**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

# FORM 40-F

☐ **Registration statement pursuant to section 12 of the Securities Exchange Act of 1934**
or
☒ **Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934**

For the fiscal year ended December 31, 2019 Commission File Number 001-13184

## TECK RESOURCES LIMITED

(Exact name of Registrant as specified in its charter)

(Translation of Registrant's name into English (if applicable))

**CANADA**
(Province or other jurisdiction of incorporation or organization)

**1400**
(Primary Standard Industrial Classification Code Number (if applicable))

**NOT APPLICABLE**
(I.R.S. Employer Identification Number (if applicable))

**Suite 3300 - 550 Burrard Street,**
**Vancouver, B.C. V6C 0B3 CANADA**
**(604) 699-4000**
(Address and telephone number of Registrant's principal executive offices)

**CT Corporation System**
**28 Liberty St.**
**New York, New York, 10005**
**(212) 894-8940**
(Name, address (including zip code) and telephone number (including area code)
of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| Class B subordinate voting shares | TECK | New York Stock Exchange |

Securities registered or to be registered pursuant to Section 12(g) of the Act.

**None**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

**4.500% Notes due 2021**
**4.75% Notes due 2022**
**3.750% Notes due 2023**
**6.125% Notes due 2035**
**6.000% Notes due 2040**
**6.25% Notes due 2041**
**5.200% Notes due 2042**
**5.400% Notes due 2043**
(Title of Class)

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

**7,765,503 Class A Common Shares and 539,527,734 Class B Subordinate Voting Shares outstanding as of December 31, 2019.**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☐

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

**Principal Documents**

The following documents have been filed as part of this Annual Report on Form 40-F:

1. Annual Information Form of Teck Resources Limited for the year ended December 31, 2019.

2. Audited Consolidated Financial Statements of Teck Resources Limited for the year ended December 31, 2019, including the auditor's report with respect thereto.

3. Management's Discussion and Analysis for the year ended December 31, 2019.

**Certifications and Disclosure Regarding Controls and Procedures**

(a) Certifications. See Exhibits 31.1, 31.2, 32.1 and 32.2 to this Annual Report on Form 40-F.

(b) Disclosure Controls and Procedures. As of the end of the Registrant's fiscal year ended December 31, 2019, an evaluation of the effectiveness of the Registrant's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) was carried out by the Registrant's management with the participation of the Registrant's principal executive officer and principal financial officer. Based upon that evaluation, the Registrant's principal executive officer and principal financial officer have concluded that as of the end of that fiscal year, the Registrant's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Registrant in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and (ii) accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, to allow timely decisions regarding required disclosure.

It should be noted that while the Registrant's principal executive officer and principal financial officer believe that the Registrant's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the Registrant's disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

(c) Management's Annual Report on Internal Control Over Financial Reporting. The required disclosure is included in the section entitled "Management's Report on Internal Control Over Financial Reporting" in the Registrant's Management's Discussion and Analysis for the fiscal year ended December 31, 2019, filed as part of this Annual Report on Form 40-F.

(d) Attestation Report of the Registered Public Accounting Firm. The required disclosure is included in the "Report of Independent Registered Public Accounting Firm" that accompanies the Registrant's Consolidated Financial Statements for the fiscal year ended December 31, 2019, filed as part of this Annual Report on Form 40-F.

**Notices Pursuant to Regulation BTR**

Not applicable.

**Audit Committee Financial Expert and Identification of Audit Committee**

We have an Audit Committee established by the Board of Directors in accordance with Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Mayank M. Ashar, Tracey L. McVicar, Una M. Power, and Edward C. Dowling. The Board has designated Ms. McVicar as the "audit committee financial expert" as that term is defined in the Form 40-F. Ms. McVicar is "independent" as that term is defined by Rule 10A-3 of the Exchange Act and according to the New York Stock Exchange listing standards applicable to both foreign private issuers and domestic U.S. issuers.

**Code of Ethics**

We have adopted a code of ethics, amended on June 23, 2006, November 18, 2008 and April 23, 2009, that applies to our principal executive officer, principal financial officer and principal accounting officer or controller and persons performing similar functions. Our code of ethics is posted on our website, www.teck.com.

There have not been any amendments or waivers, including implicit waivers, from any provision of the code of ethics that occurred during the Registrant's most recently completed fiscal year.

**Principal Accountant Fees and Services**

The required disclosure is included in the section entitled "*Directors and Officers – Audit Committee Information – Auditor's Fees*" in the Registrant's Annual Information Form for the fiscal year ended December 31, 2019, filed as part of this Annual Report on Form 40-F.

The audit committee's pre-approval policies and procedures are described in the section entitled " *Directors and Officers – Audit Committee Information – Pre-Approval Policies and Procedures*" in the Registrant's Annual Information Form for the fiscal year ended December 31, 2019, filed as part of this Annual Report on Form 40-F.

In 2018 and 2019, the Registrant's audit committee did not approve any audit-related, tax or other services pursuant to paragraph (c)(7)(i)(C) of Rule 2-01 of Regulation S-X.

**Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements required to be disclosed in this Annual Report on Form 40-F.

**Tabular Disclosure of Contractual Obligations**

The required disclosure is included in the section entitled "*Contractual and Other Obligations*" in the Registrant's Management's Discussion and Analysis for the fiscal year ended December 31, 2019, filed as part of this Annual Report on Form 40-F.

**Undertaking and Consent to Service of Process**

A. **Undertaking**

The Registrant undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. **Consent to Service of Process**

The Registrant has previously filed Forms F-X in connection with the classes of securities in relation to which the obligation to file this report arises.

**Dodd-Frank Act Mine Safety and Health Administration Safety Disclosure**

Pursuant to Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, issuers that are required to file reports under the United States Securities Exchange Act of 1934 and that is an operator, or that has a subsidiary that is an operator, of a coal or other mine are required to include in their periodic reports filed with the United States Securities and Exchange Commission certain information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. The Registrant has reportable information under Section 1503(a) that is presented in Exhibit 95.1 to this report, which is incorporated herein by reference.

**LIST OF EXHIBITS**

| Exhibit No. | Description |
|---|---|
| 23.1 | Consent of Independent Registered Public Accounting Firm |
| 23.2 | Consent of Rodrigo Marinho, P. Geo. |
| 23.3 | Consent of Fernando Angeles Beron, P. Eng |
| 23.4 | Consent of Lucio Canchis, SME Registered Member |
| 23.5 | Consent of Don Mills, P. Geo. |
| 23.6 | Consent of Robin Gold, P.Eng. |
| 23.7 | Consent of GLJ Petroleum Consultants Ltd. |
| 31.1 | Certification of Donald R. Lindsay, Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934 |
| 31.2 | Certification of Ronald A. Millos, Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14 of the Securities Exchange Act of 1934 |
| 32.1 | Certification of Donald R. Lindsay, Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Ronald A. Millos, Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 95.1 | Mandated mine safety and other regulatory matters |
| 99.1 | Annual Information Form for the fiscal year ended December 31, 2019 |
| 99.2 | Consolidated Financial Statements for the fiscal year ended December 31, 2019, including the auditor's report with respect thereto |
| 99.3 | Management's Discussion and Analysis for the year ended December 31, 2019 |
| 101 | Interactive Data File |

**SIGNATURES**

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this annual report to be signed on its behalf by the undersigned, thereto duly authorized.

Registrant: **TECK RESOURCES LIMITED**

By (Signature and Title): /s/ Amanda Robinson
Name: Amanda Robinson
Title: Corporate Secretary

Date: February 26, 2020

**EXHIBIT 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in this Annual Report on Form 40-F for the year ended December 31, 2019 of Teck Resources Limited of our report dated February 26, 2020, relating to the consolidated financial statements, and the effectiveness of internal control over financial reporting, which appears in the Exhibit incorporated by reference in this Annual Report.

We also consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-205514, 333-170840, and 333-140184) of Teck Resources Limited of our report dated February 26, 2020 referred to above. We also consent to reference to us under the heading "Interests of Experts," which appears in the Annual Information Form included in the Exhibit incorporated by reference in this Annual Report on Form 40-F, which is incorporated by reference in such Registration Statements.

/s/ PricewaterhouseCoopers LLP

**Chartered Professional Accountants**
Vancouver, Canada
February 26, 2020

**EXHIBIT 23.2**

**CONSENT OF GEOLOGIST**

I hereby consent to references to my name under the heading “Description of the Business — Mineral Reserves and Resources” and all other references to my name included or incorporated by reference in: (i) Teck Resources Limited’s Annual Report on Form 40-F for the year ended December 31, 2019; (ii) Teck Resources Limited’s registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514 ), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended as applicable.

Sincerely,

/s/ Rodrigo Marinho
Name: Rodrigo Marinho
Title: P. Geo.

Vancouver, British Columbia, Canada
Date: February 26, 2020

**EXHIBIT 23.3**

**CONSENT OF ENGINEER**

I hereby consent to references to my name under the heading “Description of the Business — Mineral Reserves and Resources” and all other references to my name included or incorporated by reference in: (i) Teck Resources Limited’s Annual Report on Form 40-F for the year ended December 31, 2019; (ii) Teck Resources Limited’s registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514 ), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended as applicable.

Sincerely,

/s/ Fernando Angeles Beron
Name: Fernando Angeles Beron
Title: P. Eng

Lima, Peru
Date: February 26, 2020

**EXHIBIT 23.4**

**CONSENT OF GEOLOGIST**

I hereby consent to references to my name under the heading “Description of the Business — Mineral Reserves and Resources” and all other references to my name included or incorporated by reference in: (i) Teck Resources Limited’s Annual Report on Form 40-F for the year ended December 31, 2019; (ii) Teck Resources Limited’s registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514 ), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended as applicable.

Sincerely,

/s/ Lucio Canchis
Name: Lucio Canchis
Title: SME Registered Member

Lima, Peru
Date: February 26, 2020

**EXHIBIT 23.5**

**CONSENT OF GEOLOGIST**

I hereby consent to references to my name under the heading “Description of the Business — Mineral Reserves and Resources” and all other references to my name included or incorporated by reference in: (i) Teck Resources Limited’s Annual Report on Form 40-F for the year ended December 31, 2019; (ii) Teck Resources Limited’s registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514 ), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended as applicable.

Sincerely,

/s/ Don Mills

Name: Don Mills
Title: P. Geo.

Calgary, Canada
Date: February 26, 2020

**EXHIBIT 23.6**

**CONSENT OF ENGINEER**

I hereby consent to references to my name under the heading “Description of the Business — Mineral Reserves and Resources” and all other references to my name included or incorporated by reference in: (i) Teck Resources Limited’s Annual Report on Form 40-F for the year ended December 31, 2019; and (ii) Teck Resources Limited’s registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended as applicable.

Sincerely,

/s/ Robin Gold

Name: Robin Gold
Title: P. Eng.

Sparwood, British Columbia
Date: February 26, 2020

**EXHIBIT 23.7**

**CONSENT OF ENGINEER**

Reference is made to the Annual Report on Form 40-F for the year ended December 31, 2019 (the "Annual Report") of Teck Resources Limited (the "Company") to be filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended.

We hereby consent to references to our firm's name and use of our report under the heading "Description of the Business - Energy – Fort Hills Oil Sands Mining and Processing Operation," "Description of the Business – Oil and Gas Reserves", "Interests of Experts", and for "Schedule C – Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor" and all other references to our name included or incorporated by reference in: (i) the Annual Report of the Company; and (ii) the Company's registration statements on Form S-8 (File Nos. 333-140184, 333-170840 and 333-205514), filed with the United States Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, as applicable.

Yours truly,

**GLJ PETROLEUM CONSULTANTS LTD.**

/s/ Tim R. Freeborn
Name: Tim R. Freeborn, P. Eng.
Title: Vice President and Chief Financial Officer

Dated: February 26, 2020
Calgary, Alberta
CANADA

**EXHIBIT 31.1**

**CERTIFICATIONS**

I, Donald R. Lindsay, certify that:

1. I have reviewed this annual report on Form 40-F of Teck Resources Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2020

/s/ Donald R. Lindsay
Donald R. Lindsay
Chief Executive Officer

**EXHIBIT 31.2**

**CERTIFICATIONS**

I, Ronald A. Millos, certify that:

1. I have reviewed this annual report on Form 40-F of Teck Resources Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the issuer, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the issuer's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the issuer's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the issuer's internal control over financial reporting.

Date: February 26, 2020

/s/ Ronald A. Millos
Ronald A. Millos
Chief Financial Officer

**EXHIBIT 32.1**

**Certification Pursuant to 18 U.S.C. 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

**Teck Resources Limited**

In connection with the annual report of Teck Resources Limited (the “Company”) on Form 40-F for the fiscal year ended December 31, 2019 (the "Report”) to which this certification is an exhibit, I, Donald R. Lindsay, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2020

/s/ Donald R. Lindsay
Donald R. Lindsay
Chief Executive Officer

**EXHIBIT 32.2**

**Certification Pursuant to 18 U.S.C. 1350,**
**As Adopted Pursuant to**
**Section 906 of the Sarbanes-Oxley Act of 2002**

**Teck Resources Limited**

In connection with the annual report of Teck Resources Limited (the “Company”) on Form 40-F for the fiscal year ended December 31, 2019 (the "Report”) to which this certification is an exhibit, I, Ronald A. Millos, Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 26, 2020

/s/ Ronald A. Millos
Ronald A. Millos
Chief Financial Officer

**EXHIBIT 95.1**

Certain of the Registrant's operations located in the United States are subject to the U.S. Federal Mine Safety and Health Act (the " **Mine Act**") and are subject to regulation by the U.S. Mine Safety and Health Administration ("**MSHA**"). MSHA inspects these facilities on a regular basis and issues various citations and orders when it believes a violation has occurred under the Mine Act. Whenever MSHA issues a citation or order, it also generally proposes a civil penalty, or fine, related to the alleged violation. Citations or orders can be contested and appealed.

The following table and other data present the mine safety information related to our U.S. operations as required by section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act for the twelve months ended December 31, 2019.

| **Mine or Operation** | Section 104 S&S Citations(1) | Section 104(b) Orders(2) | Section 104(d) Citations and Orders(3) | Section 110(b)(2) Violations(4) | Section 107(a) Imminent Danger Orders(5) | Total Value of MSHA Assessments Proposed(6) | Mining-related Fatalities | Legal Actions Pending as of Last Day of 2019 | Legal actions instituted during 2019 | Legal actions resolved during 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Red Dog** | 6 | 1 | 0 | 0 | 0 | $ 40,566 | 0 | 4 | 4 | 0 |
| **Pend Oreille** | 2 | 0 | 0 | 0 | 0 | $ 5,334 | 0 | 0 | 0 | 0 |

(1) Total number of violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a coal or other mine safety or health hazard under section 104 of the Mine Act for which the operator received a citation from MSHA. This total includes any citations or orders listed under the column headed "Section 104(d) Citations and Orders".

(2) Total number of orders under section 104(b) of the Mine Act.

(3) Total number of citations and orders for unwarrantable failure of the mine operator to comply with mandatory health or safety standards under section 104(d) of the Mine Act.

(4) Flagrant violations identified by MSHA under section 110(b)(2) of the Mine Act.

(5) Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an "imminent danger" (as defined by MSHA) existed.

(6) Represents the total dollar value of the proposed assessments from MSHA against Teck Alaska Incorporated (for Red Dog) or Teck Washington Incorporated (for Pend Oreille) under the Mine Act during the twelve months ended December 31, 2019 relating to any type of violation during the period covered by this report, regardless of whether the Registrant has challenged or appealed the assessment. There may be violations which have not been assessed as at the time of this report.

During the year ended December 31, 2019, none of the mines operated by us received written notice from MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act or (b) the potential to have such a pattern.

EXHIBIT 99.1

# Annual Information Form

**February 26, 2020**



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## Nomenclature

In this Annual Information Form, unless the context otherwise dictates, " **we**", "**Teck**" or the "**Company**" refers to Teck Resources Limited and its subsidiaries. All dollar amounts expressed throughout this Annual Information Form are in Canadian dollars unless otherwise noted.

## Cautionary Statement on Forward-Looking Information

This Annual Information Form contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as forward-looking statements). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "should", "believe" and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this Annual Information Form. These forward-looking statements include, but are not limited to, statements concerning:

- forecast production;
- forecast operating costs and capital costs;
- sales forecasts;
- our strategies, objectives and goals;
- future prices and price volatility for steelmaking coal, copper, zinc, blended bitumen and other products and commodities that we produce and sell, as well as oil, natural gas and petroleum products;
- the demand for and supply of steelmaking coal, copper, zinc, blended bitumen and other products and commodities that we produce and sell;
- expected receipt of regulatory approvals and the expected timing thereof, including our expectations relating to the requested modification to Antamina's current Environmental Impact Assessment certificate;
- expectations regarding our ability to maintain and renew existing licenses and leases for our properties;
- expected receipt or completion of prefeasibility studies, feasibility studies and other studies and the expected timing thereof;
- proposed or expected changes in regulatory frameworks and their anticipated impact on our business;
- our interest and other expenses;
- our tax position and the tax rates applicable to us;
- pipeline capacity for Canadian crude oil and the adequacy of our logistics arrangements related to Fort Hills, including our participation in the crude-by-rail initiative;
- curtailment measures imposed by the Government of Alberta and their impact on Fort Hills;

- the timing and costs of construction and production with respect to, and the issuance of the necessary permits and other authorizations required for, certain of our development and expansion projects, including, among others, the Quebrada Blanca Phase 2 (QB2) project, the NuevaUnión copper project and our Project Satellite projects;
- expected mine lives and the possibility of extending mine lives through the development of new areas or otherwise;
- the closure of our Cardinal River operations and our expectation that we will be able to increase production capacity at our other Elk Valley mines in order to offset production losses from this closure;
- our estimates of the quantity and quality of our mineral and oil reserves and resources;
- our expectation that a portion of coal lands associated with the Swift region of Fording River may be developed and mined under the Greenhills mine plan;
- the production capacity, planned production levels and future production of our operations and development projects, including QB2 and Quebrada Blanca Phase 3;
- availability of transportation for our products from our operations to our customers, including our expectations regarding the benefits of our agreements with transportation providers;
- potential impact of transportation, port or pipeline disruptions or production disruptions;
- our expectations for our RACE21™ innovation driven efficiency program, the associated implementation costs and the expected benefits to our business from the program;
- availability of our credit facilities;
- financial assurance requirements related to our projects and related agreements;
- our planned capital expenditures and capital spending and timing for completion of our capital projects;
- our estimates of reclamation and other costs related to environmental protection;
- our future capital and mine production costs, including the costs and potential impact of complying with existing and proposed environmental laws and regulations in the operation and closure of various operations;
- the costs, steps and potential impact of managing water quality at our coal operations, including but not limited to statements under "*Description of the Business — Individual Operations — Steelmaking Coal — Elk Valley Water Quality Management*" including our expectations regarding our ability to expand our water treatment capacity using active water treatment facilities and saturated rock fill technology, expected timing of construction and completion of our various proposed active water treatment and saturated rock fill facilities, capital spending guidance, our expectations for water treatment capacity in the future, the regulatory process relating to active water treatment and estimates of our long-term costs of water management;
- our expectation that we can upgrade Neptune Bulk Terminals' operational coal capacity, the benefits associated therewith and our anticipated capital costs and timing for completion thereof;

- expectations regarding the QB2 project, including expectations regarding financing, timing and amount of contributions. capacity, mine life, regulatory approvals, projected expenditures and our expectation that the operation will eventually transition to a fully autonomous fleet and that we will be able to transition to renewable energy for approximately half of the power required for the operation of QB2;
- expected spending and activities at our Project Satellite properties;
- anticipated benefits, timing and costs of the Red Dog mill upgrade project;
- anticipated benefits from our newly completed No. 2 Acid Plant at our Trail Operations;
- our financial and operating objectives;
- our exploration, environmental, community, health and safety initiatives;
- the outcome of legal and regulatory proceedings and other disputes in which we are involved, including potential charges under the *Fisheries Act* and the Upper Columbia River Basin litigation, and any timing or other expectations in respect thereof;
- the outcome of our coal sales negotiations and negotiations with metals and concentrate customers concerning treatment charges, price adjustments and premiums;
- our dividend policy and capital allocation framework; and
- general business and economic conditions.

