14)	–	–	(55)	(69)
Other corporate expenses	–	–	–	–	–	(17)	(17)
Earnings before taxes	149	327	995	9	512	(72)	1,920
Capital expenditures	34	45	32	100	101	14	326
Total assets	1,370	1,664	1,217	358	656	3,544	8,809

($ in millions)	2004						
	Zinc smelters	Zinc mines	Copper	Gold	Coal	Corporate and other	Total
Segment revenues	$ 1,006	$ 643	$ 1,100	$ 142	$ 645	$ 17	$ 3,553
Less inter-segment revenues	–	(123)	–	–	–	(2)	(125)
Revenues	1,006	520	1,100	142	645	15	3,428
Operating profit	135	203	628	32	125	1	1,124
Interest expense	–	–	(15)	–	–	(46)	(61)
Other corporate expenses	–	–	–	–	–	(164)	(164)
Earnings before taxes and discontinued operation	135	203	613	32	125	(209)	899
Capital expenditures	24	37	17	82	53	3	216
Total assets	1,297	1,456	1,197	263	513	1,333	6,059

25. SEGMENTED INFORMATION, continued

($ in millions)	2003						
	Zinc smelters	Zinc mines	Copper	Gold	Coal	Corporate and other	Total
Segment revenues	$ 800	$ 430	$ 394	$ 143	$ 547	$ 13	$ 2,327
Less inter-segment revenues	–	(95)	–	–	–	(4)	(99)
Revenues	800	335	394	143	547	9	2,228
Operating profit	24	42	83	30	91	–	270
Interest expense	–	–	(9)	–	–	(56)	(65)
Other corporate expenses	–	–	–	–	–	(40)	(40)
Earnings before taxes and discontinued operation	24	42	74	30	91	(96)	165
Capital expenditures	39	52	22	23	19	3	158
Total assets	1,561	1,496	944	212	476	686	5,375

The geographic distribution of the company's property, plant and equipment and external sales revenue is as follows, with revenue attributed to regions based on the location of the customer:

	Property, Plant & Equipment		Revenues		
($ in millions)	2005	2004	2005	2004	2003
Canada	$ 1,755	$ 1,732	$ 578	$ 583	$ 408
United States	1,260	1,213	842	680	591
Latin America	509	532	252	156	66
Asia	–	11	1,894	1,321	795
Europe	–	–	809	688	368
Other	8	–	40	–	–
	$ 3,532	$ 3,488	$ 4,415	$ 3,428	$ 2,228

Comparative Ten Year Figures

($ in millions, except per share information)	**2005**	**2004**	**2003**	**2002**	**2001**	**2000**	**1999**	**1998**	**1997**	**1996**
Earnings and Cash Flow										
Revenue	**4,415**	3,428	2,228	2,042	2,184	1,153	622	715	720	732
Operating profit	**2,006**	1,124	270	155	364	234	78	94	106	137
Depreciation and amortization	**274**	275	223	206	230	142	93	96	94	89
Interest	**69**	61	65	60	74	55	49	44	42	34
Exploration	**70**	42	30	34	59	32	27	30	39	36
Earnings before unusual items	**1,345**	669	93	13	89	73	45	15	50	64
Unusual items, net of taxes	**–**	(52)	41	–	(122)	–	–	(64)	(225)	191
Net earnings (loss)	**1,345**	617	134	13	(33)	73	45	(49)	(175)	255
Cash flow from operations	**1,670**	1,143	314	185	393	233	110	128	140	158
Sale of investments	**118**	21	24	28	43	13	38	20	16	121
Capital expenditures	**326**	216	158	177	326	207	237	146	202	154
Investments	**220**	132	297	18	313	148	192	20	70	60
Per Share										
Net earnings before unusual items	**$ 6.62**	$ 3.45	$ 0.49	$ 0.06	$ 0.61	$ 0.66	$ 0.42	$ 0.15	$ 0.51	$ 0.66
Net earnings (loss)	**$ 6.62**	$ 3.18	$ 0.71	$ 0.06	$ (0.25)	$ 0.66	$ 0.42	$ (0.51)	$ (1.81)	$ 2.65
Dividends – Class A and Class B shares	**$ 0.80**	$ 0.30	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Balance Sheet										
Working capital	**3,152**	1,351	541	635	609	760	249	268	324	430
Total assets	**8,809**	6,059	5,375	5,066	5,241	5,210	2,662	2,340	2,359	2,580
Long-term debt	**1,508**	627	1,045	933	1,005	875	425	452	416	351
Shareholders' equity	**4,383**	3,221	2,427	2,454	2,486	1,653	1,613	1,275	1,344	1,530