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; risks generally encountered in the permitting and development of mineral and oil and gas properties such as unusual or unexpected geological formations, unanticipated metallurgical difficulties, delays associated with permit appeals or other regulatory processes, ground control problems, adverse weather conditions, process upsets and equipment malfunctions; risks associated with any damage to our reputation; risks associated with the *Canadian Corruption of Foreign Public Officials Act* and similar worldwide bribery laws; risks associated with labour disturbances and availability of skilled labour; risks associated with fluctuations in the market prices of our principal commodities, which are cyclical and subject to substantial price fluctuations; risks associated with changes to the tax and royalty regimes in which we operate; risks created through competition for mining and oil and gas properties; risks associated with lack of access to markets; risks associated with mineral and oil and gas reserve estimates; risks posed by fluctuations in exchange rates and interest rates, as well as general economic conditions; risks associated with access to capital; risks associated with changes to our credit ratings; risks associated with our material financing arrangements and our covenants thereunder; risks associated with climate change, environmental compliance, changes in environmental legislation and regulation and changes to our reclamation obligations; risks associated with our dependence on third parties for the provision of transportation, port, pipeline. and other critical services; risks associated with non-performance by contractual counterparties; risks associated with potential disputes with partners and co-owners; risks associated with Indigenous People claims and other title risks; social and political risks associated with operations in foreign countries; risks associated with the preparation of our financial statements; risks related to trade barriers or import restrictions; risks of changes in tax laws or their interpretation; risks associated with information technology, including cybersecurity risks and risks associated with the failure of such information technology to achieve the benefits we expect; and risks associated with tax reassessments and legal proceedings. See "*Risk Factors*" for a discussion of additional risks we face. The amount and timing of actual capital expenditures is dependent upon, among other matters, being able to secure permits, equipment, supplies, materials and labour on a timely basis and at expected costs to enable the related capital

project to be completed as currently anticipated. Certain of our operations and projects are operated through joint arrangements where we may not have control over all decisions, which may cause outcomes to differ from current expectations. Further factors associated with our Elk Valley Water Quality Plan are discussed under the heading "*Description of the Business — Individual Operations — Steelmaking Coal — Elk Valley Water Quality Management*". Declaration and payment of dividends and capital allocation generally, is at the discretion of the Board, and our dividend policy and capital allocation framework will be reviewed regularly and may change.

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 Information Form. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions regarding:

- general business and economic conditions;
- interest rates;
- commodity and power prices;
- acts of foreign or domestic governments and the outcome of legal proceedings;
- the supply and demand for, deliveries of, and the level and volatility of prices of copper, coal, zinc and blended bitumen and our other metals and minerals, as well as oil, natural gas and other petroleum products;
- the timing of the receipt of permits and other regulatory and governmental approvals for our development projects and other operations, including mine extensions;
- the results from studies on our expansion and development projects;
- our costs of production and our production and productivity levels, as well as those of our competitors;
- our ability to secure adequate transportation, pipeline and port services for our products;
- continuing availability of water and power resources for our operations;
- credit market conditions and conditions in financial markets generally;
- the availability of funding to refinance our borrowings as they become due or to finance our development projects on reasonable terms;
- our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis;
- the availability of qualified employees and contractors for our operations, including our new developments and our ability to attract and retain skilled employees;
- the satisfactory negotiation of collective agreements with unionized employees;
- the impact of changes in Canadian-U.S. dollar and other foreign exchange rates on our costs and results;
- engineering and construction timetables and capital costs for our development and expansion projects;
- the benefits of technology for our operations and development projects, including the impact of our RACE21™ program;
- costs of closure, and environmental compliance costs generally, of operations;

- market competition;
- the accuracy of our reserve and resource estimates (including, with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based;
- tax benefits and tax rates;
- the outcome of our coal price and volume negotiations with customers;
- the outcome of our copper, zinc and lead concentrate treatment and refining charge negotiations with customers;
- curtailment measures on oil production taken by the Government of Alberta;
- the resolution of environmental and other proceedings or disputes;
- the future supply of low-cost power to the Trail smelting and refining complex;
- our ability to obtain, comply with and renew permits, licenses and leases in a timely manner; and
- our ongoing relations with our employees and with our business and joint venture partners.

In addition, assumptions regarding the Elk Valley Water Quality Plan include assumptions that additional treatment will be effective at scale, and that the technology and facilities operate as expected, as well as additional assumptions discussed under the heading "*Description of the Business — Individual Operations — Steelmaking Coal — Elk Valley Water Quality Management*". Assumptions regarding QB2 include current project assumptions and assumptions regarding the final feasibility study. Expectations regarding our operations are based on numerous assumptions regarding the operations. Assumptions regarding the costs and benefits of the Neptune Bulk Terminals expansion and other projects include assumptions that the relevant project is constructed and operated in accordance with current expectations. Statements regarding the availability of our credit facilities are based on assumptions that we will be able to satisfy the conditions for borrowing at the time of a borrowing request and that the credit facilities are not otherwise terminated or accelerated due to an event of default. Statements concerning future production costs or volumes are based on numerous assumptions of management regarding operating matters and on assumptions that demand for products develops as anticipated, that customers and other counterparties perform their contractual obligations, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies. Statements regarding anticipated steelmaking coal sales volumes and average steelmaking coal prices depend on timely arrival of vessels and performance of our steelmaking coal-loading facilities, as well as the level of spot pricing sales.

We caution you that the foregoing list of important factors and assumptions is not exhaustive. Other events or circumstances could cause our actual results to differ materially from those estimated or projected and expressed in, or implied by, our forward-looking statements. You should also carefully consider the matters discussed under "*Risk Factors*" in this Annual Information Form and in our "*Cautionary Statement on Forward-Looking Statements*" section of our Management's Discussion and Analysis for the year ended December 31, 2019, and subsequent filings, which can be found under our profile on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov). Except as required by law, 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.

Scientific and technical information in this Annual Information Form regarding our coal properties was reviewed, approved and verified by Messrs. Don Mills P.Geo. and Robin Gold P.Eng., each employees of Teck Coal Limited and each a Qualified Person under National Instrument 43-101. Scientific and technical information in this Annual Information Form regarding our other properties was reviewed, approved and verified by Rodrigo Alves Marinho, P.Geo., an employee of Teck and a Qualified Person under National Instrument 43-101.

## Cautionary Note to U.S. Investors Concerning Estimates of Measured, Indicated and Inferred Mineral Resources and Oil and Gas Reserves

This Annual Information Form has been prepared in accordance with the requirements of the securities laws in effect in Canada, which differ from the requirements of U.S. securities laws.

In this Annual Information Form we use the term “mineral resources” and its subcategories “measured”, “indicated”, and “inferred” mineral resources. Readers are advised that, while such terms are required by Canadian regulations, the U.S. Securities and Exchange Commission (SEC) does not currently require U.S. mining companies in their filings with the SEC to disclose estimates of mineral resources. Investors are cautioned not to assume that any part or all of the mineral resources in these categories will ever be converted into reserves. “Inferred mineral resources” have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. Under Canadian rules, issuers must not make any disclosure of results of an economic evaluation that includes inferred mineral resources, except in very limited cases. Investors are cautioned not to assume that part or all of an inferred mineral resource exists, or is, or will be, economically or legally mineable. Recent SEC rule changes applicable for fiscal years beginning on or after January 1, 2021 will require U.S. mining companies to disclose in their SEC filings mineral resources for material properties. In addition, these revised rules also recognize the subcategories of “measured”, “indicated” and “inferred” mineral resources.

Canadian standards of oil and gas disclosure also differ significantly from the requirements of the SEC, and oil and gas reserve and resource information contained in this Annual Information Form may not be comparable to similar information disclosed by U.S. companies. The oil and gas reserves estimates in this Annual Information Form have been prepared in accordance with National Instrument 51-101 — *Standards of Disclosure for Oil and Gas Activities*, which has been adopted by securities regulatory authorities in Canada and imposes oil and gas disclosure standards for Canadian public issuers engaged in oil and gas activities and differs from the oil and gas disclosure standards of the SEC under Subpart 1200 of Regulation S-K. The SEC definitions of proved and probable reserves are different than the definitions contained in National Instrument 51-101. Therefore, proved and probable reserves disclosed in, or in the documents incorporated by reference into, this Annual Information Form in compliance with National Instrument 51-101 may not be comparable to those disclosed by U.S. companies.

## Glossary of Technical Terms

**bitumen:** a naturally occurring heavy viscous crude oil.

**blended bitumen:** bitumen blended with diluent to reduce its viscosity, such that the combined product can be easily pumped through a pipeline and placed in storage facilities.

**cathode:** an electrode in an electrolytic cell where electrons enter and which represents the final product of an electrolytic metal refining process.

**clean coal:** coal that has been processed to separate impurities and is in a form suitable for sale.

**coking coal:** coal possessing physical and chemical characteristics that facilitate the conversion into coke, which is used in the steelmaking process. Coking coal may also be referred to as metallurgical coal.

**concentrate:** a product containing valuable minerals from which most of the waste rock in the ore has been eliminated in a mill or concentrator.

**crude oil:** unrefined liquid hydrocarbons, excluding natural gas liquids.

**dump leach:** a process that involves dissolving and recovering minerals from typically lower-grade uncrushed ore from a mine dump.

**flotation:** a method of mineral separation in which a variety of reagents facilitate the attachment of certain minerals on to the surface of a froth while other minerals sink, thus effecting the separation of valuable minerals from non-valuable minerals.

**grade:** the classification of an ore according to its content of economically valuable material, expressed as grams per tonne for precious metals and as a percentage for most other metals.

**hard coking coal:** a type of coking coal used primarily for making high-strength coke for use in integrated steel mills.

**heap leach:** a process whereby metals are leached from a heap of crushed ore by leaching solutions seeping through the heap into a container or liner beneath the heap.

**hypogene:** primary sulphide ore located beneath shallow zones of ore affected by weathering processes.

**LME:** London Metals Exchange.

**mill:** a plant in which ore is ground to reduce particle size and physically liberating valuable from non-valuable minerals.

**oil sands:** sand and rock material that contains bitumen.

**ore:** naturally occurring material from which minerals of economic value can be extracted at a reasonable profit.

**orebody:** a contiguous, well-defined mass of material of sufficient ore content to make extraction economically feasible.

**pulverized coal injection (PCI) coal:** coal that is pulverized and injected into a blast furnace. Those grades of coal used in the PCI process are generally non-coking. PCI grade coal is used primarily as a heat source in the steelmaking process in partial replacement for high-quality coking coals, which are typically more expensive.

**semi-autogenous grinding (SAG):** a method of grinding rock in which particle size reduction is achieved through tumbling action of a rotating grinding mill that primarily utilizes the contact of rock-on-rock supplemented with steel grinding balls to breakdown particles.

**slag:** a substance formed by way of chemical action and fusion at furnace operating temperatures; a by-product of the smelting process.

**smelter:** a plant in which concentrates are processed into an upgraded product by application of heat.

**steelmaking coal:** the various grades of coal that are used in the steelmaking process, including both coals to produce coke and coals that are pulverized for injection into the blast furnace as a fuel.

**sulphide:** a mineral compound containing sulphur but no oxygen.

**supergene:** near-surface ore that has been subject to secondary enrichment by weathering.

**SX-EW:** an abbreviation for solvent extraction-electrowinning, a hydrometallurgical process to produce cathode copper from leached copper ores.

**tailings**: the slurry that remains after selected minerals have been removed from the ore during processing.

**thermal coal:** coal that is used primarily for its heating value. Thermal coals tend not to have the carbonization properties possessed by coking coals. Most thermal coal is used to produce electricity in thermal power plants.

**treatment and refining charges:** the charge a mine pays to a smelter as a fee for conversion of concentrates into refined metal.

# Corporate Structure

## Name, Address and Incorporation

Teck Resources Limited was continued under the *Canada Business Corporations Act* in 1978. It is the continuing company resulting from the merger in 1963 of the interests of The Teck-Hughes Gold Mines Ltd., Lamaque Gold Mines Limited and Canadian Devonian Petroleum Ltd., companies incorporated in 1913, 1937 and 1951, respectively. Over the years, several other reorganizations have been undertaken. These include our merger with Brameda Resources Limited and The Yukon Consolidated Gold Corporation in 1979, the merger with Highmont Mining Corporation and Iso Mines Limited in 1979, the consolidation with Afton Mines Ltd. in 1981, the merger with Copperfields Mining Corporation in 1983, and the acquisition of 100% of Cominco Ltd. in 2001. On July 23, 2001, Cominco Ltd. changed its name to Teck Cominco Metals Ltd. and on September 12, 2001, we changed our name to Teck Cominco Limited. On January 1, 2008, we amalgamated with our wholly owned subsidiary, Aur Resources Inc., by way of vertical short-form amalgamation under the name Teck Cominco Limited. On April 23, 2009, we changed our name to Teck Resources Limited from Teck Cominco Limited. On June 1, 2009, Teck Cominco Metals Ltd. changed its name to Teck Metals Ltd.

Since 1978, the Articles of Teck have been amended on several occasions to provide for various series of preferred shares and for other corporate purposes. On January 19, 1988, our Articles were amended to provide for the subdivision of our Class A common shares and Class B subordinate voting shares on a two-for-one basis. On September 12, 2001, the Articles were amended to effect the name change to Teck Cominco Limited and to convert each outstanding Class A common share into one new Class A common share and 0.2 Class B subordinate voting shares and to enact “coattail” provisions for the benefit of the Class B subordinate voting shares. Effective May 7, 2007, our Articles were amended to subdivide our Class A common shares and Class B subordinate voting shares on a two-for-one basis. See “*Description of Capital Structure*” below for a description of the attributes of the Class A common shares and Class B subordinate voting shares. On April 23, 2009, our Articles were amended to effect the name change to Teck Resources Limited as described above.

The registered and principal offices of Teck are located at Suite 3300, 550 Burrard Street, Vancouver, British Columbia, V6C 0B3.

## Intercorporate Relationships

Our financial statements consolidate the accounts of all of our subsidiaries. Our material subsidiaries as at December 31, 2019 are listed below. Unless otherwise indicated, all subsidiaries listed below are wholly owned by Teck. Indentation indicates that the majority of the voting securities of the relevant subsidiary are held by the subsidiary listed above.

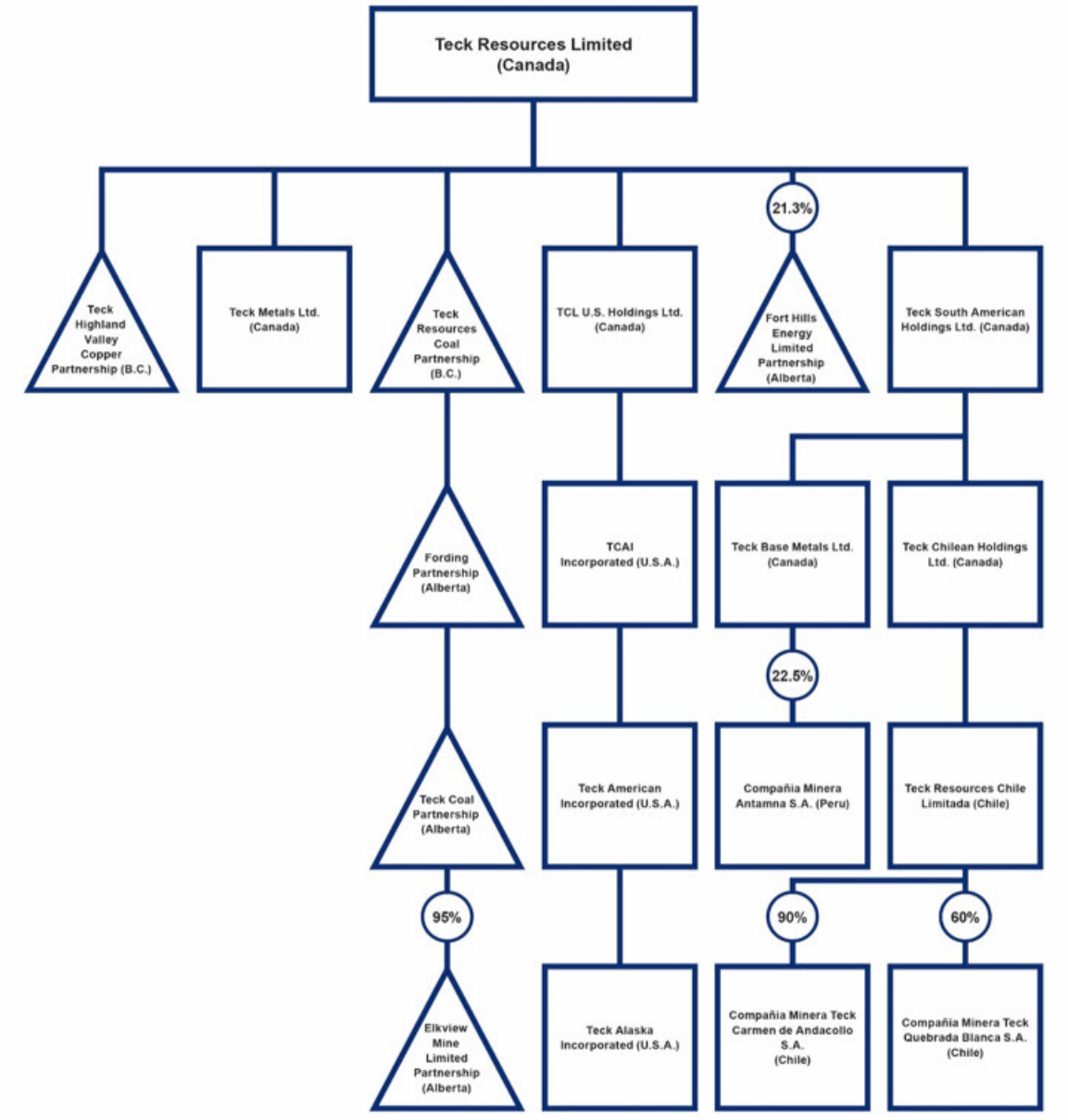
| Company Name | Jurisdiction of Organization or Formation |
|---|---|
| Teck South American Holdings Ltd. | Canada |
| Teck Chilean Holdings Ltd. | Canada |
| Teck Resources Chile Limitada | Chile |
| Teck Base Metals Ltd. | Canada |
| Teck Metals Ltd. | Canada |
| Teck Resources Coal Partnership | British Columbia |
| Fording Partnership | Alberta |
| Teck Coal Partnership | Alberta |
| Elkview Mine Limited Partnership(1) | Alberta |
| Teck Highland Valley Copper Partnership | British Columbia |
| TCL U.S. Holdings Ltd. | Canada |
| TCAI Incorporated | Washington, U.S.A. |
| Teck American Incorporated | Washington, U.S.A. |
| Teck Alaska Incorporated | Alaska, U.S.A. |

(1) 95% held, directly or indirectly, by Teck

In addition to the above, we own, directly or indirectly:

- a 21.3% limited partnership interest in Fort Hills Energy Limited Partnership;
- a 60% indirect share interest in Compañía Minera Teck Quebrada Blanca S.A.;
- a 90% indirect share interest in Compañía Minera Teck Carmen de Andacollo S.A.; and
- a 22.5% indirect share interest in Compañía Minera Antamina S.A.