Notes:

(1) The company accounted for its investment in Cominco on an equity basis, with its interest in Cominco shown as an investment on the balance sheet and its share of earnings as equity earnings on the earnings statement, until it increased its ownership to 50% in October 2000. Commencing the fourth quarter of 2000, the Cominco accounts were consolidated, resulting in major increases to the balance sheet and earnings statement numbers offset by a provision for the 50% minority interest. In July 2001, the company acquired the remaining 50% through a merger with Cominco, eliminating the minority interest provisions.

(2) Antamina results are consolidated beginning July 1, 2003 and were equity accounted for before that date.

(3) Certain numbers have been restated due to the adoption of new accounting standards.

(4) Unusual items comprise significant writedowns and gains and losses on disposition of investments.

Mineral Reserves and Resources

Mineral Reserves [1] at December 31, 2005

		Proven		Probable		Total		
		tonnes (000's)	grade (g/t) [2]	tonnes (000's)	grade (g/t)	tonnes (000's)	grade (g/t)	Teck Cominco Interest (%)
Gold	Williams							50
	Underground	3,310	5.45	670	5.05	3,980	5.38	
	Open pit	8,380	1.78	5,340	1.87	13,720	1.82	
	David Bell	1,130	10.97			1,130	10.97	50
	Pogo			7,000	16.12	7,000	16.12	40
		tonnes (000's)	**grade (%)**	**tonnes (000's)**	**grade (%)**	**tonnes (000's)**	**grade (%)**	
Copper	Antamina	76,000	1.12	374,000	1.19	450,000	1.18	22.5
	Highland Valley	260,200	0.43	58,500	0.44	318,700	0.43	97.5
Zinc	Antamina	76,000	1.40	374,000	0.84	450,000	0.93	22.5
	Red Dog	19,500	20.5	52,700	16.7	72,200	17.7	100
	Pend Oreille	4,300	7.1	400	6.4	4,700	7.0	100
Lead	Red Dog	19,500	5.7	52,700	4.3	72,200	4.7	100
	Pend Oreille	4,300	1.3	400	0.5	4,700	1.2	100
Molybdenum	Antamina	76,000	0.029	374,000	0.031	450,000	0.030	22.5
	Highland Valley	260,200	0.008	58,500	0.007	318,700	0.008	97.5
Coal [3]	Fording River	127,000		112,000		239,000		39.0 [4]
	Elkview	198,000		48,000		246,000		37.1
	Greenhills	81,000		19,000		100,000		31.2
	Coal Mountain	25,000		1,000		26,000		39.0
	Line Creek	17,000				17,000		39.0
	Cardinal River	35,000		23,000		58,000		39.0

Notes to Mineral Reserves and Resources Tables:

(1) Mineral reserves and resources are mine and property totals and are not limited to Teck Cominco's interests.

(2) g/t – grams per tonne.

(3) Coal reserves expressed as tonnes of clean coal.

(4) Representing a 39% direct interest in Elk Valley Coal Partnership. Does not include a 5.4% indirect interest through investment in Fording Canadian Coal Trust.

(5) Grade reported as $\%TiO_2$.

(6) Other refers to the aggregated measured, indicated and inferred resources associated with five undeveloped or non-operating properties. Tonnages reported under other represent Elk Valley Coal Partnership's interest in these properties.