The following chart sets out the relationships among our material subsidiaries as at December 31, 2019. Certain aspects of the ownership structure have been simplified. All material subsidiaries are wholly owned unless otherwise specified.



# General Development of the Business

## Three-Year History

**2017**

In 2017, average annual prices for our principal products increased compared to 2016. Annual average prices in 2017 for steelmaking coal, copper and zinc were US$174 per tonne, US$2.80 and US$1.31 per pound, respectively, compared with US$115 per tonne, and US$2.21 and US$0.95 per pound in 2016. During the year we announced a new dividend policy, completed and announced a number of dispositions of non-core assets, acquired further interests in a number of our projects and advanced various initiatives and projects intended to strengthen our financial position and our core business.

In April we announced a new dividend policy and the doubling of our annualized base dividend to $0.20 per share, which was declared at $0.05 per quarter. See "*Dividends*" below for a further discussion of our dividend policy. We also announced a normal course issuer bid, which allowed us to purchase up to 20 million Class B subordinate voting shares through to September 2018. In December, we paid a dividend of $0.45 per share consisting of a supplemental dividend of $0.40 per share and our regular base quarterly dividend of $0.05 per share, which totalled approximately $260 million. In addition, taking into account our strong cash position, we also announced our intention to apply an additional $230 million to the repurchase of shares through March 31, 2018, of which 5.9 million Class B subordinate voting shares for $175 million were repurchased in the fourth quarter. In May we announced the sale of our two-thirds interest in the Waneta Dam and related transmission assets to Fortis Inc. for $1.2 billion cash. BC Hydro subsequently exercised its right of first offer over the assets, and the sale of the Waneta Dam and associated assets to BC Hydro closed in July 2018. We also completed the sale of our 49% interest in the Wintering Hills wind power facility in 2017, for proceeds of $59 million.

Acquisitions during the year included the closing of our purchase of AQM Copper Inc., which held an indirect 30% interest in our Zafranal copper-gold project located in Peru, and the acquisition of the minority 21% interest in our San Nicolás copper-zinc project located in Mexico. Zafranal and San Nicolás are part of our Project Satellite initiative launched in 2017, which is focused on surfacing value from substantial base metal assets in Teck's portfolio. See "*Description of the Business — Copper*" for a further discussion of Project Satellite. In addition, we increased our interest in the Fort Hills oil sands mining and processing operations from 20% to 20.89% in 2017, and our interest ultimately increased to approximately 21.3% in 2018.

Work advanced on a number of projects through 2017. At our Fort Hills oil sands mining and processing operation, the mine, primary extraction, utilities and froth assets were commissioned. An intermediate product, bitumen froth, was produced in September 2017, and first oil was achieved on January 27, 2018. We commenced a $72 million project to install an additional ball mill at our Highland Valley Copper Operations and a US$110 million upgrade project at our Red Dog zinc operations, and continued to advance through the regulatory process for our Quebrada Blanca Phase 2 project. We also commenced and advanced studies and expansion work in respect of other projects.

We also continued to strengthen our liquidity and financial position in 2017. Over the course of the year we retired US$1.3 billion of debt through open market repurchases, tender offers and retirement at maturity. In October, we extended the maturity of our US$3.0 billion revolving credit facility to October 2022 (from July 2020) and US$1.2 billion revolving credit facility to October 2020 (from June 2019).

Our cash and cash equivalents as at December 31, 2017 were $952 million against total debt of $6.4 billion.

**2018**

In 2018, average annual prices for our principal products increased compared to 2017. Average realized annual prices in 2018 for steelmaking coal, copper and zinc were US$187 per tonne, US$2.96 per pound and US$1.33 per pound, respectively, compared with US$174 per tonne, US$2.80 per pound and US$1.31 per pound, respectively, in 2017. The average realized annual price for our blended bitumen in 2018 was US$35 per barrel.

During the year we achieved first oil at Fort Hills; completed the sale of our interest in the Waneta Dam; acquired an additional 13.5% interest in Compañía Minera Teck Quebrada Blanca, S.A. (QBSA), our subsidiary that holds the Quebrada Blanca Phase 2 project (QB2) and subsequently announced a transaction through which Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation agreed to subscribe for a 30% interest in QBSA; received regulatory approval for, and approved the construction of, our QB2 project; announced the retirement of our long-time Chairman and the appointment of his replacement; and advanced various initiatives and projects intended to strengthen our financial position and our core business.

In January, first oil was produced at Fort Hills. Start-up exceeded our expectations with respect to both production volumes and product quality. In April, we acquired an additional 13.5% interest in QBSA, bringing our interest to 90%, and in August we received regulatory approval to develop the QB2 project. In July, we completed the sale of our two-thirds interest in the Waneta Dam and related transmission assets to BC Hydro for $1.2 billion cash. In connection with the sale, we entered into a 20-year arrangement with BC Hydro, with an option to extend for an additional 10 years, to purchase power for our Trail Operations. Work advanced on a number of projects through 2018. Our project to install an additional ball mill at our Highland Valley Copper Operations progressed, targeting commissioning in 2019, and installation of our new acid plant at our Trail Operations advanced towards commissioning in mid-2019. Work also continued on an upgrade project at our Red Dog zinc operations with planned start-up in the first quarter of 2020.

In December our Board approved the QB2 project for full construction, with first production targeted for late 2021. Concurrently, we announced a transaction through which Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation subscribed for a 30% indirect interest in QBSA, which holds the QB2 project, by contributing US$1.2 billion to the project with additional contingent consideration payable in certain circumstances. In September, Dominic S. Barton joined our Board of Directors and, in October, Mr. Barton became Chair of the Board, replacing our long-standing Chairman of the Board, Dr. Norman B. Keevil, who retired, along with Mr. Warren S. R. Seyffert, Q.C., at the end of the year.

In October, we announced a normal course issuer bid, which allowed us to purchase up to 40 million Class B subordinate voting shares through to October 2019. In December, we paid a dividend of $0.15 per share consisting of a supplemental dividend of $0.10 per share and our regular base quarterly dividend of $0.05 per share, which totalled approximately $86 million. In addition, taking into account our strong cash position, we announced that the Board had directed management to apply an additional $400 million to the repurchase of shares, of which 4.7 million Class B subordinate voting shares were repurchased in the fourth quarter for $131 million.

We also continued to strengthen our liquidity and financial position in 2018. Over the course of the year we retired US$1.0 billion of debt through open market repurchases, tender offers and retirement at maturity. In light of our strong financial position, we were able to terminate the subsidiary guarantees of our various credit facilities and public notes that were introduced during the commodity downturn in 2016.

Our cash and cash equivalents as at December 31, 2018 were $1.7 billion against total debt of $5.5 billion.

**2019**

In 2019, average prices for steelmaking coal, copper and zinc were 12%, 8% and 13% lower than in 2018, while blended bitumen prices were up 29%. Average realized annual prices in 2019 for steelmaking coal, copper, zinc and blended bitumen were US$164 per tonne, US$2.72 per pound, US$1.16 per pound and US$45.20 per barrel, respectively, compared US$187 per tonne, US$2.96 per pound, US$1.33 per pound and US$35.12 per barrel, respectively, in 2018.

During the year we were reinstated to investment grade by Moody's Investors Service and Fitch Ratings; completed the previously announced partnering transaction in respect of QBSA; began implementing our RACE21™ program; announced the resignation of Dominic Barton as Chair of our Board due to his appointment as Canada's Ambassador to China; and advanced various initiatives and projects intended to strengthen our financial position and our core business.

In March, we closed our previously announced transaction through which Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation subscribed for a 30% indirect interest in QBSA, which holds the QB2 project, by contributing US$1.2 billion to the project with additional contingent consideration payable in certain circumstances. In November, we closed a US$2.5 billion limited recourse project financing facility to fund the development of our QB2 project.

In May, we began implementing our innovation-driven business transformation program known as RACE21™ aimed at **R**enewing our technology infrastructure, **A**ccelerating and scaling automation and robotics, **C**onnecting data systems to enable broad application of advanced analytics and artificial intelligence, and **E**mpowering our employees, all with a focus on improving our operating results and EBITDA between now and 2021.

Work advanced on a number of projects through 2019. In the second quarter of 2019, we completed the installation of an additional ball mill at our Highland Valley Copper Operations and the installation of a new No. 2 Acid Plant at our Trail Operations. Construction progressed on the US$135 million mill upgrade project at our Red Dog operations, called VIP2, with planned start-up on schedule for the first quarter of 2020 and work to upgrade Neptune Bulk Terminal's operational coal capacity continued with the upgrades expected to be completed in the first quarter of 2021.

In September, Dominic S. Barton resigned as Chair of our Board of Directors to assume the role of Canada's Ambassador to China. On February 6, 2020, Sheila Murray was appointed as independent Chair of our Board of Directors. Ms. Murray had been acting as Board Chair since the resignation of Dominic Barton and has served on Teck's Board since April 2018. In September, Toru Higo joined our Board, replacing Takeshi Kubota who resigned in June 2019.

Our liquidity remained strong in 2019. In 2019, we purchased and cancelled approximately 24.4 million Class B subordinate voting shares at a cost of $654 million under our normal course issuer bids. In October, we announced a new normal course issuer bid, which allows us to purchase up to 40 million Class B subordinate voting shares through to October 2020. We also retired US$600 million of debt through the redemption of our outstanding 8.500% notes due in 2024 and paid our regular base quarterly dividend of $0.05 per share each quarter, which totalled approximately $111 million.

Our cash and cash equivalents as at December 31, 2019 were $1.0 billion against total debt of $4.8 billion.

# Description of the Business

## General

Teck's business is exploring for, acquiring, developing and producing natural resources. Our activities are organized into business units focused on copper, steelmaking coal, zinc and energy. These are supported by Teck's corporate offices, which manage corporate growth initiatives and provide marketing, administrative, technical, financial and other services. We have interests in the following operations:

| | Type of Operation | Jurisdiction |
|---|---|---|
| Elkview | Steelmaking Coal Mine | British Columbia, Canada |
| Fording River | Steelmaking Coal Mine | British Columbia, Canada |
| Greenhills | Steelmaking Coal Mine | British Columbia, Canada |
| Line Creek | Steelmaking Coal Mine | British Columbia, Canada |
| Cardinal River | Steelmaking Coal Mine | Alberta, Canada |
| Highland Valley | Copper/Molybdenum Mine | British Columbia, Canada |
| Antamina | Copper/Zinc Mine | Ancash, Peru |
| Quebrada Blanca | Copper Mine | Region I, Chile |
| Carmen de Andacollo | Copper/Gold Mine | Region IV, Chile |
| Trail Operations | Zinc/Lead Refinery | British Columbia, Canada |
| Red Dog | Zinc/Lead Mine | Alaska, U.S.A. |
| Fort Hills | Oil Sands Mining and Processing Operation | Alberta, Canada |

Our principal products are steelmaking coal, copper, zinc and blended bitumen. In addition we produce lead, silver, molybdenum, and various specialty and other metals, chemicals and fertilizers. We also actively explore for copper, zinc and gold. The following table sets out our revenue by product for each of our last two financial years:

| | 2019 $(Billions) | % | 2018 $(Billions) | % |
|---|---|---|---|---|
| Copper(1) | 2.158 | 18 | 2.242 | 18 |
| Coal | 5.522 | 46 | 6.349 | 50 |
| Zinc(2) | 2.084 | 17 | 2.391 | 19 |
| Blended Bitumen | 0.975 | 8 | 0.407 | 3 |
| Other(3) | 1.195 | 11 | 1.175 | 10 |
| Total | 11.934 | 100 | 12.564 | 100 |

(1) Copper revenues include sales of copper contained in concentrates and cathode copper.
(2) Zinc revenues include sales of refined zinc and zinc concentrate.
(3) Other revenues include sales of silver, lead, gold, molybdenum, various specialty metals, chemicals, energy and fertilizer.

## Product Summary

### STEELMAKING COAL

Teck is the second-largest seaborne exporter of steelmaking coal in the world. Our hard coking coal, a type of steelmaking coal, is used primarily for making coke by integrated steel mills in Asia, Europe and the Americas. In 2019, sales to Asia accounted for approximately 80% of our annual coal sales volume, a record high, mainly due to increased sales volumes to areas with the greatest demand growth, such as India, and reduced sales to Europe due to the impact of steel production curtailments implemented in July. Approximately 75% of all coal we produce is high-quality hard coking coal, although the percentages can vary from period to period. We also produce lesser quality semi-hard coking coal, semi-soft coking coal and PCI coal products, which in aggregate accounted for almost 25% of our annual sales volume in 2019. A by-product of our steelmaking coal production is thermal coal which accounted for approximately 2% of our total coal sales volume in 2019.

Coal is processed at our mine sites and primarily shipped westbound from our mines by rail to terminals along the coast of British Columbia and from there by vessel to overseas customers. In 2019, approximately 5% of our processed coal was shipped eastbound directly by rail, or by rail and by ship via Thunder Bay, to customers in North America.

Globally, we compete in the steelmaking coal market primarily with producers based in Australia and the United States. For sales to China, we also compete with Mongolian and Chinese domestic coal producers. Coal pricing is generally established in U.S. dollars. Our competitive position in the coal market continues to be determined by the quality of our various coal products, our reputation as a reliable supplier and our production and transportation costs compared to other producers throughout the world.

The high-quality seaborne steelmaking coal markets are cyclical, being driven by a combination of demand, production and export capacity. Strong steel market fundamentals support demand and pricing for high-quality seaborne steelmaking coal. Conversely, in difficult steel markets, steelmakers can use a higher proportion of lower-cost semi-soft and PCI coal products in their production process, which can result in reduced pricing premiums for higher quality hard coking coals.

Steel production and demand for seaborne steelmaking coal remained strong through the first half of 2019 before market conditions deteriorated in the second half. Steelmaking coal spot prices were affected by pressure on steelmakers' margins, created by lower steel pricing and continued high iron ore pricing. The steelmaking coal market remains fundamentally supported by demand from steel capacity growth in India and increased imports into China. Market sentiment has improved slightly for 2020 as steel margins are expected to improve, with higher steel prices and lower iron ore and coking coal costs. While investment in steelmaking coal capacity increased in the past two years, it currently remains low. Permitting processes for steelmaking coal mines remain challenging and capital markets are rationing capital to coal, limiting the supply response.

Quarterly priced sales represent approximately 40% of our sales, with the balance of our sales priced at levels reflecting market conditions when sales are concluded. Lower-grade semi-soft coals and PCI pricing continues to be negotiated on a quarterly benchmark basis.

Substantially all of our revenues from sales of coal products were derived from sales to third-party end users, most of which are steelmakers.

**COPPER**

We produce both copper concentrates and copper cathode. Our principal market for copper concentrates is Asia, with a lesser amount sold in Europe. Copper concentrates produced at the Highland Valley Copper mine are distributed to customers in Asia by rail to a port in Vancouver, British Columbia, and from there by ship. Copper concentrates produced at Antamina are transported by a slurry pipeline to a port at Huarmey, Peru, and from there go by ship to customers in Asia and Europe. Copper concentrates produced at Carmen de Andacollo are trucked to the port of Coquimbo, Chile, and from there go by ship to customers in Asia and Europe. Copper concentrates are sold primarily under long-term contracts, with treatment and refining charges negotiated on an annual basis. Copper cathode from our Quebrada Blanca and Carmen de Andacollo mines is trucked from the mines and sold primarily under annual contracts to customers in Asia, Europe and North America.

The copper business is cyclical. Copper concentrate treatment charges rise and fall depending upon the supply of copper concentrates in the market and the demand for custom copper concentrates by the copper smelting and refining industry. Prices for copper cathode also rise and fall as a result of changes in demand for, and supply of, refined copper metal. Copper consumption is primarily tied to its electrical conductivity properties accounting for over 60% of global demand. Copper in a variety of forms, shapes and alloys is split globally with about one quarter each going to electrical networks, construction industries and consumer goods with the remainder split between auto and transportation sectors and industrial machinery. Copper electrical conductivity properties make it a key component in building the technologies and infrastructure needed to reduce greenhouse gas emissions, through its use in solar panels, wind turbines, energy storage or electric cars. We compete with other producers of copper concentrates and cathodes, as well as copper sourced through scrap sources.

Global demand for copper metal is estimated by Wood Mackenzie, a commodity research consultancy, to have remained relatively similar to levels seen in 2018 growing only slightly in 2019 to reach an estimated 23.5 million tonnes. Demand improved slightly in Asia with Chinese copper cathode demand growth estimated to have increased by 0.8% over 2018 to 11.9 million tonnes, lower than initial projections at the beginning of the year. Demand growth in Europe came under pressure during the year, with demand falling 4.4%, while demand in North America was up only 0.8% despite domestic exchange stocks on the LME and the CME (Comex) falling 116,600 tonnes during the year. Copper demand in South East Asia improved with several countries able to take advantage of the breakdown in US-China trade talks. Demand was stronger in Indonesia, Vietnam and Malaysia during the year with the three countries growing a combined 14% or close to 100,000 tonnes over the previous year to a combined 786,000 tonnes. India remained undersupplied due to the continued suspension during the year of one of its two domestic smelters, but was able to grow copper cathode demand by 2.5% on the year through imports from South East Asia and East Africa. Copper scrap availability decreased in 2019 as global trade patterns continued to be disrupted by environmental restrictions and quotas on scrap imports into China. Scrap and unrefined copper imports into China, including blister and anode, were down 9% year-over-year to December 2019.

Wood Mackenzie estimates that global refined copper production grew 0.5% in 2019, while global refined copper demand remained unchanged from 2018. They are projecting that refined cathode production will increase 2.1% in 2020, reaching 24.0 million tonnes. Fundamentals for copper demand are expected to improve over the coming year. Wood Mackenzie forecasts that global copper cathode demand will increase by 1.8% in 2020, reaching 24.0 million tonnes, suggesting the refined copper market will be relatively balanced in 2020.

All of our revenues from sales of copper concentrates and cathode copper were derived from sales to third parties.

**ZINC**

We produce refined zinc through our metallurgical operations at Trail and zinc concentrates through our mining operations. Our principal markets for refined zinc are North America and Asia. Refined zinc produced at our metallurgical operations at Trail, British Columbia, is distributed to customers in North America by rail and/or truck and to customers in Asia by ship.

Our principal markets for zinc concentrates are Asia and Europe. Zinc concentrates from our Red Dog mine in Alaska are moved via truck from the mine to our port where they are stored until the summer shipping season and then loaded onto ships to Asia and Europe. Zinc concentrates produced at Antamina are transported by a slurry pipeline to a port at Huarmey, Peru, and from there go by ship to customers in Asia and Europe. In 2019 approximately 30% of zinc concentrate produced at Red Dog was sold to our metallurgical operations at Trail for treatment and refining. All of the production from our Pend Oreille mine in 2019 was trucked from the mine and sold to Trail.

The zinc business is cyclical. Treatment and refining charges rise and fall depending upon the supply of zinc concentrates in the market and the demand for custom zinc concentrates by the zinc smelting and refining industry. Refined zinc is used primarily for galvanizing steel, and prices and premiums are highly dependent on the demand for steel products. Zinc consumption is primarily tied to its use in the protection of steel against corrosion through galvanizing. Galvanizing steel makes up close to 60% of global zinc demand, with almost half of zinc demand going into construction with about 20% each going into the transportation sector and infrastructure. Zinc's galvanic properties provide protection to steel to reduce the cost of corrosion, extend the service life of steel components and infrastructure, thus reducing the need to replace them. Zinc is also an essential element for human health and can be used in fertilizers as a sustainable approach to increasing crop yields. We compete with other producers of both zinc concentrates and refined zinc metal globally.

In 2019, global zinc mine production increased 3.1% according to Wood Mackenzie, with total production reaching 13.3 million tonnes. Wood Mackenzie expects global zinc mine production to grow to 14.0 million tonnes in 2020, largely attributable to several new mines that were ramping up in 2019, reaching full production in 2020.

Wood Mackenzie estimates that the global zinc metal market remained in deficit in 2019, recording a shortfall of 0.5 million tonnes. Global refined zinc demand was lower at 14.0 million tonnes, an estimated drop of 1.1% from 2018.

Wood Mackenzie estimates that global refined zinc production increased 1.9% in 2019, with refined production reaching 13.5 million tonnes. They also estimate that refined zinc production will see a 5.2% increase in 2020 over 2019 levels, to 14.2 million tonnes. With global metal demand forecast to grow 1.0%, metal demand will also reach 14.2 million tonnes, resulting in the expectation that the refined metal market will be relatively balanced in 2020.

All of our 2019 revenues from sales of refined zinc and zinc concentrates (other than zinc concentrates produced at Red Dog or Pend Oreille that are sold to Trail) were derived from sales to third parties. We strive to differentiate our refined metal products by producing the alloys, sizes and shapes best suited to our customers' needs. We have substantial long-term frame contracts for the sale of zinc concentrates from the Red Dog and Antamina mines to customers in Asia and Europe.

Trail's supply of zinc and lead concentrates, other than those sourced from Red Dog or Pend Oreille, is provided primarily through long-term contracts with mine producers in North America, South America and Australia.

**ENERGY**

Our 21.3% share of Fort Hills bitumen production is transported on the Northern Courier Pipeline to the East Tank Farm (ETF) in Alberta. The ETF, owned by the Thebacha Limited Partnership and operated by an affiliate of Suncor, blends bitumen with diluent to meet pipeline viscosity specifications. The diluent is sourced by Teck at Edmonton and delivered to the ETF on the Norlite Pipeline.

Our proprietary blended bitumen is transported from the ETF on the Wood Buffalo Pipeline to Hardisty, Alberta, where it is marketed as Fort Hills Reduced Carbon Lifecycle Dilbit Blend, or FRB. Teck's FRB blend is processed into finished products at refineries throughout North America.

Teck's principal markets for our FRB are refinery operators throughout North America. Our contracted tankage at Hardisty is connected to major export pipelines, including the Enbridge common carrier pipeline, the existing Keystone pipeline and the Express crude oil pipeline; it is also connected to a large unit train loading facility. We sell approximately 80% of our FRB to a variety of customers at the Hardisty market hub and approximately 20% on the U.S. Gulf Coast. We have entered into a long-term take-or-pay transportation agreement on the existing Keystone pipeline to ship 10,000 barrels per day of blended bitumen to customers on the U.S. Gulf Coast. The balance of our production is either sold at Hardisty or shipped to customers via the Enbridge common carrier pipeline, or transported by rail if required.

Export pipeline capacity for Canadian crude oil versus overall supply was in deficit through 2019 and is expected to remain so through 2020 and beyond, until new export capacity is developed. Citing continued delays in the development of export pipeline capacity, the Government of Alberta has maintained its mandatory production curtailment to the end of December 2020, with the option to terminate earlier. Crude by rail capacity is expected to make up the shortfall until new export pipeline capacity is developed. Canadian crude-by-rail shipments increased throughout 2019 and are now forecast to exceed 400,000 barrels per day in 2020. Throughout 2019, we participated in the crude-by-rail initiative through an agreement to load 10,000 barrels per day of FRB blend onto customers' railcars at Hardisty, and expect to continue to do so in 2020.

In support of future export pipeline expansions, we have entered into long-term transportation contracts on the proposed TransMountain and Keystone XL pipeline expansions which, if built, will deliver blended bitumen to Burnaby, British Columbia and the US Gulf Coast, respectively.

Prices for our blended bitumen are market based, and determined through a combination of global and Canadian benchmark indices. Like our other commodities, the oil price is cyclical and highly competitive. Blended bitumen prices are influenced by a combination of North American crude oil benchmark prices, including the New York Mercantile Exchange West Texas Intermediate (WTI), a light sweet crude oil. Canadian heavy crude oil of the kind we produce trades at a differential to WTI, and is known as Western Canadian Select or WCS. WCS is a widely-marketed crude grade with transparent market price references quoted at the Hardisty market hub in Canada and the U.S. Gulf Coast. The WCS discount to WTI varies over time depending on the supply and demand for heavy crude production and the markets available to producers of those products, which are in turn influenced by available pipelines and other transportation options.

WCS at Hardisty values were volatile in 2019 with differentials widening in the third and fourth quarter. The widening was the result of overall increased Canadian crude production relative to the first half of the year due to the reduction of the Government of Alberta's mandated production curtailments, planned refinery maintenance and an unplanned outage of the Keystone pipeline. The impact of these wider differentials at Hardisty to our sales values is somewhat mitigated by our sales into the U.S. Gulf Coast market.

## Individual Operations

### STEELMAKING COAL

Our coal mineral holdings consist of a mix of fee simple lands owned by us and Crown leases and licences, which are subject to leasing and licensing fees. Coal licenses are renewed annually on their anniversary date; coal leases are typically held for thirty-year terms and are renewed accordingly. In the past, renewals of these licences and leases have generally been granted, although there can be no assurance that this will continue in the future.

Four of Teck's five operating steelmaking coal mines are in British Columbia and are therefore subject to the B.C. Mineral Tax which is a two-tier tax with a minimum rate of 2% and a maximum rate of 13%. A minimum tax of 2% applies to operating cash flows, as defined by the regulations. A maximum tax rate of 13% applies to cash flows after taking available deductions for capital expenditures and other permitted deductions. The Alberta Coal Royalty, which is assessed on a similar basis, at rates of 1% and 13%, apply to the Cardinal River mine in Alberta.

All of Teck's coal mines are conventional open pit operations and are designed to operate on a continuous basis, 24 hours per day, 365 days per year. Operating schedules can be varied depending on market conditions and are subject to shutdowns for maintenance activities. Capacity may be restricted for a variety of reasons and actual production will depend on sales volumes. All of the mines are accessed by two-lane all-weather roads that connect to public highways. All the mines operate under permits granted by provincial and/or federal regulatory authorities. Each of our B.C. mines will require additional permits as they progress through their long-term mine plans; whereas mining at our Cardinal River operations in Alberta is expected to conclude in the second half of 2020. The issuance of certain permits for mine life extensions may depend on a number of factors including our ability to meet the water quality targets set out in the Elk Valley Water Quality Plan, as discussed below. All permits necessary for the current operations of the mines are in hand and in good standing. Annual infill drilling programs are conducted to confirm and update the geological models used to develop the yearly mine plans.

Following mining, the coal is washed in coal preparation plants using a variety of conventional techniques and conveyed to coal or gas-fired dryers for drying. Processed coal is conveyed to clean coal silos or other storage facilities for intermediate storage and load-out to railcars.

Our 2019 production of 25.7 million tonnes was a slight decrease of 500,000 tonnes from 2018, primarily due to logistics chain issues, combined with mining challenges experienced at Cardinal River and Fording River operations**.** As planned, our Coal Mountain operations transitioned to closure in the second quarter of 2019; however, we have offset the loss of production from Coal Mountain through higher production and improved processing at our other Elk Valley operations. In May 2019 we announced that we will not proceed with the MacKenzie Redcap extension at our Cardinal River operations, which are expected to close in the second half of 2020 and then transition to care and maintenance.

Steelmaking coal production in 2020 is expected to be between 23.0 and 25.0 million tonnes. The business unit will continue to evaluate raw coal processing opportunities through the latent production capacity of Elk Valley processing plants. As in prior years, annual production volumes can be adjusted to reflect market demand for our products, subject to adequate rail and port service.

### *Elk Valley Water Quality Management*

We continue to implement the water quality management measures required by the Elk Valley Water Quality Plan (the Plan), an area-based management plan that was approved in 2014 by the British Columbia Minister of Environment. The Plan establishes short-, medium- and long-term water quality targets for selenium, nitrate, sulphate and cadmium to protect the environment and human health, as well as a plan to manage calcite formation. In 2019, the B.C. Government endorsed the use of our Saturated Rock Fill (SRF) technology and we have received approval to construct an expansion of SRF water treatment capacity at Elkview Operations. Elkview Operations' SRF has been successfully operating since January 2018, treating up to 10 million litres per day and achieving near-complete removal of nitrate and selenium from mine-impacted waters.

To the end of 2019, we have spent approximately $437 million on the implementation of the Elk Valley Water Quality Plan, including construction of the first active water treatment facility (AWTF) at our Line Creek Operations, treating up to 7.5 million litres per day. Our second AWTF, at our Fording River Operations, with an expected capacity of 20 million litres per day, is under construction and scheduled to be completed in the fourth quarter of 2020. We have commenced construction of Elkview SRF Phase 2, which has a projected completion date in the fourth quarter of 2020, and, in conjunction with Phase 1, is expected to treat up to an additional 20 million litres per day. By the end of the fourth quarter 2020, we expect to have the capacity to treat up to 47.5 million litres per day.

Capital spending in 2020 on water treatment is expected to be approximately $290 million. The majority of the planned spend relates to the completion of our Fording AWTF and Elkview Phase 2 SRF. In addition, we continue to invest in various innovative technical solutions to address water quality issues. Additional research and development projects are ongoing to continue to improve our understanding of water quality, source control and treatment options.

Over the following four years, from 2021 to 2024, we plan to invest an additional $350 to $400 million of capital to further increase water treatment capacity to 90 million litres per day by the end of 2024. In addition, during the same period we plan to spend approximately $85 million in capital on source control and calcite management, and approximately $90 million on tributary-specific treatment. Following the completion of both the Elkview SRF Phase 2 and the AWTF at Fording River Operations in 2020, the plan includes the construction of 30 million litres per day of additional SRF capacity at the north end of the Elk Valley and 12.5 million litres per day at our Line Creek Operations. The first phase of our next SRF at the north end of the Elk Valley is designed to treat 15 million litres per day and completion is expected in the first quarter of 2021.

Operating costs associated with water treatment are projected to increase gradually over the long-term to approximately $3 per tonne as additional AWTFs and SRFs become operational. After 2024, ongoing capital costs for construction of additional treatment facilities are expected to average approximately $2 per tonne annually.

All of the foregoing estimates are uncertain. Final costs of implementing the Plan and managing water quality will depend in part on the technologies applied and on the results of ongoing environmental monitoring and modelling. The timing of expenditures will depend on resolution of technical issues, permitting timelines and other factors. Our current plan is that the Fording River AWTF will be the last full-scale AWTF and that future treatment facilities will be SRFs. Implementation of this plan will require additional operating permits. We expect that, in order to maintain water quality, some form of water treatment will continue for an indefinite period after mining operations end. The Plan contemplates ongoing monitoring to ensure that the water quality targets set out in the Plan are in fact protective of the environment and human health, and provides for adjustments if warranted by monitoring results. This ongoing monitoring, as well as our continued research into treatment technologies, could reveal

unexpected environmental impacts, technical issues or advances associated with potential treatment technologies that could substantially increase or decrease both capital and operating costs associated with water quality management or that could materially affect our ability to permit mine life extensions in new mining areas.

Fish census data obtained in late 2019 showed unexpected and substantial reductions in populations of westslope cutthroat trout in certain mine-affected waters in the Elk Valley. The causes of the reductions are unclear and substantial technical effort is underway to determine whether the reductions are associated with water quality issues, flow conditions and habitat availability, or predation or other natural causes, and to develop a response plan. Until the results of this additional work are available, and appropriate mitigation measures in place, we may face delays in permitting or restrictions on our mining activities in the Elk Valley.

Inability to meet targets in the Plan or new information regarding environment inputs could adversely affect our ability to extend mining operations into new areas. See *"Risk Factors — We face risks associated with the issuance and renewal of permits* ", "*Risk Factors - Failure to comply with environmental, health and safety laws may have a material adverse effect on our operations and projects*" and "*Risk Factors — Changes in environmental, health and safety laws may have a material adverse effect on our operations*" for a further discussion of permitting and water quality management risks.

During the third quarter of 2018, we received notice from Canadian federal prosecutors of potential charges under the *Fisheries Act* in connection with discharges of selenium and calcite from steelmaking coal mines in the Elk Valley. Since 2014, compliance limits and site performance objectives for selenium and other constituents, as well as requirements to address calcite, in surface water throughout the Elk Valley and in the Koocanusa Reservoir have been established under a regional permit issued by the Provincial government, which references the Plan. If Federal charges are laid, potential penalties may include fines as well as orders with respect to operational matters. We expect that discussions with respect to the draft charges will continue through the first quarter of 2020. It is not possible at this time to fully assess the viability of our potential defences to any charges, or to estimate the potential financial impact on us of any conviction. Nonetheless, that impact may be material. See "*Risk Factors - We are subject to legal proceedings, the outcome of which may affect our business* " for a further discussion of risks associated with this issue.

### *Coal Transportation*

Most of the coal produced at the mines in the Elk Valley region of British Columbia and at the Cardinal River mine in west-central Alberta is shipped to west coast ports in British Columbia.

Westbound rail service from the mines located in the Elk Valley is currently provided by Canadian Pacific Railway Company (CPR) pursuant to a 10-year agreement that expires in 2021. CPR transports a portion of these westbound shipments to Kamloops, B.C., and interchanges the trains with Canadian National Railway Company (CN) for further transportation to the west coast. CN also provides rail service from the Cardinal River mine to the west coast.

In December 2019, we entered into a new long-term agreement with CN for shipping steelmaking coal from our four B.C. operations between Kamloops and Neptune Bulk Terminals and other west coast ports, including Ridley Terminals Inc. The agreement runs from April 2021 to December 2026 and will enable us to increase shipment volumes significantly through an expanded Neptune Bulk Terminals. The agreement also provides for investments by CN of more than $125 million to enhance rail infrastructure and support shipment volumes to Neptune Bulk Terminals and Ridley Terminals Inc.

Teck exports its seaborne coal primarily through three west coast terminals (Westshore, Neptune and Ridley). Westshore Terminals provides ship-loading services at Roberts Bank, British Columbia, and in 2019 provided services for approximately two-thirds of Teck's coal shipments. Our contract with Westshore Terminals currently provides us with 19 million tonnes of annual capacity through to March 2021, and our current agreement with Ridley Terminals near Prince Rupert provides for steelmaking coal shipments from our Cardinal River Operations in Alberta and surge capacity to manage interruptions throughout the supply chain. In January 2020, we announced an expanded commercial agreement with Ridley Terminals for shipments of steelmaking coal from Teck's B.C. operations. The agreement runs from January 2021 to December 2027 and increases contracted capacity from 3 million to 6 million tonnes per annum with an option for Teck to extend up to 9 million tonnes per annum.

Neptune Bulk Terminals, in which we have a 46% ownership interest, provides ship-loading services for steelmaking coal shipments loaded on a cost-of-service basis. Coal capacity at Neptune is exclusive to Teck and is currently 12.5 million tonnes per annum. Construction work to upgrade Neptune's operational coal capacity commenced in 2018. These upgrades are expected to increase operational coal capacity and improve our capability to meet our delivery commitments to our customers while lowering our overall logistics costs.

In order to match port capacity with reduced production and improve productivity and safety during the upgrade project, we intend to suspend operations at Neptune Bulk Terminals for five months beginning in the second quarter. These upgrades are expected to be completed in the first quarter of 2021 and we are evaluating opportunities to gradually increase port capacity earlier. There is a risk that if completion is delayed, we may limit our production and sales temporarily on the expiry of our contract with Westshore Terminals in March 2021.

A small portion of the coal produced at the mines in the Elk Valley is transported by rail and ship via Thunder Bay Terminals in Thunder Bay, Ontario, to customers in the Great Lakes region of Canada and by direct rail to the United States. CPR transports the United States shipments directly or via the Burlington Northern Santa Fe railway, in which case CPR transports the coal from Elk Valley to Coutts, Alberta, and then interchanges the trains with the Burlington Northern Santa Fe for further transport to the United States. Rail shipments destined for Thunder Bay and the United States are transported under rail agreements.