Mineral Resources [1] at December 31, 2005

		Measured		Indicated		Inferred		
		tonnes (000's)	grade (g/t) [2]	tonnes (000's)	grade (g/t)	tonnes (000's)	grade (g/t)	Teck Cominco Interest (%)
Gold	Williams							50
	Underground	840	5.91	1,000	6.70	4,790	5.14	
	Open pit	360	2.33	420	2.04	330	1.63	
	David Bell							50
	Underground	290	9.20					
	Open pit			680	3.77			
	Pogo			770	8.92	1,230	16.90	40
	Lobo-Marte							60
	Lobo			64,210	1.79	5,660	1.70	
	Marte			33,470	1.58	3,590	1.35	
	Morelos					30,650	3.27	78.8
	Kudz Ze Kayah			11,300	1.30	1,500	2.00	100
		tonnes (000's)	**grade (%)**	**tonnes (000's)**	**grade (%)**	**tonnes (000's)**	**grade (%)**	
Copper	Antamina	35,000	0.53	25,000	0.44	42,000	0.84	22.5
	Highland Valley			151,900	0.37			97.5
	San Nicolas	1,880	0.73	78,080	1.34	7,020	1.28	79
	Kudz Ze Kayah			11,300	0.90	1,500	0.14	100
Zinc	Antamina	35,000	0.39	25,000	0.26	42,000	0.59	22.5
	Red Dog			7,700	18.8	30,200	15.5	100
	San Nicolas	1,880	3.6	78,080	1.8	7,020	1.4	79
	Pend Oreille					2,300	6.7	100
	Lennard Shelf	1,400	8.8	1,400	8.1	300	8.2	50
	Kudz Ze Kayah			11,300	5.9	1,500	6.4	100
	Sä Dena Hes			2,190	10.4			50
Lead	Red Dog			7,700	5.3	30,200	4.5	100
	Pend Oreille					2,300	1.3	100
	Lennard Shelf	1,400	2.2	1,400	1.8	300	1.7	50
	Kudz Ze Kayah			11,300	1.5	1,500	3.1	100
	Sä Dena Hes			2,190	2.6			50
Molybdenum	Antamina	35,000	0.033	25,000	0.026	42,000	0.021	22.5
	Highland Valley			151,900	0.005			97.5
Titanium [5]	White Earth			428,000	11	1,031,000	10	100
Coal [4]	Fording River	462,000		194,000		2,721,000		39.0 [4]
	Elkview	1,317,000		308,000		181,000		37.1
	Greenhills	5,000		299,000		649,000		31.2
	Coal Mountain	66,000		41,000		24,000		39.0
	Line Creek	65,000		177,000		119,000		39.0
	Cardinal River	2,000		9,000		4,000		39.0
	Other [6]	213,000		274,000		473,000		39.0

Mineral Reserves and Mineral Resources

STANDARD

Proven and Probable Mineral Reserves and Measured, Indicated and Inferred Mineral Resources have been estimated in accordance with the definitions of these terms adopted by the Canadian Institute of Mining, Metallurgy and Petroleum in November, 2004 and incorporated in National Instrument 43-101, "Standards of Disclosure for Mineral Projects", by Canadian securities regulatory authorities. Estimates of coal reserves and resources have been prepared and classified using guidance from GSC Paper 88-21. Classification terminology conforms with NI 43-101. Mineral Resources are reported separately from, and do not include that portion of the Mineral Resources that is classified as Mineral Reserves. That portion of Mineral Resource which is not classified as Mineral Reserve does not have demonstrated economic value.

DEFINITIONS

The CIM Definition standards on Mineral Resources and Mineral Reserves provide as follows:

A *Mineral Resource* is a concentration or occurrence of natural, solid, inorganic or fossilized organic material in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.

An *Inferred Mineral Resource* is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes.

An *Indicated Mineral Resource* is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed.

A *Measured Mineral Resource* is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity.

A *Mineral Reserve* is the economically mineable part of a Measured or Indicated Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified. A Mineral Reserve includes diluting materials and allowances for losses that may occur when the material is mined.

A *Probable Mineral Reserve* is the economically mineable part of an Indicated and in some circumstances, a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction can be justified.

A *Proven Mineral Reserve* is the economically mineable part of a Measured Mineral Resource demonstrated by at least a Preliminary Feasibility Study that economic extraction can be justified. This study must include adequate information on mining, processing, metallurgical, economic, and other relevant factors that demonstrate, at the time of reporting, that economic extraction is justified.