### *Property Description*

In the mines in the Elk Valley Region of British Columbia, coal is contained within the sedimentary Mist Mountain Formation of the lower Cretaceous Kootenay Group. The Mist Mountain sediments were involved in the mountain-building movements of the late Cretaceous to early Tertiary Laramide orogeny and are approximately 500 metres thick, with the depth of burial ranging from zero to 1,500 metres. The major structural features are north-south trending synclines with near horizontal to steep westerly dipping thrust faults and a few high-angle normal faults. This faulting has allowed for the Mist Mountain sequence to be repeated throughout the Elk Valley.

The following sections cover details for each of our operating steelmaking coal mines and potential steelmaking coal projects. For the operating mines, the remaining reserve life is calculated by dividing remaining reserves by current annual production rates. As mine plans and capacities change, these reserve lives will also change. Because each mine covers a substantial lease area, the development required for accessing the reserves can be substantial, and can involve a range of expenditures in terms of pit access and development and infrastructure to support the development. The reserve lives also assume that the required permits for life extensions will be obtained in a timely fashion to maintain production continuity, as has been the case in previous years.

### Fording River Mine, B.C., Canada

The Fording River mine is located 29 kilometres northeast of the community of Elkford, in southeastern British Columbia. The mine site consists of approximately 23,000 hectares of coal lands, including four operating surface coal pits along with several areas planned for surface mine development held under multiple contiguous coal leases and licences. The leases and licences relating to Fording River are held by Teck Coal. Teck Coal also controls the surface and subsurface rights to the properties that are in operation and those that are planned for development.

Coal mined at Fording River is primarily steelmaking coal, although lesser quantities of lower-grade hard coking coal are also produced. The current annual production capacities of the mine and preparation plant are approximately 9.0 million and 9.5 million tonnes of clean coal, respectively.

Fording River's reserve areas include Eagle Mountain, Swift, Turnbull, and Castle Mountain. Approximately half of the current production is derived from the Eagle Mountain pit area with the other half produced from the Swift pit area. Proven and probable reserves at Fording River are projected to support mining for a further 29 years. Work is ongoing to upgrade Castle inferred resources to reserve status and further extend the mine life. Approximately 1,100 hectares of the coal lands associated with the Swift region may be developed and mined under the Greenhills mine plan. The reserves associated with that area have been removed from the Fording River mine plan, as reflected in the life of mine estimate above.

In 2019, 79 reverse circulation drillholes, totalling approximately 19.1 kilometres, were drilled in the Lake, Swift and Eagle active pit areas. In addition, 35 holes, totalling 18.8 kilometres, were drilled on Castle Mountain mine development area. Of the 35 holes on Castle, 27 were reverse circulation drillholes and the remaining 8 were diamond drillholes. Bulk samples from two coal seams on Castle were obtained via large diameter (9 inch) coring; this method provides sufficient sample for pilot scale washing and carbonization in a 350kg moveable wall Carbolite pilot scale coke oven. Downhole geophysical logs of all drillholes were utilized to identify coal seam intercepts and validate sample intervals. Coal samples are obtained on 0.5 metre intervals from all reverse circulation drillholes. Intervals are then composited by seam to produce representative seam samples for further analysis and simulated washability. Retrieval of coal samples from diamond drill core is completed occasionally, depending on the drillhole location.

To improve operational efficiency, raw coal from Greenhills may be processed at the Fording River plant.

2020 projected capital costs for Fording River are approximately $88 million. The major components of the projected capital costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Sustaining | 56 |
| Major Enhancement | 32 |

2020 projected cash operating costs for Fording River are approximately $587 million. The major components of the projected cash operating costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Labour | 254 |
| Supplies | 256 |
| Energy | 142 |
| Other (including general & administrative, inventory changes) | 46 |
| Less amounts associated with projected capitalized stripping | (111) |
| Total | 587 |

The cash operating costs presented above do not include transportation or royalties.

### Elkview Mine, B.C., Canada

Teck Coal has a 95% partnership interest in the Elkview Mine. The remaining 5% is indirectly held equally by Nippon Steel & Sumitomo Metal Corporation, a Japanese steel producer, and POSCO, a Korean steel producer, each of which acquired a 2.5% interest in 2005. The Elkview mine is an open pit coal mine located approximately 3 kilometres east of Sparwood in southeastern British Columbia. The mine site consists of approximately 27,100 hectares of coal lands.

The coal produced is a high-quality mid-volatile hard coking coal. Lesser quantities of lower-grade hard coking coal are also produced. The current annual production capacity of the mine and preparation plant (on a 100% basis) is approximately 7.4 million tonnes of clean coal. Work is underway to increase production capacity of the mine and preparation plant to 9.0 million tonnes of clean coal in order to offset production losses from the closure of Coal Mountain and Cardinal River operations.

In 2019, 27 reverse circulation drillholes, totalling approximately 5.4 kilometres, were drilled in the Baldy and Natal pit areas. In addition, five holes, totalling 2.0 kilometres, were drilled on Adit Ridge mine development area. Downhole geophysical logs of all drillholes were utilized to identify coal seam intercepts and validate sample intervals. Coal samples are obtained on 0.5 metre intervals from all reverse circulation drillholes. Intervals are then composited by seam to produce representative seam samples for further analysis and simulated washability.

Proven and probable reserves at Elkview are projected to support mining for a further 36 years.

2020 projected capital costs for Elkview are approximately $160 million. The major components of the projected capital costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Sustaining | 67 |
| Major Enhancement | 93 |

2020 projected cash operating costs for Elkview are approximately $427 million. The major components of the projected cash operating costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Labour | 194 |
| Supplies | 197 |
| Energy | 88 |
| Other (including general & administrative, inventory changes) | 67 |
| Less amounts associated with projected capitalized stripping | (119) |
| Total | 427 |

The cash operating costs presented above do not include transportation or royalties.

### Greenhills Mine, B.C., Canada

Greenhills is operated under a joint venture agreement among Teck Coal, POSCO Canada Limited (POSCAN) and POSCAN's parent, POSCO. Pursuant to the joint venture agreement, Teck Coal has an 80% interest in the joint venture while POSCAN has a 20% interest. Teck Coal and POSCAN own the mine equipment and preparation plant in proportion to their respective joint venture interests. Under the joint venture agreement, Teck Coal is the manager and operator of Greenhills and takes 80% of all coal produced at Greenhills. POSCAN takes the remaining 20% and pays a quarterly royalty based on the price achieved for Greenhills coal sales.

Teck Coal and POSCAN bear all costs and expenses incurred in operating Greenhills in proportion to their respective joint venture interests. POSCAN, pursuant to a property rights grant, has a right to 20% of all coal mined from certain defined lands at Greenhills until the end of the operational phase of the joint venture; POSCAN pays Teck a royalty for access to other coal reserves owned by Teck that are processed by Greenhills equipment and facilities. The joint venture agreement provides for a review of the terms of the agreement in 2022 and, in the event the parties disagree on the continuation of the terms of the agreement, the operational phase will come to an end. Pursuant to a 2018 review of the joint venture agreement, on February 11, 2019, we agreed with POSCAN to substantially increase the royalty paid by POSCAN in respect of its 20% share of production. The amount paid by POSCAN in respect of the royalty increased by approximately $74 million, from $21 million in 2018 to $95 million for 2019.

The Greenhills mine is located 8 kilometres northeast of the community of Elkford, in southeastern British Columbia. The mine site consists of approximately 11,800 hectares of coal lands. In addition, the current life of mine plan contemplates that Greenhills may develop and mine an area of approximately 1,100 hectares associated with Fording River's Swift region. The reserves associated with that area are reflected in Greenhills' reserves and the life of mine estimates below. Coal mined at Greenhills is primarily steelmaking coal, although lesser quantities of lower-grade hard coking coal are also produced. The current annual production capacities of the mine and preparation plant (on a 100% basis) are 5.9 million and 5.4 million tonnes of clean coal, respectively.

To improve operational efficiency, raw coal from Greenhills may be processed at the Fording River plant.

Current production is derived primarily from the Cougar pit area. Proven and probable reserves at Greenhills are projected to support mining for a further 50 years or less depending on the extent of Greenhills' raw coal processed at Fording River.

In 2019, eight reverse circulation drillholes, totalling approximately 2.2 kilometres, and 11 diamond drillholes, totalling 3.2 kilometres, were drilled in the Phase 4 and 7 active pit areas. In addition, eight reverse circulation drillholes, totalling 3.0 kilometres, were drilled in the Phase 5 mine development area. A bulk sample from one coal seam in Phase 8 was obtained via large diameter (9 inch) coring; this method provides sufficient sample for pilot scale washing and carbonization in a 350kg moveable wall Carbolite pilot scale coke oven. Downhole geophysical logs of all drillholes were utilized to identify coal seam intercepts and validate sample intervals. Coal samples are obtained on 0.5 metre intervals from all reverse circulation drillholes. Intervals are then composited by seam to produce representative seam samples for further analysis and simulated washability. Retrieval of coal samples from diamond drill core is completed occasionally, depending on the drillhole location.

Our 80% share of 2020 projected capital costs for Greenhills is approximately $33 million. The major components of our share of projected capital costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Sustaining | 22 |
| Major Enhancement | 11 |

Our 80% share of 2020 projected cash operating costs for Greenhills is approximately $275 million. The major components of our share of projected cash operating costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Labour | 108 |
| Supplies | 115 |
| Energy | 60 |
| Other (including general & administrative, inventory changes) | 46 |
| Less amounts associated with projected capitalized stripping | (54) |
| Total | 275 |

The cash operating costs presented above do not include transportation or royalties.

### Line Creek Mine, B.C., Canada

The Line Creek mine is located approximately 25 kilometres north of Sparwood in southeastern British Columbia. Line Creek supplies steelmaking and thermal coal to a variety of international and domestic customers. The Line Creek property consists of approximately 8,200 hectares of coal lands.

Bargaining continues with the International Union of Operating Engineers, Local 115 at Line Creek, whose collective agreement expired on May 31, 2019.

The current annual production capacity of the mine and preparation plant is approximately 4.0 million tonnes of clean coal. Proven and probable reserves at Line Creek are projected to support mining for a further 15 years.

### Cardinal River Mine, Alberta, Canada

The Cardinal River mine is located approximately 42 kilometres south of Hinton, Alberta. Prior to 2003 the mine was owned by Luscar and CONSOL, each of which retained a net revenue royalty of 2.5% based on any coal mined from the Cheviot pit and certain other former Luscar properties. The Cardinal River mine property consists of approximately 15,300 hectares of coal lands.

Coal mined at Cardinal River is primarily steelmaking coal, although a small amount of thermal coal is also produced. The current annual production capacities of the mine and preparation plant are approximately 2.0 million and 3.5 million tonnes of clean coal, respectively.

In 2019, Teck decided not to proceed with the Cardinal River Operations MacKenzie Redcap extension. Mining is expected to conclude at Cardinal River in the second half of 2020.

### Quintette Coal Project, B.C., Canada

Our Quintette mine in northeastern British Columbia has been closed since 2000 and remains on care and maintenance.

### Coal Mountain Mine, B.C., Canada

Our Coal Mountain mine in southeastern British Columbia transitioned to care and maintenance in the second quarter of 2019.

### Other Coal Projects, B.C., Canada

Other coal properties include Mt. Duke (92.6% interest) south of Tumbler Ridge, B.C., Elco (75% interest) at the north end of the Elk Valley, and the Coal Mountain Phase II Property (100% interest) situated between Elkview and the recently closed Coal Mountain Operations.

## COPPER

### *Copper Operations*

#### Highland Valley Copper Mine, Canada (Copper)

We hold a 100% interest in the Highland Valley Copper mine located near Kamloops, British Columbia through our wholly owned subsidiary Teck Highland Valley Copper Partnership (HVC).

Highland Valley's primary product is copper concentrate; it also produces molybdenum in concentrate. The property comprising the Highland Valley Copper mine covers a surface area of approximately 34,000 hectares and is held pursuant to various mineral leases, mineral claims and Crown grants. Mineral claims are renewed annually or as required based on the amount of exploration related expenses applied on a given claim which can extend the claim renewal requirements by several years at a time. Mineral leases are typically held for twenty or thirty-year terms and are renewed accordingly. In the past, renewals of these licences and leases have generally been granted, although there can be no assurance that this will continue in the future. Crown grants are held indefinitely and are subject to annual taxes.

The Highland Valley Copper mine is located adjacent to Highway 97C connecting Merritt, Logan Lake and Ashcroft, British Columbia. Access to the mine is from a 1-kilometre access road from Highway 97C. The mine is approximately 50 kilometres southwest of Kamloops, and approximately 200 kilometres northeast of Vancouver. The mine operates throughout the year. Power is supplied by BC Hydro through a 138-kilovolt line which terminates at the Trans-Canada Highway west of Spuzzum in the Thompson Valley. Mine personnel live in nearby areas, primarily Logan Lake, Kamloops, Ashcroft, Cache Creek and Merritt.

The mine is an open pit operation. The processing plant, which uses autogenous and semi-autogenous grinding and flotation to produce metal in concentrate from the ore, has the capacity to process up to 145,000 tonnes of ore per day, depending on ore hardness. Water from mill operations is collected and contained in a tailings impoundment area. Mill process water is reclaimed from the tailings pond. The operation is subject to water and air permits issued by the Province of British Columbia and is in material compliance with those permits. The operation holds all of the permits that are material to its current operations.

An autonomous haulage pilot project was successfully started during the second half of 2018 in the Lornex pit, with nine autonomous haulage trucks now fully operational. A $73 million project to install an additional ball mill to increase grinding circuit capacity was completed in May 2019, with commissioning and ramp-up continuing into the first quarter of 2020.

Concentrates from the operation are transported first by truck to Ashcroft and then by rail to a port in Vancouver for export overseas, with the majority being sold under long-term sales contracts to smelters in Asia. The price of copper concentrate under these long-term sales agreements is based on LME prices during quotation periods determined with reference to the time of delivery, with treatment and refining charges negotiated annually. The balance is sold on the spot market. Molybdenum concentrates are sold to third-party roasters on market terms.

Ore is currently mined from the Valley, Lornex and Highmont pits. The pits are located in the Guichon batholith, which hosts all of the orebodies located in the area. The host rocks of the Valley deposit are mainly porphyritic quartz monzonites and granodiorites of the Bethsaida phase of the batholith. These rocks are medium-to-coarse-grained with large phenocrysts of quartz and biotite. The rocks of the deposit were subjected to hydrothermal alteration followed by extensive quartz veining, quartz-sericite veining, and silicification. Bornite, chalcopyrite and molybdenum were

introduced with the quartz and quartz-sericite veins and typically fill angular openings in them. Accessory minerals consist of hornblende, magnetite, hematite, sphene, apatite and zircon. Pre-mineral porphyry and aplite dykes intrude the host rocks of the deposit.

The Lornex orebody occurs in skeena quartz diorite host rock, intruded by younger pre-mineral quartz porphyry and aplite dykes. The skeena quartz diorite is an intermediate phase of the Guichon batholith and is generally a medium-to-coarse grained equigranular rock distinguished by interstitial quartz and moderate ferromagnesian minerals. The sulphide ore is primarily fracture fillings of chalcopyrite, bornite and molybdenite with minor pyrite, magnetite, sphalerite and galena.

The Highmont deposit is entirely hosted within the Skeena granodiorite and the Gnawed Mountain Composite Dyke (GMCD) that has traditionally been described as a multiphase intrusion. The Bethsaida phase of the batholith occurs 750 metres southwest of the deposit with historical logged intercepts of Bethsaida within the deposit interpreted to be phases of the GMCD. The lithology of dykes in Highmont is less well constrained than the Valley-Lornex deposit. Copper mineralization occurs dominantly as chalcopyrite or bornite within quartz and white mica veins and to a lesser degree as breccia infill. The generalized sulphide distribution indicates a roughly concentric distribution of bornite-chalcopyrite and pyrite centered in the east of the deposit and extending northwest along the contacts of the GMCD.

Since 2015, additional drilling and engineering studies have been conducted to define resources near the existing Valley, Lornex and Highmont pits, and to examine other options to optimize and extend production past the current mine life. These activities have focused on evaluating the viability of a substantial expansion of the Valley and Highmont pits.

In 2019, nine diamond drillholes, totalling approximately 1,900 metres, were drilled in the Lornex pit area to further refine geoscience and resource models; 33 diamond drill holes, totaling approximately 8,000 meters, were drilled in the Valley pit to support geotechnical assessment and modeling of the Valley Tertiary basin and five holes, totalling 1,200 metres, were drilled near the pits and in the surrounding district to condemnate future planned waste dump areas. Quick logs and assay results of these holes indicate no material impacts on the quantity or grade of reserves and resources. Diamond drill core is split in halves using core saws and sampled in two-metre intervals (HQ diameter core). One half is sent to an independent, off-site laboratory for analysis and the other is retained for future reference. Field duplicates and external umpire checks of approximately 5% of pulp samples are elements of the Highland Valley quality assurance/quality control program procedures.

Highland Valley Copper's 2019 copper production was 121,300 tonnes, compared to 100,800 tonnes in 2018 and 92,800 tonnes in 2017. The increase in 2019 was primarily due to higher copper grades and improved mill recoveries. Molybdenum production was 24% lower in 2019 at 6.6 million pounds, compared to 8.7 million pounds in 2018, primarily due to lower molybdenum grades and recovery, as anticipated in the mine plan.

Copper production is expected to continue to increase in 2020 due to higher recoveries from improving ore characteristics, the realization of additional throughput and recovery benefits from the implementation of mill analytics as part of our RACE21™ innovation-driven business transformation program and continued ramp up of the additional D3 ball mill.

Copper production in 2020 is anticipated to be between 133,000 and 138,000 tonnes, with lower production in the first half of 2020. Annual copper production from 2021 to 2023 is expected to be between 155,000 and 165,000 tonnes per year. Copper production is anticipated to average about 150,000 tonnes per year after 2023, through to the end of the current mine plan in 2027.

Molybdenum production in 2020 is expected to be between 4.5 and 5.5 million pounds contained in concentrate, with annual production expected to be between 3.5 and 5.0 million pounds per year afterwards. We continue to advance studies to assess the potential economic viability of extending the Highland Valley Copper mine life to 2040.

The Highland Valley copper mine is subject to the B.C. Mineral Tax which is a two-tier tax with a minimum rate of 2% and a maximum rate of 13%. A minimum tax of 2% applies to operating cash flows, as defined by the regulations. A maximum tax rate of 13% applies to cash flows after taking available deductions for capital expenditures and other permitted deductions.