METHODOLOGIES AND ASSUMPTIONS

Mineral reserve and resource estimates are based on various assumptions relating to operating matters, including with respect to production costs, mining and processing recoveries, mining dilution, cutoff values or grades, as well as assumptions relating to long term commodity prices and in some cases, exchange rates. Cost estimates are based on feasibility study estimates or operating history.

Methodologies used in reserve and resource estimates vary from property to property depending on the style of mineralization, geology and other factors. Geostatistical methods appropriate to the style of mineralization have been used in the estimation of reserves at the company's material base metal properties.

Assumed metal prices vary from property to property for a number of reasons. The company has interests in a number of joint ventures, for which assumed metal prices are a joint venture decision. In certain cases, assumed metal prices are historical assumptions made at the time of the relevant reserve and resource estimates. At operations with shorter remaining lives, assumed metal prices may be more closely based on short term metal price expectations.

Gold Properties

Mineral reserves at Williams and David Bell have been estimated on the basis of an assumed gold price of US$425/oz and mineral resources have been estimated based on an assumed gold price of US$450/oz. An increasing proportion of reserves at Williams are within the C Zone, where mineralization is diffuse and irregular. Reserve estimates in this and other zones contain provisions for dilution and mining losses, but experience with Alimak mining in this zone is limited. Underground mineral reserves would increased by about 7% at an evaluation price of US $475/oz.

Mineral reserves at Pogo have been estimated on the basis of US$300/oz, which was the assumed price of gold used at the time of the feasibility study. At the current gold price, some additional mineralization on the fringes of the orebody may become economic, but this will not materially increase the reserves. Production will commence in early 2006, which will afford the access to enable further definition of the orebody. Mineral resources at Pogo and Morelos have been estimated using an assumed gold price of US$400/oz while those at Lobo-Marte have been estimated on the basis of an assumed gold price of US$360/oz.

Highland Valley Copper

Copper mineral reserves at Highland Valley Copper are estimated on the basis of an assumed copper price of US$0.92/lb. Mineral resources are estimated on an assumed price of US$1.16/lb. Reserves in the Valley Pit were increased by the addition of 174.3 million tonnes of mineralization which will be accessed by expanding the pit to the east. Nine million tonnes of reserves have been added at Highmont, of which six million tonnes is expected to be mined in 2006.

Antamina

Mineral reserves at Antamina have been estimated using an assumed copper price of US$0.95/lb and US$0.50/lb for zinc. Ore at Antamina comprises two general types: copper ores, from which copper and molybdenum concentrates may be produced, and copper zinc ores, from which copper and zinc concentrates are produced. These ore types have not been segregated for reporting purposes. In 2005, the results of extensive drill campaigns of 2003 and 2004 were assessed and a new ultimate pit designed. This additional drilling substantially confirmed the prior estimates of reserves and improved the accuracy of mine design and production forecasts. Mineralization of interest occurs beyond the current pit limit and to the south of the current pit. In the past, proven reserves included stockpiled material which was expected to be processed later in the life of the operation. Weathering of this material may have impaired its metallurgical characteristics, thus this material has been reclassified as a Measured Resource.

Red Dog

At Red Dog, reserves in the main pit have been updated by the addition of information gained during mining and adjusted for production. Mineral reserves and mineral resources mineable by open pit have been estimated at an assumed zinc price of US$0.55/lb zinc. Underground inferred resources at Red Dog, extraction of which is expected to take place more than 25 years in the future, have been estimated on the basis of an assumed zinc price of US$0.70/lb.

Pend Oreille

Experience gained in mining over the past year, particularly along the margins of the orebody, has resulted in a reduction in Reserves beyond normal depletion due to mining. Mineral reserves and resources at Pend Oreille have been estimated using an assumed zinc price of US$0.45/lb which was the price used in the feasibility. Higher metal prices will not result in significant increases in reserves and resources, since the boundaries of the orebody are geological features. Exploration in the nearby Washington Rock zone has shown that it will not be possible to mine some of the mineralization for geotechnical reasons and the resource estimate in that zone has been reduced by 1 million tonnes

Coal Properties

Coal reserves are coal quantities that are anticipated to be mineable, based on feasibility studies, utilizing existing technology, under prevailing economic conditions and which have no legal impediments to mining. The coking coal price assumed in reserve determination is between US$39 to US$43 per tonne FOB (free on board) at Roberts Bank terminal. Coal reserves are reported in metric tonnes of clean coal after mining and processing losses but including coal used in plant operations.

Other Resources

Mineral resources at Sä Dena Hes, Kudz Ze Kayah, San Nicolas and Lennard Shelf are based on assumed prices between US$0.45 and US$0.60/lb for zinc and, in the case of San Nicolas, US$0.90/lb for copper.

RISKS AND UNCERTAINTIES

Mineral Reserves and Mineral Resources are estimates of the size and grade of the deposits based on the assumptions and the parameters currently available. These assumptions and parameters are subject to a number of risks and uncertainties, including, but not limited to, future changes in metals prices and/or production costs, differences in size and grade and recovery rates from those expected, and changes in project parameters due to changes in production plans. There are no known environmental, permitting, legal, title, taxation, sociopolitical, marketing or other relevant issues that would materially affect the mineral reserves or resources.

QUALIFIED PERSONS

Estimates of the mineral reserves and resources for the company's material properties have been prepared under the general supervision of William P. Armstrong, P.Eng., who is an employee of Teck Cominco. Mineral reserve and resource estimates for Antamina have been prepared under the supervision of Dan Gurtler, AIMM, who is an employee of Compañia Minera Antamina. Messrs. Armstrong and Gurtler are Qualified Persons for the purposes of National Instrument 43-101. Estimates of reserves and resources at Elkview, Fording River, Greenhills, Coal Mountain, Line Creek and Cardinal River were prepared under the general supervision of Colin McKenny, P. Geol., an employee of Elk Valley Coal Partnership, who is the Qualified Person for the purposes of National Instrument 43-101.

Value of Integrity

Directors

Norman B. Keevil, 68

Univ. of Toronto (B.A. Sc.).
Univ. of California, Berkeley (Ph.D.).
Univ. of British Columbia (Honourary LL.D).

Currently Chairman of the Board of Teck Cominco. President and CEO of Teck Corporation 1981–2001. Executive Vice President of Teck Corporation from 1968. Lifetime Director of the Mining Association of Canada. Inducted into the Canadian Mining Hall of Fame in January 2004.
(1)

Robert J. Wright, 73

Trinity College, Univ. of Toronto (B.A.).
Osgoode Hall Law School (LL.B.).

Deputy Chairman of the Board since 2000. Chairman of the Board of Teck Corporation 1994–2000. Member of the Board of Cominco 1994–2001. Trustee of the Fording Canadian Coal Trust. Chairman of the Ontario Securities Commission 1989–1993. Partner with Lang Michener 1964–1989. Chairman and member of the Executive Committee, Mutual Fund Dealers Association. Director and Member of the Executive Committee, AARC Foundation. Chairman, Armtec Infrastructure Income Fund. Appointed a Member of the Order of Canada, April 1997.
(1), (2), (3), (5)

Donald R. Lindsay, 47

Queens Univ. (B.Sc., Honours).
Harvard Business School (M.B.A.).

Appointed President of Teck Cominco Limited in January 2005, a Director in February 2005 and Chief Executive Officer in April 2005. Director of Fording (GP) ULC. Former President, CIBC World Markets Inc. 2001–2004. Head, Asia Pacific Region, CIBC 2000–2004. Head, Investment and Corporate Banking, CIBC World Markets Inc. 1997–2004. Head, Global Mining Group, CIBC World Markets Inc. 1989–2004.
(1)

David A. Thompson, 66

London School of Economics (B.Sc. Econ.).
Harvard Business School (Advanced Management Program).

Currently serving as Co-chair B.C. Competition Council. Deputy Chairman and Chief Executive Officer of Teck Cominco 2001–2005. President and Chief Executive Officer of Cominco 1995–2001. Director of Teck Corporation since 1980 and Cominco since 1986. Director of Fording (GP) UCL. Co-managing Director of Messina (Transvaal) prior to joining Teck in 1980 as Chief Financial Officer.
(4)

J. Brian Aune, 66

Chartered Accountant.