2020 projected capital costs for Highland Valley are approximately $74 million. The major components of the projected capital costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Sustaining | 52 |
| Major Enhancement | 22 |

2020 projected aggregate cash operating costs for Highland Valley are approximately $543 million. The major components of the projected cash operating costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| Labour | 258 |
| Supplies | 217 |
| Energy | 114 |
| Other (including general & administrative, inventory changes) | 65 |
| Less amounts associated with projected capitalized stripping | (111) |
| Total | 543 |

The cash operating costs presented above do not include transportation or royalties.

### Antamina Mine, Peru (Copper, Zinc)

We indirectly own 22.5% of the Antamina copper/zinc mine in Peru, with the balance held indirectly by BHP Billiton plc (33.75%), Glencore plc (33.75%) and Mitsubishi Corporation (10%). The participants' interests are represented by shares of Compañía Minera Antamina S.A. (CMA), the Peruvian company that owns and operates the project. Our interest is subject to a net profits royalty of 1.667% on CMA's free cash flow.

The Antamina property consists of numerous mining concessions and mining claims covering an area of approximately 82,200 hectares and an area of approximately 15,000 hectares of surface rights. These rights concessions and claims can be held indefinitely, contingent upon the payment of annual licence fees and provision of certain production and investment information. CMA also owns a port facility located at Huarmey and an electrical substation located at Huallanca. In addition, CMA holds title to all easements and rights of way for the 302-kilometre concentrate pipeline from the mine to CMA's port at Huarmey.

The deposit is located at an average elevation of 4,200 metres, 385 kilometres by road and 270 kilometres by air north of Lima, Peru. Antamina lies on the eastern side of the Western

Cordillera in the upper part of the Rio Marañon basin. Mine personnel live in a camp facility while at work and commute from both local communities and larger population centres, including Lima.

The mine is an open pit, truck-and-shovel operation. The ore is crushed within the pit and conveyed through a 2.7-kilometre tunnel to a coarse ore stockpile at the mill. It is then processed utilizing two SAG mills, followed by ball mill grinding and flotation to produce separate copper, zinc, molybdenum and lead/bismuth concentrates. The mill has the capacity to process approximately 145,000 tonnes per day, depending on ore hardness. A 302-kilometre-long slurry concentrate pipeline, approximately 22 centimetres in diameter with a single pump station at the mine site, transports copper and zinc concentrates to the port where they are dewatered and stored prior to loading onto vessels for shipment to smelters and refineries worldwide.

The mine is accessible via an access road maintained by CMA. Power for the mine is taken from the Peru national energy grid through an electrical substation constructed at Huallanca. Fresh water requirements are sourced from a dam-created reservoir upstream from the tailings impoundment facility. The tailings impoundment facility is located next to the mill. Water reclaimed from the tailings impoundment is used as process water in the mill operation. The operation is subject to water and air permits issued by the Government of Peru and is in material compliance with those permits. The operation holds all of the permits that are material to its current operations.

The Antamina polymetallic deposit is skarn-hosted. It is unusual in its persistent mineralization and predictable zonation, and has a SW-NE strike length of more than 2,500 metres and a width of up to 1,000 metres. The skarn is well-zoned symmetrically on either side of the central intrusion with the zoning used as the basis for four major subdivisions being a brown garnet skarn, green garnet skarn, wollastonite/diopside/green garnet skarn and a marbleized limestone with veins or mantos of wollastonite. Other types of skarn, including the massive sulphides, massive magnetite, and chlorite skarn, represent the remainder of the skarn and are randomly distributed throughout the deposit. The variability of ore types can result in significant changes in the relative proportions of copper and zinc produced in any given year.

In 2019, a total of 95 drillholes were completed within the Antamina pit, for a total of approximately 41,334 metres. This included 44 conventional infill holes totalling approximately 15,328 metres, 16 primary infill holes totalling approximately 5,512 metres, 32 branch infill holes totalling approximately 17,674 metres and three conventional deep holes totalling approximately 2,820 metres. Quick logs and assay results of these holes indicate no material impacts on the quantity or grade of reserves and resources. For diamond core, three-metre samples of half core (HQ or NQ) are collected and prepared for assay at an external laboratory. The remaining half of the core is retained for future reference. The assay program includes approximately 20% of quality-control samples, comprising reference materials, duplicates and blanks, as well as samples for external control at a secondary laboratory. The reference materials consist of matrix-matched material from Antamina, homogenized and certified in accordance with industry practice.

Antamina's copper production (100% basis) in 2019 was 448,500 tonnes, compared to 446,100 tonnes in 2018 as a result of slightly higher copper grades offset by slightly lower recoveries. Zinc production (100% basis) was 303,300 tonnes in 2019, a decrease from 409,300 tonnes produced in 2018, due to mining a lower proportion of copper-zinc ore versus copper ore as a result of mine sequencing as well as lower zinc grades. In 2019, molybdenum production (100% basis) was 7.8 million pounds, which was 24% lower than 2018.

Our 22.5% share of 2020 production at Antamina is expected to be in the range of 88,000 to 92,000 tonnes of copper, 100,000 to 105,000 tonnes of zinc and approximately 2.0 million pounds of molybdenum in concentrate. Our share of copper production is expected to average 90,000 tonnes

per year from 2021 to 2023. Our share of zinc production is expected to be between 90,000 and 100,000 tonnes per year from 2021 to 2023, although annual production will fluctuate due to feed grades and the amount of copper-zinc ore processed. Our share of annual molybdenum production is expected to be between 2.0 and 3.0 million pounds per year between 2021 and 2023.

CMA has entered into long-term off-take agreements with affiliates of the Antamina shareholders on market terms for copper, zinc and molybdenum concentrates. Under a long-term streaming agreement with FN Holdings ULC (FNH), a subsidiary of Franco-Nevada Corporation, Teck has agreed to deliver silver to FNH equivalent to 22.5% of the payable silver sold by CMA. FNH made a payment of US$610 million on closing of the arrangement in 2015 and will pay 5% of the spot price at the time of delivery for each ounce of silver delivered under the agreement, in addition to an upfront acquisition price paid in a previous year. After 86 million ounces of silver have been delivered under the agreement, the stream will be reduced by one-third. A total of 15.2 million ounces of silver have been delivered under the agreement from the effective date in 2015 to December 31, 2019. The streaming agreement restricts distributions from Teck Base Metals, our subsidiary that holds our 22.5% interest in CMA, to the extent of unpaid amounts under the agreement if there is an event of default under the streaming agreement or an insolvency of Teck. Compañía Minera Antamina S.A., which owns and operates Antamina, is not a party to the agreement and operations will not be affected by it.

In June 2019, CMA signed a new three-year collective agreement which will expire on July 31, 2021.

In Peru, the mining tax regime includes the Special Mining Tax and the Modified Mining Royalty, which apply to CMA's operating margin based on a progressive sliding scale ranging from 3% to 20.4%. CMA is also subject to Peruvian income tax.

Based on current designed tailings storage capacity, the mine life is expected to continue until 2028. CMA is currently conducting engineering studies for additional tailings storage options and alternative mine plans that could result in significant mine life extensions. Any mine life extension will require a modification of Antamina's current Environmental Impact Assessment certificate, a process which began in October 2019 with the submission of the study area and common terms of reference to Peruvian regulators for a mine life extension to 2036. A decision in respect of the requested modification is anticipated in 2022.

Our 22.5% share of 2020 projected capital costs for Antamina is approximately US$98 million. The major components of the projected capital costs are:

| Component | Approximate projected cost (US$/million) |
|---|---|
| Sustaining | 78 |
| Major Enhancement | 20 |

Our 22.5% share of 2020 projected cash operating costs for Antamina is approximately US$181 million. The major components of the projected cash operating costs are:

| Component | Approximate projected cost (US$/million) |
|---|---|
| Labour | 82 |
| Supplies | 91 |
| Energy | 49 |
| Other (including general & administrative, inventory changes) | 16 |
| Less amounts associated with projected capitalized stripping | (57) |
| Total | 181 |

The cash operating costs presented above do not include transportation or royalties.

### Quebrada Blanca Mine, Chile (Copper)

The Quebrada Blanca mine is owned by a Chilean private company, Compañía Minera Teck Quebrada Blanca S.A. (QBSA). On March 29, 2019, we closed a transaction whereby Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation collectively (SMM/SC) subscribed for a 30% indirect interest in QBSA. SMM/SC contributed $1.3 billion (US$966 million) to QBSA on closing of the transaction and a further $444 million (US$336 million) over the remainder of 2019. As of December 31, 2019, Teck holds a 60% interest in QBSA (66.67% of the Series A shares); SMM/SC collectively hold a 30% interest in QBSA (33.33% of the Series A shares) and Empresa Nacional de Minería (ENAMI), a Chilean government entity, holds a 10% carried interest (100% of the Series B shares), which does not require ENAMI to fund capital spending.

QBSA owns the exploitation and/or exploration rights in the immediate area of the Quebrada Blanca deposit pursuant to various mining concessions and other rights. There are currently 119,587 hectares of mining rights incorporating exploitation and exploration mining concessions held in the name of QBSA. The exploitation mining concessions have no expiry date. In addition, QBSA holds surface rights covering the mine site and other areas aggregating approximately 3,150 hectares as well as certain other exploration rights in the surrounding area and certain water rights.

The Quebrada Blanca property is located in the Tarapacá Region of northern Chile approximately 240 kilometres southeast of the port city of Iquique and 1,500 kilometres north of the city of Santiago, the capital of Chile. The Quebrada Blanca property is located approximately 4,400 metres above sea level. The local topography is represented by rounded hills disrupted by steep gulches. Vegetation cover consists of sparse tufts of grass and small shrubs. Access to the mine site is via road from Iquique. Mine personnel are based in a camp facility, and the majority commute from large population centres, including Iquique and Santiago.

Previously mined for its surficial supergene mineralization, the Quebrada Blanca Cu-Mo sulfide deposit is characterized by a series of Eocene-Oligocene aged intrusions, hydrothermal breccias and vein-related mineralization over an area of ~5 x 3 km and controlled primarily by a north-east oriented structures. Alteration associated with the emplacement of the porphyritic and related intrusions includes chalcopyrite- and bornite-related veins, disseminations, and cement fill associated with potassic alteration. A large, vertically zoned hydrothermal breccia developed in associated with the potassic event. This breccia has biotite, biotite-magnetite, chalcopyrite and

locally bornite preserved at depth, whilst at shallower levels it transitions to a tourmaline-rich breccia with pyrite and chalcopyrite. A series of quartz-molybdenite veins are commonly associated with the biotite-magnetite breccia on the east side of the deposit. A subsequent chalcopyrite and molybdenite event cuts across the system and is characterized by grey-green sericite and quartz veins. This type of transitional alteration is best-preserved in the western part of the deposit. A late quartz-sericite-pyrite assemblage cuts the copper-bearing stages, and is strongly controlled by northwest-oriented structures. This phyllic event also occurs along northeast-oriented structures, which were a key control in the location of the supergene mineralization at surface.

The Quebrada Blanca orebody occurs within a 2-kilometre by 5-kilometre quartz monzonite intrusive stock. Supergene enrichment processes have dissolved and redeposited primary (hypogene) chalcopyrite as a blanket of supergene copper sulphides, the most important being chalcocite and covellite, with lesser copper oxides/silicates such as chrysocolla in the oxide zone. Irregular transition zones, with locally faulted contacts separate the higher and lower-grade supergene/dump leach ores from the leached cap and hypogene zones.

In 2019, we signed a new 36-month agreement with Quebrada Blanca Union 1.

Taxes payable in Chile that affect the operation include the Chilean Specific Mining Tax, which applies to operating margin based on a progressive sliding scale from 5% to 14%. QBSA is also subject to federal income tax in Chile.

*Quebrada Blanca Operations*

Quebrada Blanca is an open pit mine that produces ore that, since the first quarter of 2017, has been sent directly to the dump leach circuit. Copper-bearing solutions are collected from the dump leach pads for processing in an SX-EW plant that produces copper cathode. Mining operations ceased in the fourth quarter of 2018 as the supergene ore was exhausted and mining equipment and personnel have been redeployed to the QB2 project. The existing operation is now focused on leaching the dump material and secondary extraction. Copper cathode production is expected to continue through 2020. Copper cathode is trucked to Iquique for shipment to purchasers.

The majority of copper cathode produced at Quebrada Blanca is sold under annual contracts to metal consumers and metal trading companies. The remaining copper cathode is sold on the spot market. The price of copper cathodes is based on LME prices plus a premium based on market conditions.

Quebrada Blanca operations produced 21,100 tonnes of copper cathode in 2019, compared to 25,500 tonnes in 2018. Cathode production is expected to continue until late 2020 at declining production rates. We expect production of approximately 7,000 to 8,000 tonnes of copper cathode in 2020.

*Quebrada Blanca Phase 2*

As previously outlined, Quebrada Blanca Phase 2 (QB2) is expected to extend the life of the existing mine as a large-scale concentrate-producing operation.

The project was approved for full construction in December 2018. In the fourth quarter of 2019, we closed the US$2.5 billion limited recourse project financing to fund the development of QB2. With funding from the project financing and the partnering transaction with SMM/SC, our next contributions to project capital are not expected until early 2021.

There are currently over 7,500 people actively working across the six major construction areas on the project, with all major contractors progressing in the field. With earthworks and concrete well advanced the project has commenced steel erection and the placement of mechanical equipment,

including the first grinding mill. In addition, construction of the tailings dam facility and pipelines is progressing. Although the project continues to target first production in the fourth quarter of 2021 with ramp-up to full production expected during 2022, there has been delays in the schedule primarily due to permitting and social unrest in Chile, which will also affect cost. A new baseline schedule is being developed in conjunction with an updated capital cost estimate for the first quarter of 2020.

Mining operations will continue to use open pit methods and conventional truck-and-shovel operations. The production fleet will be a combination of the existing traditional trucks and autonomous trucks, eventually transitioning to fully autonomous fleet as the traditional trucks reach the end of their useful life. From an operational standpoint, QB2 represents a continuation of the existing supergene mining activities; however, there are significant differences between the two mining operations, such as the significant increase in the ultimate pit depth, the change in mineralization type from enriched supergene to hypogene, and the proposed increase to the mining extraction rate.

The project scope includes the construction of a 143,000 tonne per day concentrator and related facilities, which will be connected to a new port and desalination plant by 165 kilometre concentrate and desalinated water pipelines. An additional access road, known as the A-97 bypass, will be constructed from the A-97B highway to the mine. In addition, there will be construction of a new overhead high voltage electric power transmission line. The primary crushing facility will contain a single primary crusher with a double-sided dump pocket for dumping ore from the mine haulage trucks. The coarse ore conveyor facility will consist of two overland conveyors to transport the crushed ore from the primary crusher to the coarse ore stockpile. The coarse ore stockpile will have a live capacity of 80,000 tonnes, and an overall 270,000 tonne capacity. The concentrator facility will contain two semi-autogenous grinding mills and four ball mills, cyclone feed pumps, and cyclone clusters.

On a 100% basis, average annual production capacity is expected to be 316,000 tonnes of copper equivalent per year for the first full five years of mine life.

QBSA has signed a number of power purchase agreements for electric power supply for QB2. There are three primary power purchase agreements for QB2 with staggered supply dates. Each of these agreements imposes a take-or-pay obligation on QBSA, under which QBSA is required to pay for the contracted power regardless of whether it is required in the operations. Supply from the first contract commenced in the fourth quarter of 2016 and the other supply dates commenced in early 2018. QBSA's obligations under the power purchase agreements are guaranteed by Teck until QB2 enters production.

The aggregate fixed commitment of the current three primary power supply agreements is approximately US$6.9 million per month, determined as of December 31, 2019. QBSA is taking steps to manage its exposure, and may sell power at spot market rates or under contract to offset its exposure under these take-or-pay contracts until power is required for the QB2 project. Based on current spot market rates, current mitigation efforts and QBSA's projected power consumption, its net estimated aggregate monthly exposure under its power arrangements is anticipated to be in the range of US$5.5 to US$7.0 million in 2020. Teck has agreed to cover SMM/SC's share of the cost of power under these existing power purchase agreements in excess of QBSA's actual needs until the earlier of the start-up of the first grinding line in the mill or September 30, 2022.

In February 2020, QBSA entered into long-term arrangements with AES Gener S.A., to enable QBSA to transition to renewable energy for approximately half of the power required for the operation of QB2.

In 2019, 28 diamond drillholes were completed within the Quebrada Blanca deposit for a total of approximately 20.6 kilometers. Assay results from these holes have had no impact on the quantity or grade of reserves, nor have they materially impacted the grade of the resource; however, these drillholes have increased the resource volume for Quebrada Blanca - Mill. See "*Mineral Reserves and Resources*" for details. For diamond core, 2-metre samples of half core are taken and crushed for assay at an external laboratory. The remaining half of the core is retained for future reference. The assay program includes approximately 15% of quality-assurance/quality-control samples, comprising reference materials, duplicates and blanks. An additional 5% of sample pulps are assayed in a second laboratory for cross-checks. The reference materials consist of matrix-matched material from Quebrada Blanca, homogenized and certified in accordance with industry practice.

2020 projected capital costs for QB2 are estimated at approximately $2,420 million. Our share of $1,613 million is expected to be funded from the remaining contributions made by SMM/SC in connection with the partnering transaction and from the project finance loans entered into in 2019. The major components of the projected capital costs are:

| Component | Approximate projected cost ($/million) |
|---|---|
| New Mine Development | 2,420 |

QB2 has a 28 year mine life and the Sanction Case (described below) includes 199 million tonnes of inferred resources within the life of mine plan. The majority of this inferred material is not scheduled to be mined until late in the mine life and is displacing lower grade economic material within the pit. Teck refers to the planned development of the QB2 project that includes these inferred resources as the "Sanction Case". Inferred resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserve. Inferred resources are subject to greater uncertainty than measured or indicated resources and it cannot be assumed that they will be successfully upgraded to measured and indicated through further drilling. Based on Teck's understanding of the deposit and history of resource to reserve conversion, the Sanction Case is regarded as a realistic and financeable development plan; however, key information regarding the reserve-only case is included in the table below for reference.

The table below summarizes the financial projections of the planned operation of QB2 for both the reserve case and the Sanction Case:

| 100% Project Basis(1)(2) | Units | Reserve Case | Sanction case |
|---|---|---|---|
| IRR | % | 13.5% | 14.1% |
| NPV | US$ M | $2,030 | $2,426 |
| Average Annual Cash Flow – 1st Five Years(3) | US$ M | $935 | $956 |
| Average Annual Cash Flow – After 1st Five Years(4) | US$ M | $496 | $585 |
| Payback Period | years | 5.7 | 5.6 |
| Copper Equivalent Production(5) | tonnes | 313,000 | 316,000 |

(1) Assumes US$3.00 per pound of copper; US$10.00 per pound of molybdenum and US$18.00 per ounce of silver
(2) As at January 1, 2019 on an unlevered, after-tax basis for a Chilean domiciled entity assuming an optimized funding structure
(3) Excludes the first partial year of operation
(4) Excludes the last partial year of operation
(5) Copper equivalent production calculated assuming US$3.00/lb copper, US$10.00/lb molybdenum and US$18.00/oz silver without adjusting for payability.

*Quebrada Blanca Phase 3*

Drilling and engineering studies for the Quebrada Blanca Phase 3 project are ongoing. In support of our cost reduction program, we are delaying the start of the prefeasibility study and will continue with targeted development trade-off analysis.

### Carmen de Andacollo Mine, Chile (Copper)

The Carmen de Andacollo property is owned by a Chilean private company, Compañía Minera Teck Carmen de Andacollo (CDA). We own 100% of the Series A shares of CDA while ENAMI owns 100% of the Series B shares of CDA. Our Series A shares of CDA equate to 90% of CDA's total share equity and ENAMI's Series B shares comprise the remaining 10% of total share equity. ENAMI's interest is a carried interest and, as a result, ENAMI is not required to contribute further funding to CDA.

CDA owns the exploitation and/or exploration rights over an area of approximately 206 square kilometres in the area of the Carmen de Andacollo supergene and hypogene deposits pursuant to various mining concessions and other rights. In addition, CDA owns the surface rights covering the mine site and other areas aggregating approximately 21 square kilometres as well as certain water rights. Since 1996, CDA has been conducting mining operations on the supergene deposit on the Carmen de Andacollo property that overlies the hypogene deposit and since 2010 has been processing hypogene ore through a concentrator on the site.

The Carmen de Andacollo property is located in Coquimbo Province in central Chile. The site is adjacent to the town of Carmen de Andacollo, approximately 55 kilometres southeast of the city of La Serena and 350 kilometres north of Santiago. Access to the Carmen de Andacollo mine is by paved roads from La Serena. The mine is located near the southern limit of the Atacama Desert at an elevation of approximately 1,000 metres. The climate around Carmen de Andacollo is transitional between the desert climate of northern Chile and the Mediterranean climate of the Santiago area. The majority of mine personnel live in the town of Carmen de Andacollo, immediately adjacent to the mine, or in the nearby cities of Coquimbo and La Serena.

The Carmen de Andacollo orebody is a porphyry copper deposit consisting of disseminated and fracture-controlled copper mineralization contained within a gently dipping sequence of andesitic to trachytic volcanic rocks and sub-volcanic intrusions. The mineralization is spatially related to a feldspar porphyry intrusion and a series of deeply rooted fault structures. A primary copper-gold sulphide hypogene deposit containing principally disseminated and quartz vein-hosted chalcopyrite mineralization lies beneath the supergene deposit. The hypogene deposit was subjected to surface weathering processes, resulting in the formation of a barren leached zone 10 to 60 metres thick. The original copper sulphides leached from this zone were re-deposited below the barren leached zone as a copper-rich zone comprised of copper silicates (chrysocolla) and supergene copper sulphides (chalcocite with lesser covellite).

The Carmen de Andacollo mine is an open pit mine. Copper concentrate is produced by processing hypogene ore through semi-autogenous grinding and a flotation plant with the capacity to process up to 55,000 tonnes of ore per day depending on ore hardness. Some supergene ore is also mined, which is transported to heap leach pads. Copper-bearing solutions are processed in an SX-EW plant to produce grade A copper cathode.

The majority of copper cathode produced at Carmen de Andacollo is sold under annual contracts with metal trading companies. The remaining Carmen de Andacollo copper cathode production is sold in the spot market. The price of copper cathodes is based on LME prices plus a premium based on market conditions. Copper concentrates are sold under long-term contracts to smelters in Asia

and Europe, using the LME price as the basis for copper pricing, and with treatment and refining charges negotiated on an annual basis.

During 2019, 54 diamond drillholes totalling approximately 8,100 metres were drilled at the Carmen de Andacollo mine. Forty of these drillholes, totalling approximately 6,000 meters, were infill drilling for geology and grade modelling purposes, eight of these drillholes, totalling approximately 900 meters, were for metallurgical testing, and six of these drillholes, totalling approximately 1,200 meters, were for geotechnical and hydrogeological purposes. Diamond drill core is split in halves and sampled in 2.5-metre intervals. One half is sent to the external lab for analysis and the other is retained for future reference. For the infill drilling campaign, one in five samples was submitted for hardness proxy testing; subsequently, these samples were returned to the mechanical preparation process. For the metallurgical drillholes, one in five samples was submitted for metallurgical testing. Coarse blank, field duplicated (prior to shipment to the laboratory), crushing duplicated, fine coarse blank, pulp duplicated and standards were used as part of the quality assurance/quality control program.

Carmen de Andacollo produced, on a 100% basis, 51,600 tonnes of copper contained in concentrate in 2019, 19% less than 2018, primarily due to a temporary work stoppage in the fourth quarter. Copper cathode production, on a 100% basis, was 2,400 tonnes in 2019, compared with 3,700 tonnes in 2018. Gold production, on a 100% basis, of 46,800 ounces was lower than the 59,600 ounces produced in 2018, with 100% of the gold produced for the account of RGLD Gold AG, a wholly owned subsidiary of Royal Gold, Inc. In effect, 100% of gold production from the mine has been sold to RGLD Gold AG, which pays a cash price of 15% of the monthly average gold price at the time of each delivery, in addition to an upfront acquisition price paid in previous years.

Copper grades are expected to continue to decline towards reserve grades in 2020 and future years. Carmen de Andacollo's production in 2020 is expected to be in the range of 57,000 to 62,000 tonnes of copper, including approximately 3,000 tonnes of copper cathode. Annual copper in concentrate production is expected to average between 55,000 and 60,000 tonnes for the subsequent three-year period. Cathode production is uncertain beyond 2020, although there is some potential to extend production.

The current life of mine for Carmen de Andacollo is expected to continue until 2035. Additional permitting or amendments will be required to execute the life of mine plan.

Taxes payable in Chile that affect the operation include the Chilean Specific Mining Tax which applies to operating margin based on a progressive sliding scale from 5% to 14%. CDA is also subject to federal income tax in Chile.

In August 2019, CDA signed a new 36 month collective agreement with the Supervisory Union. A regulated bargaining process with the Workers' Union commenced in September 2019 but did not result in an agreement. The Workers' Union subsequently commenced strike action on October 14, 2019. Following ratification of a new 36-month collective agreement, on December 5, 2019, operations resumed.

### *Project Satellite*

Teck and our partners continue to advance five substantial base metals assets (copper, zinc, nickel) all of which are located in the Americas: Zafranal, San Nicolás, Galore Creek, Mesaba, and Schaft Creek.

#### Zafranal, Peru

The Zafranal property, located in southern Peru, 85 kilometres northwest of Arequipa within the Provinces of Castilla and Caylloma, is a mid-sized copper-gold porphyry deposit. The project is held by Compañía Minera Zafranal S.A.C., in which Teck holds an 80% interest, with Mitsubishi Materials Corporation holding the other 20%.

In 2019 we completed a feasibility study, together with sufficient environmental and social baseline studies, community engagement programs, and engineering and design work to finalize a social and environmental impact assessment in December 2019, which is expected to be submitted in the first half of 2020. Community engagement and investment activities, carried out in partnership with several communities of interest in 2019, focused on addressing local access to potable water, health and wellness, basic infrastructure and education. Water specific discussions were informed with information collected from a multi-year study of the Majes aquifer as the preferred source of operations water.

Teck's share of spending in 2019 was $32.7 million and Teck's share of planned spending in 2020 is $9.3 million, which will be included in capital expenditures for new mine development within our copper business unit.

#### San Nicolás, Mexico

The San Nicolás property, located in Zacatecas State, is a massive sulphide deposit with significant copper, zinc, gold and silver. The property is held by Minas de San Nicolás, S.A. de C.V. which is a wholly owned indirect subsidiary of Teck.

In 2019, as part of a prefeasibility study, a multi-disciplinary team focused on land acquisition, community engagement, environment studies, and a wide range of engineering studies. The scope of the prefeasibility study has been slightly adjusted to include power transmission, archaeology, updated metallurgical studies and development of an updated mine plan. The prefeasibility study and the social and environmental impact assessment are expected to be completed in the second half of 2020.

The community office, which was established in November 2018 in the San Nicolás community, was very active during 2019 with 1,180 community members and stakeholders visiting the office. Information gained from these visits has been incorporated into the project's social baseline study.

Spending in 2019 was $26.5 million and planned spending in 2020 is $17.1 million that will be included in capital expenditures for new mine development within our copper business unit.

#### Galore Creek, Canada

The Galore Creek property, located in the territory of the Tahltan in northwestern British Columbia approximately 150 kilometres northwest of the Port of Stewart, BC and 370 kilometres northwest of Smithers, BC, is a significant copper-gold-silver porphyry deposit. The project is owned by the Galore Creek Partnership, a 50/50 partnership between Teck and Newmont Corporation (Newmont), and is managed by Galore Creek Mining Corporation (GCMC), a wholly owned subsidiary of the Galore Creek Partnership.

Following Newmont's acquisition of a 50% interest in Galore Creek in July 2018, Teck and Newmont agreed to fund future work programs over a three-to-four year period and to reinitiate permitting activities as appropriate. A project team was established to carry out the necessary work and studies to inform the basis for an updated prefeasibility study.

In 2019, a 24,600-metre detailed drilling program was completed along with an expanded environmental, social and archaeological work program. Conceptual and scoping studies on site access, metallurgy, processing, geotechnical, hydrology and water management, and mining were also completed that will be used to inform the project description and narrow options for study in the planned prefeasibility study. The prefeasibility study, expected to take approximately 24 months to complete, is scheduled to commence in the first half of 2020.

Teck's share of spending in 2019 was $17.5 million and Teck's share of planned spending in 2020 is $14.1 million which is included in capital expenditures for new mine development within our copper business unit.

### Mesaba, United States

The Mesaba property, located in northeastern Minnesota 100 kilometres north of Duluth, is part of a potentially significant copper, nickel and platinum-palladium-cobalt mining district in the United States. Known ore deposits in the district, including Mesaba, consist of metallurgically complex disseminated copper-nickel sulphides that require a range of mineral processing steps to make saleable concentrate or metal products while meeting state and federal requirements to protect the environment. Mineral rights over the Mesaba deposit are held 100% by Teck through lease agreements with private interests and the State of Minnesota.

Drill core logging, extensive re-assaying, sample analysis, geometallurgical modeling work and preliminary economic analysis resulted in the issuance of the project's first mineral resource estimate in early 2019. See "*Mineral Reserves and Resources*" for further details. In addition to resource estimation work, baseline environmental studies, including waste and tailings characterization, were initiated in 2019. In addition, a new access road was constructed to the property to carry out detailed hydrogeological, hydrology and expanded baseline studies.

Spending in 2019 was $9.1 million and planned spending in 2020 of $9.1 million will be included in exploration expenses.

### Schaft Creek, Canada

The Schaft Creek property, located in the territory of the Tahltan in northwestern British Columbia, approximately 61 kilometres south of Telegraph Creek and 37 kilometres northeast of the Galore Creek property, is a Joint Venture between Teck and Copper Fox Metals Inc., with Teck holding a 75% interest and acting as the operator.

A multi-disciplinary team was established in early 2018 to describe and further characterize several development scenarios for the Schaft Creek deposit that stemmed from the primary development option outlined in the 2013 feasibility study. Based on the work completed in 2018, additional scoping level engineering and design work was carried out in 2019. Multi-disciplinary field program work collected environmental data and maintained the camp, facilities, and existing permits. A significant asset preservation program, consisting of approximately 1,000 metres of berm construction, was completed as part of this field program. In addition, an integrated scoping-level engineering study was completed on select elements of the 2013 feasibility study targeting capital and operating cost reductions. The results of this study will be compiled in early 2020. Obligations to

the Tahltan, outlined in a Communications and Exploration Agreement signed in early 2019, were met.

Spending on Schaft Creek has been included in capital expenditures for new mine development within our copper business unit.

### *Other Copper Projects*

#### NuevaUnión, Chile

NuevaUnión is a 50/50 partnership between Teck and Newmont, consisting of the copper-gold La Fortuna deposit and the copper-molybdenum Relincho deposit and located approximately 40 kilometres apart in the Huasco Province in the Atacama region of Chile. In 2019, NuevaUnión continued to advance its feasibility study, which is expected to be completed during the first quarter of 2020. The partners agreed to defer submission of the Environmental Impact Assessment from the previously announced fourth quarter of 2019 time frame. Work in 2020 will focus on a review of study results and an assessment of optimization opportunities.

## ZINC

### *Mining Operations*

#### Red Dog Mine, United States (Zinc, Lead)

The Red Dog zinc-lead mine, concentrator and shipping facility in the Northwest Arctic Borough, approximately 144 kilometres north of Kotzebue, Alaska, commenced production in December 1989 and began shipping concentrates in July 1990. The Red Dog mine is operated by Teck Alaska Incorporated (Teck Alaska) on lands owned by, and leased from, the NANA Regional Corporation (NANA), a Regional Alaska Native corporation. The Red Dog mine covers approximately 1,000 hectares.

Red Dog mine is located on a ridge between the middle and south forks of Red Dog Creek, in the DeLong Mountains of the Western Brooks Range. The topography is moderately sloping, with elevations ranging from 260 metres to 1,200 metres above sea level. Vegetation is classified as woody tundra. The mine is accessible from a paved airstrip, five kilometres from the Red Dog mine, which allows jet access from Anchorage and Kotzebue. Mine personnel are generally drawn from surrounding communities as well as from other locations within the State and in North America. Power for the mine is produced on-site by diesel generators with a maximum capacity of 30 megawatts, sufficient for present and expected future power requirements. Potable water is sourced from Bons Creek.

Red Dog is comprised of a number of sedimentary hosted exhalative lead-zinc sulphide deposits hosted in Mississippian-age to Pennsylvanian-age sedimentary rocks. The orebodies are lens shaped and occur within structurally controlled (thrust faults) plates, are relatively flat-lying and are hosted by marine clastic rocks (shales, siltstones, turbidites) and lesser chert and carbonate rocks. Barite rock is common in and above the sulphide units. Silicification is the dominant alteration type.

The sulphide mineralization consists of semi-massive to massive sphalerite, pyrite, marcasite and galena. Common textures within the sulphide zone include massive, fragmental, veined and, rarely, sedimentary layering.

Ore is currently mined from the Aqqaluk and Qanaiyaq pits. All future ore production is also expected to be mined from these pits. The mining method employed is conventional open pit drill-and-blast

and truck-and-shovel technology. The mineral processing facilities employ conventional grinding and sulphide flotation methods to produce zinc and lead concentrates.

Tailings storage and waste disposal areas have adequate design capacity to sustain the current life of mine plan. All contaminated water from the mine area and waste dumps is collected and contained in a tailings impoundment and seasonally discharged through a water treatment plant. Mill process water is reclaimed from the tailings pond.

In 2019, eight holes totalling approximately 1,170 metres were drilled in the Aqqaluk pit for geotechnical data collection. Quick logs and assay results of these holes indicate no material impacts on the quantity or grade of reserves and resources. Diamond drill core is sawn into halves and sampled in 1.5-metre intervals, with one half being sent to Bureau Veritas in Vancouver for analysis and the other half retained at Red Dog for future reference. The quality assurance/quality control program consists of standards and blanks inserted at regular intervals as well as core, coarse crush and pulp duplicates all analyzed by Bureau Veritas. Five percent of core sample pulps are split and sent to a second lab as a check.

The mine and concentrator properties are leased from, and are being operated under the terms of a development and operating agreement with, NANA. Since the third quarter of 2007, we have paid NANA a percentage of the net proceeds of production from the mine, starting at 25% and increasing by successive increments of 5% at five-year intervals to a maximum of 50%. The most recent increase occurred in October 2017, bringing the royalty to 35%. The NANA royalty charge in 2019 was US$231 million, compared with US$252 million in 2018. NANA has advised us that it ultimately shares approximately 60% of this royalty, net of allowable costs, with other Regional Alaska Native Corporations pursuant to section 7(i) of the *Alaska Native Claims Settlement Act*. The development and operating agreement also provides for employment and contracting preferences and additional lease rental payments. In addition to the royalties payable to NANA, the operation is subject to federal and state income taxes and the Alaska Mining Licence tax, which applies at 7% of taxable income.

Teck Alaska and the Northwest Arctic Borough agreed to a 10-year payment in lieu of taxes agreement (PILT) effective January 1, 2016. This agreement replaced the previous PILT agreement that expired on December 31, 2015. Under the agreement, PILT payments to the Northwest Arctic Borough, are calculated based on the net book value of the mine lands, buildings and equipment in accordance with U.S. Generally Accepted Accounting Principles, and are generally between US$14 million and US$18 million per year. In addition, Teck Alaska remits annual payments to a separate fund aimed at social investment in villages in the region. These payments, based on mine profitability, are between US$4 million and US$8 million per year.

The mine is in material compliance with all of its permits and related regulatory instruments, and has obtained all of the permits that are material to its current operations.

In 2019, approximately 30% of the zinc concentrate produced at Red Dog was shipped to our metallurgical facilities at Trail, British Columbia, and the balance to customers in Asia and Europe. The lead concentrate production is also shipped to Trail and to customers in Asia. The majority of concentrate sales are pursuant to long-term contracts at market prices, subject to annually negotiated treatment charges. The balance is sold on the spot market at prices based on prevailing market quotations. The shipping season at Red Dog is restricted to approximately 100 days per year because of sea ice conditions and Red Dog's sales are seasonal, with the majority of sales in the last five months of each year. Concentrate is stockpiled at the port facility and is typically shipped between July and October.

In 2019, zinc production at Red Dog was 552,400 tonnes compared to 583,200 tonnes in 2018, primarily due to lower throughput and zinc grades. Lead production in 2019 of 102,800 tonnes, compared to 98,400 tonnes in 2018.

Construction progressed on the US$135 million mill upgrade project, called VIP2, with planned start-up on schedule for the first quarter of 2020. The project started construction in late 2017, and is expected to increase average mill throughput by about 15% over the remaining mine life, helping to offset lower grades and harder ore. We are also realizing additional throughput and recovery benefits from the implementation of mill analytics as part of our RACE21™ innovation-driven business transformation program.

Because the upgrade project will permit lower-grade material to be processed, the current mine life, based on existing developed deposits, will extend through to 2032. In 2019, we continued an exploration drilling program and various studies focused on extending the life of Red Dog past 2032, including possible development of the Paalaaq, Anarraaq and Aktigiruq deposits.