Currently President of Alderprise Inc. Chairman of St. James Financial Corporation 1990–1995. Chairman and CEO of Nesbitt Thomson Inc. 1980–1990. Director of BMO Nesbitt Burns Corporation Limited, Constellation Software Inc., the CSL Group Inc. and Investors Group Corporate Class Inc.
(1), (3), (4), (5)

Lloyd I. Barber, 73

Univ. of Saskatchewan (B.A. / B. Com.).
Univ. of California, Berkeley (M.B.A.).
Univ. of Washington (Ph.D.).

President Emeritus of the Univ. of Regina since 1990. Trustee of the Fording Canadian Coal Trust. Director of CanWest Global and Greystone Capital Management. Appointed a Companion, Order of Canada in April 1993.
(3), (4), (6)

Jalynn H. Bennett, 63

Univ. of Toronto (B.A. Economics).

President of Jalynn H. Bennett and Associates Ltd. Director of CIBC, Nortel Networks Limited, Nortel Networks Corporation and Cadillac Fairview Corporation Limited. Director of the Hospital for Sick Kids Foundation; a Member of the Lawrence National Centre for Policy and Management Advisory Council, Richard Ivey School of Business and the Canadian Millennium Scholarship Foundation.
(2)

Hugh J. Bolton, 67

Chartered Accountant.
Univ. of Alberta (B.A. Economics).

Currently Chairman of Epcor Utilities Inc. Chairman and CEO of Coopers & Lybrand Canada 1991–1998. Managing Partner of Coopers & Lybrand Canada 1984–1990. Director of the Toronto Dominion Bank, Canadian National Railway Company, WestJet Airlines Ltd., Matrikon Inc. and the Alberta Shock Trauma Air Rescue Society (STARS).
(2)

Masayuki Hisatsune, 57
Univ. of Tokyo (B.A. Sc. Metallurgical Engineering).

Currently Vice President and Director of Sumitomo Metal Mining America Inc. Director of several subsidiaries of Sumitomo Metal Mining Co.
(6)

Norman B. Keevil III, 42
Univ. of British Columbia (B.A. Sc. Mechanical Engineering).

Currently COO and Vice President of Engineering with Triton Logging Inc. Former President and CEO of Pyramid Automation Ltd.
(6)

Takuro Mochihara, 60
Univ. of Tokyo, Faculty of Law.

Currently General Manager, Projects, Minerals Resource Division & Non-Ferrous Metal Division of Sumitomo Metal Mining Co. Managerial positions at Mitsubishi Canada Ltd. and Mitsubishi Corp. 1986–2000.
(1)

Warren S. R. Seyffert Q.C., 65
Univ. of Toronto Law School (LL.B.). York Univ., Osgoode Hall (LL.M).

Counsel to Lang Michener. Former Chair of the Partnership, Managing Partner, Lang Michener. Former lecturer "Law of Corporate Management", Osgoode Hall Law School. Director of Allstate Insurance Company of Canada, Pafco Insurance Company, Pembridge Insurance Company, the Kensington Health Centre, the Kensington Foundation and St. Andrew Goldfields Ltd. Honourary Trustee of the Royal Ontario Museum.
(6)

Keith E. Steeves, 73
Chartered Accountant.

Officer of Teck Corporation 1981–1996. Senior Vice President Finance and Administration at Bethlehem Copper Corporation until 1981. Member of the British Columbia and the Canadian Institutes of Chartered Accountants and the British Columbia and the Canadian Financial Executives Institutes.
(2), (4)

Chris M. T. Thompson, 58
Rhodes Univ., SA (B.A. Law & Economics). Bradford Univ., UK (M.Sc).

CEO and Chairman of the Board of Gold Fields Ltd. 1998–2002. Chairman of the Board of Gold Fields Ltd. until November 2005. Chairman of the World Gold Council 2002–2005.
(1), (2), (5), (6)

NOTES:

1) Member of the Executive Committee of the Board.
2) Member of the Audit Committee of the Board.
3) Member of the Compensation Committee of the Board.
4) Member of the Pension Committee of the Board.
5) Member of the Corporate Governance & Nominating Committee of the Board.
6) Member of the Environment, Health & Safety Committee of the Board.

Officers

Norman B. Keevil
Chairman

Robert J. Wright
Deputy Chairman of the Board and Lead Director

Donald R. Lindsay
President and Chief Executive Officer

Douglas H. Horswill
Senior Vice President, Environment and Corporate Affairs

Michael P. Lipkewich
Senior Vice President, Mining

Ronald A. Millos
Senior Vice President, Finance, and Chief Financial Officer

Peter C. Rozee
Senior Vice President, Commercial Affairs

Ronald J. Vance
Senior Vice President, Corporate Development

Michael E. Agg
Vice President, Refining and Metal Sales

Michael J. Allan
Vice President, Engineering

Fred S. Daley
Vice President, Exploration

Michel P. Filion
Vice President, Environment, Health and Safety

Gary M. Jones
Vice President, Business Development

G. Leonard Manuel
Vice President and General Counsel

Robert G. Scott
Vice President, Base Metal Mining

Andrew A. Stonkus
Vice President, Concentrate Marketing

John F.H. Thompson
Vice President, Technology

James A. Utley
Vice President, Human Resources

Karen L. Dunfee
Corporate Secretary

Howard C. Chu
Controller

Lawrence A. Mackwood
Treasurer

Anthony A. Zoobkoff
Assistant Secretary

Corporate Information

SHARE PRICE ON THE TORONTO STOCK EXCHANGE

2005	High	Low	Close	Volume
		Class A Shares		
Q1	$ 48.45	$ 33.23	$ 44.69	231,364
Q2	46.56	35.25	41.95	126,523
Q3	61.30	41.95	60.43	202,724
Q4	67.65	48.50	65.00	115,436
				676,047
		Class B Shares		
Q1	$ 48.00	$ 32.55	$ 44.85	73,739,249
Q2	46.37	35.63	41.34	69,320,291
Q3	54.95	41.60	52.15	51,607,944
Q4	63.60	46.21	62.05	54,253,128
				248,920,612

STOCK EXCHANGES

The Class A common and Class B subordinate voting shares and the Inco exchangeable debentures are listed on the Toronto Stock Exchange.

DIVIDENDS, CLASS A & B SHARES

Amount per Share	Payment Date
$ 0.40	June 30, 2005
$ 0.40	January 3, 2006

SHARES OUTSTANDING

End of 2005	
Class A common	4,673,453
Class B subordinate voting	198,752,289

NUMBER OF EMPLOYEES

7,103

ANNUAL INFORMATION FORM

The company prepares an Annual Information Form (AIF) which is filed with the securities commissions or similar bodies in all the provinces of Canada. Copies of the AIF and annual and quarterly reports are available on request or at the company's website, **www.teckcominco.com**.

SHAREHOLDER RELATIONS

Karen L. Dunfee, Corporate Secretary
Greg Waller, Director, Investor Relations

TRANSFER AGENTS

Inquiries regarding change of address, stock transfer, registered shareholdings, dividends or lost certificates should be directed to the Company's Registrar and Transfer Agent:

CIBC Mellon Trust Company

1600 - 1066 West Hastings Street
Vancouver, British Columbia
V6E 3X1
CIBC Mellon Trust Company provides an Answerline Service for the convenience of shareholders:
Toll-free in Canada and the U.S.
1-800-387-0825
Outside Canada and the U.S.
(416) 643-5500
Email: inquiries@cibcmellon.com

Mellon Investor Services LLC

Class A and Class B shares
480 Washington Boulevard
Jersey City, NJ
U.S.A. 07310-1900
1-800-231-5469
www.melloninvestor.com

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
250 Howe Street, Suite 700
Vancouver, British Columbia
V6C 3S7

Building enduring partnerships: (L to R) the late **Koichi Sudo**, Sumitomo Metal Mining Co. Ltd., **Ichiro Abe**, Sumitomo Metal Mining America, Inc. and **Norman Keevil** examining discovery-hole drill core at the Pogo gold project, 1998.

teckcominco

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Mixed Sources
Cert no. SW-COC-1563

The editorial section of this annual report is printed on FSC certified paper. By choosing FSC certified paper, Teck Cominco is supporting the growth of responsible forest management.
Printed in Canada
RedRocketCreative.com