Red Dog's production of contained metal in 2020 is expected to be in the range of 500,000 to 535,000 tonnes of zinc and 95,000 to 100,000 tonnes of lead. From 2021 to 2023, Red Dog's production of contained metal is expected to be in the range of 500,000 to 540,000 tonnes of zinc and 80,000 to 90,000 tonnes of lead per year.

2020 projected capital costs for Red Dog are approximately US$105 million. The major components of the projected capital costs are:

| Component | Approximate projected cost (US$/million) |
|---|---|
| Sustaining | 94 |
| Major Enhancement | 11 |

2020 projected cash operating costs for Red Dog are approximately US$299 million. The major components of the projected cash operating costs are:

| Component | Approximate projected cost (US$/million) |
|---|---|
| Labour | 128 |
| Supplies | 81 |
| Energy | 44 |
| Other (including general & administrative, inventory changes) | 88 |
| Less amounts associated with projected capitalized stripping | (42) |
| Total | 299 |

The cash operating costs presented above do not include transportation or royalties.

#### Pend Oreille Mine, United States (Zinc, Lead)

Pend Oreille mine, located in Washington State, suspended mining operations on July 31, 2019, due to the exhaustion of its current reserves. The mine has been placed on care and maintenance.

Zinc production for 2019 was 19,400 tonnes, lower than 29,700 tonnes in 2018, as a result of the suspension of operations. The suspension of concentrate production at Pend Oreille has not had a significant impact on our Trail Operations.

### *Other Zinc Projects*

We have a 100% interest in the Teena/Reward project which is located eight kilometres west of the McArthur River Mine in the Northern Territory of Australia.

### *Refining and Smelting*

#### Trail Operations

Teck Metals owns and operates the integrated smelting and refining complex at Trail, British Columbia. The complex's major products are refined zinc, lead and silver. It also produces a variety of precious and specialty metals, chemicals and fertilizer products.

The zinc refinery consists of six major metallurgical plants, one fertilizer plant and two specialty metal plants. Depending on the mix of feeds, the facility has an annual capacity of approximately 300,000 to 315,000 tonnes of refined zinc. Zinc concentrates are initially treated in either roasters or pressure leach plants, where sulphur is separated from the metal-bearing solids. The zinc is put into solution where it is first purified to remove other metal impurities and then electroplated onto cathodes in an electrolytic refining plant. The zinc cathodes are melted and then the zinc is cast into various shapes, grades and alloys to meet customer requirements. Other valuable metals, including indium and germanium, are also recovered as co-products in the zinc plant. The lead smelting operation consists of two major metallurgical plants and one specialty metal plant. Lead concentrates, recycled lead acid batteries, residues from the zinc circuits and various other lead- and silver-bearing materials are treated in the KIVCET flash furnace to produce lead bullion. The bullion is electro-refined in the refinery to produce high-purity lead. The valuable silver and gold are also recovered in this circuit after further processing. Shutdown of the KIVCET furnace for regular maintenance is scheduled to occur approximately every four years.

Refined zinc production in 2019 was 287,400 tonnes, compared with 302,900 tonnes the previous year, primarily due to an electrical equipment failure. Refined lead production was 69,000 tonnes, compared with 61,000 tonnes in 2018. Silver production rose to 14.0 million ounces in 2019 from 11.6 million ounces in 2018 due to higher silver contained in purchased concentrates.

Our recycling process treated 41,000 tonnes of material during the year, and we plan to treat about 46,500 tonnes in 2020. Our focus remains on treating lead acid batteries and cathode ray tube glass, plus small quantities of zinc alkaline batteries and other post-consumer waste.

In the second quarter of 2019, Trail Operations completed the installation of a new No. 2 Acid Plant at a total investment of $174 million. The new plant will significantly improve operating reliability and flexibility, reducing downtime and maintenance costs.

In 2020, we expect Trail Operations to produce 305,000 to 315,000 tonnes of refined zinc and approximately 60,000 to 70,000 tonnes of refined lead. Zinc production from 2021 to 2023 is expected to increase slightly to 310,000 to 315,000 tonnes per year, while annual lead production is expected to remain similar at 65,000 to 70,000 tonnes.

Metallurgical effluent, together with site rainfall drainage water, is collected in ponds and treated through an effluent treatment plant before discharge into the Columbia River. The smelter operates under a variety of permits, including effluent and air emission permits issued by the British Columbia Ministry of Environment. The operation is in material compliance with all of its environmental permits and has obtained all of the permits that are material to its operations.

In July 2018, we sold our two-thirds interest in the Waneta Dam to BC Hydro. In connection with the sale, we entered into a 20-year arrangement with BC Hydro, with an option to extend for an additional 10 years, to purchase power for our Trail Operations. Our arrangement with BC Hydro retains our prior obligation to provide for the firm delivery of energy and capacity from Waneta to BC Hydro until 2036. If Teck Metals fails to deliver power as provided for in the agreement, it could be liable to pay liquidated damages to BC Hydro based on the market rate for power at the time of the shortfall. The costs of the liquidated damages could be significant if the shortfall continues and is not covered by our insurance policies.

We also own the related 15-kilometre transmission and distribution system from Waneta to the United States, which BC Hydro has agreed to purchase on a deferred schedule.

**ENERGY**

***Fort Hills Mine***

Fort Hills mines, extracts and sells the recoverable bitumen found in certain oil sands deposits underlying six Alberta Oil Sands Leases No.'s 7404080933, 7404080932, 7400120008, 7406020438, 7405090634 and 7406020437. The Fort Hills leases are located approximately 90 kilometres north of Fort McMurray, Alberta, and cover a contiguous area of approximately 23,675 hectares on the east bank of the Athabasca River.

We hold a 21.3% limited partnership interest in Fort Hills Energy L.P. (the Fort Hills Partnership), which owns the Fort Hills mine. The other limited partners are Suncor Energy Inc. (Suncor) with a 54.1% interest and Total E&P Canada Ltd. (Total) with a 24.6% interest. Relations among the partners are governed by a limited partnership agreement and a unanimous shareholder agreement pertaining to the governance of Fort Hills Energy Corporation, the general partner of the Fort Hills Partnership, in which the limited partners hold *pro rata* share interests.

Suncor Energy Operating Inc., an affiliate of Suncor, acts as contract operator of Fort Hills pursuant to an operating services contract. The contract operator has exclusive authority to operate Fort Hills, subject to the oversight of a management committee on which each of the shareholders of the general partner are represented. Certain fundamental decisions concerning Fort Hills require super-majority, and in certain cases, unanimous, approval of the management committee. Subject to certain exceptions, limited partners have a right of first refusal in the event of a transfer of another's limited partnership interest.

Our 21.3% share of bitumen production from Fort Hills was 33,593 barrels per day in 2019. This compares to 31,955 barrels produced in 2018 from when Fort Hills became operational, on June 1, 2018. Although higher than 2018, production continues to be lower than design capacity due to the Government of Alberta mandatory production curtailments that came into effect on January 1, 2019. The effect of the curtailments was partially offset by the purchase of 1,502 barrels per day of curtailment credits from other producers during the year.

To meet pipeline viscosity requirements Teck, along with the other Fort Hills partners, is required to purchase diluent blend-stock. In order to facilitate this and the transportation of blended bitumen to

the market hub at Hardisty, the Fort Hills partners have jointly entered into long-term take-or-pay agreements with regional pipelines, terminals and blend facilities. These agreements relate to:

- hot bitumen transportation from Fort Hills to the East Tank Farm on the Northern Courier Pipeline, operated by TransCanada;
- diluent transportation from Edmonton to the East Tank Farm on the Norlite Pipeline, operated by Enbridge;
- use of diluent and bitumen blending facility at the East Tank Farm, operated by the Thebacha partnership, a joint venture between Suncor and regional First Nations (Fort McKay First Nation and Mikisew Cree First Nation); and
- blended bitumen transportation from the East Tank Farm to the market hub at Hardisty, Alberta, on the Wood Buffalo Pipeline, operated by Enbridge.

We have separately contracted a 425,000-barrel working-capacity storage tank for our share of blended bitumen at Hardisty, Alberta, and 100,000 barrels of diluent storage capacity at Fort Saskatchewan, Alberta.

We sell our blended bitumen to customers at Hardisty and on the U.S. Gulf Coast. Our tankage at Hardisty is connected to major export pipelines, including the Enbridge common carrier pipeline, the existing Keystone pipeline and the Express crude oil pipeline. Our tankage is also connected to a large unit train loading facility. We have entered into a long-term take-or-pay agreement on the existing Keystone pipeline to ship 10,000 barrels per day of blended bitumen to our customers on the U.S. Gulf Coast. We have also entered into agreements to ship an additional 10,000 barrels per day on the proposed Keystone XL pipeline expansion and an additional 12,500 barrels per day on the proposed TransMountain pipeline expansion to customers on the U.S. Gulf Coast and in Burnaby, B.C., respectively. The balance of our production will be sold at Hardisty, shipped to customers via the Enbridge common carrier pipeline, or transported by rail if required.

Due to extreme price volatility for Alberta crude oil, the Government of Alberta announced a temporary curtailment of provincial crude oil and bitumen production effective January 1, 2019. Citing continued delays in the development of export pipeline capacity, the Government of Alberta maintained its mandatory production curtailment to the end of December 2020, with the option to terminate earlier. Due to wider differentials and higher than expected inventory levels at the beginning of the year, there continues to be uncertainty around the affect and duration of the mandatory production curtailments.

Teck engaged GLJ Petroleum Consultants Ltd. (GLJ) to prepare an independent evaluation of the reserves at Fort Hills effective as of December 31, 2019. The best estimate of Teck's share of the proved plus probable reserves at Fort Hills as at December 31, 2019 is 537.5 million barrels of bitumen. The decrease of 28.6 million barrels compared to December 31, 2018 was primarily due to production in the year and model revisions. The revised mine plan is expected to support mining at design production rates for over 38 years. See "*Oil and Gas Resources*" below for a further discussion of the reserves for Fort Hills.

Fort Hills is subject to the royalty framework issued by the Government of Alberta (the Oil Sands Royalty), and regulated by the *Oil Sands Royalty Regulation 2009* and related regulations. Under the Oil Sands Royalty, royalties for Fort Hills are based on a sliding scale of 25% to 40% of net revenue, subject to a minimum royalty within a range of 1% to 9% of gross revenue. Revenues used in royalty formulas are driven by realized net prices to arm's-length customers or, if there are insufficient arm's-length sales, benchmark prices for Western Canadian Select while sliding-scale percentages in royalty formulas depend on prices for West Texas Intermediate (WTI) from CAD$55/bbl for the

minimum rate to the maximum rate at a WTI price of CAD$120/bbl. Fort Hills remains subject to the minimum royalty (the pre-payout phase) until Fort Hills' cumulative gross revenue exceeds its cumulative costs, including an annual investment allowance. After the pre-payout phase, the higher of the minimum and regular royalty rates will apply.

Fort Hills is required to upgrade the bitumen produced from the second phase of the project in Alberta or to pay a penalty to the Government of Alberta.

Our share of Fort Hills major enhancement capital expenditures for 2020 is expected to be $50 million and our share of sustaining capital expenditures for 2020 is expected to be $100 million.

#### *Frontier Project*

The Frontier oil sands project is wholly owned by Teck and consists of approximately 56,000 hectares of oil sands leases and is located on the west side of the Athabasca River. On February 23, 2020, Teck announced that it was withdrawing the Frontier project from the regulatory review process.

#### *Lease 421 Area*

We own a 50% interest in the Lease 421 Area — oil sands leases 7406120421, 7408070022, 7408070023 and 7407010899 — east of the Athabasca River (approximately 17,900 hectares on a 100% basis). To date, a total of 89 core holes have been completed in the Lease 421 Area.

## Exploration

In 2019, we incurred exploration expenditures of $67 million including $5 million in support of mine site and development/engineering projects. Approximately 40% of the project expenditures were dedicated to exploration for copper, 53% for zinc and 7% for gold, with less than 1% dedicated to other commodities, including coal. Of the total exploration expenditures, approximately 35% was spent in South America, 33% in North America, 18% in Australia and 14% in Europe. In 2020, planned exploration expenditures are expected to be approximately $59 million, including $5 million in support of mine site and development/engineering projects.

Exploration is carried out through sole funding and joint ventures with major and junior exploration companies. Exploration is focused on areas in proximity to our existing operations or development projects in regions that we consider have high potential for discovery.

## Corporate

For financial reporting purposes, we report on a corporate segment that includes all of our activities in commodities other than copper, coal, zinc and energy, our corporate development and growth initiatives, and groups that provide administrative, technical, financial and other support to all of our business units.

## Mineral Reserves and Resources

See "*Notes to Mineral Reserves and Resources Tables*" below, after the Mineral Resources tables.

| MINERAL RESERVES as at 31 December 2019[1] | Proven | | Probable | | Total | | Teck Interest (%) | Recoverable Metal (000 t) [7] |
|---|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | | |
| **Copper** | | | | | | | | |
| Highland Valley Copper | 328,700 | 0.32 | 155,300 | 0.28 | 484,000 | 0.31 | 100.0 | 1,310 |
| Antamina | | | | | | | | |
| Copper only ore OP | 148,300 | 0.94 | 107,100 | 0.99 | 255,400 | 0.96 | 22.5 | 510 |
| Copper-zinc ore OP | 75,900 | 0.88 | 98,300 | 0.82 | 174,300 | 0.85 | 22.5 | 260 |
| Total | 224,200 | 0.92 | 205,500 | 0.91 | 429,700 | 0.91 | 22.5 | 770 |
| Quebrada Blanca | | | | | | | | |
| Heap leach ore[2] | 1,200 | 0.09 | | | 1,200 | 0.09 | 60.0 | 1 |
| Dump leach ore[2] | 3,700 | 0.31 | | | 3,700 | 0.31 | 60.0 | 5 |
| Total leachable ore | 4,900 | 0.25 | | | 4,900 | 0.25 | 60.0 | 6 |
| Quebrada Blanca - Mill | 710,900 | 0.51 | 689,800 | 0.46 | 1,400,700 | 0.48 | 60.0 | 3,700 |
| Andacollo | | | | | | | | |
| Heap leach ore[2] | 600 | 0.25 | 200 | 0.16 | 800 | 0.22 | 90.0 | 1 |
| Andacollo - Mill | 96,800 | 0.34 | 217,800 | 0.31 | 314,600 | 0.32 | 90.0 | 790 |
| NuevaUnión | | | | | | | | |
| Relincho | 576,400 | 0.34 | 977,400 | 0.35 | 1,553,800 | 0.35 | 50.0 | 2,390 |
| La Fortuna | 396,900 | 0.57 | 285,400 | 0.41 | 682,200 | 0.51 | 50.0 | 1,500 |
| Total | 973,300 | 0.43 | 1,262,700 | 0.37 | 2,236,000 | 0.40 | 50.0 | 3,890 |
| **Molybdenum** | | | | | | | | |
| Highland Valley Copper | 328,700 | 0.006 | 155,300 | 0.009 | 484,000 | 0.007 | 100.0 | 20 |
| Antamina | | | | | | | | |
| Copper only ore OP | 148,300 | 0.037 | 107,100 | 0.033 | 255,400 | 0.035 | 22.5 | 10 |
| Quebrada Blanca | | | | | | | | |
| Quebrada Blanca - Mill | 710,900 | 0.018 | 689,800 | 0.019 | 1,400,700 | 0.018 | 60.0 | 120 |
| NuevaUnión | | | | | | | | |
| Relincho | 576,400 | 0.014 | 977,400 | 0.017 | 1,553,800 | 0.016 | 50.0 | 60 |

| MINERAL RESERVES as at 31 December 2019[1] | Proven | | Probable | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Teck Interest (%) | Recoverable Metal (000 t) [7] |
| **Zinc** | | | | | | | | |
| Antamina | | | | | | | | |
| Copper-zinc ore OP | 75,900 | 2.1 | 98,300 | 2.2 | 174,300 | 2.2 | 22.5 | 690 |
| Red Dog | | | | | | | | |
| Mine | | | 50,900 | 12.9 | 50,900 | 12.9 | 100.0 | 5,370 |
| **Lead** | | | | | | | | |
| Red Dog | | | | | | | | |
| Mine | | | 50,900 | 3.6 | 50,900 | 3.6 | 100.0 | 920 |

| MINERAL RESERVES as at 31 December 2019[1] | Proven | | Probable | | Total | | | |
|---|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Teck Interest (%) | Recoverable Metal (000 oz) [7] |
| **Gold** | | | | | | | | |
| Andacollo | | | | | | | | |
| Andacollo - Mill[6] | 96,800 | 0.11 | 217,800 | 0.10 | 314,600 | 0.10 | 90.0 | 640 |
| NuevaUnión | | | | | | | | |
| La Fortuna | 396,900 | 0.54 | 285,400 | 0.37 | 682,200 | 0.47 | 50.0 | 3,400 |
| **Silver** | | | | | | | | |
| Antamina | | | | | | | | |
| Copper only ore OP[9] | 148,300 | 6.4 | 107,100 | 8.1 | 255,400 | 7.1 | 22.5 | 10,630 |
| Copper-zinc ore OP[9] | 75,900 | 14.2 | 98,300 | 13.3 | 174,300 | 13.7 | 22.5 | 10,910 |
| Total[9] | 224,200 | 9.1 | 205,500 | 10.6 | 429,700 | 9.8 | 22.5 | 21,540 |
| Quebrada Blanca | | | | | | | | |
| Quebrada Blanca-Mill | 710,900 | 1.4 | 689,800 | 1.2 | 1,400,700 | 1.3 | 60.0 | 24,500 |
| NuevaUnión | | | | | | | | |
| Relincho | 576,400 | 1.6 | 977,400 | 1.5 | 1,553,800 | 1.5 | 50.0 | 24,990 |
| Red Dog | | | | | | | | |
| Mine | | | 50,900 | 67.7 | 50,900 | 67.7 | 100.0 | 69,430 |

| MINERAL RESERVES as at 31 December 2019[1] | Proven Tonnes (000's) | Probable Tonnes (000's) | Total Tonnes (000's) | Teck Interest (%) | Clean Coal (000 t) |
|---|---|---|---|---|---|
| **Metallurgical Coal** [3] | | | | | |
| Fording River | 74,000 | 191,200 | 265,200 | 100.0 | 265,200 |
| Elkview | 11,900 | 258,000 | 269,900 | 95.0 | 256,400 |
| Greenhills | 11,600 | 283,400 | 295,000 | 80.0 | 236,000 |
| Line Creek | 3,200 | 41,900 | 45,100 | 100.0 | 45,100 |
| Cardinal River | 1,200 | 200 | 1,400 | 100.0 | 1,400 |
| Quintette (Mt Babcock) | 700 | 35,400 | 36,000 | 100.0 | 36,000 |
| **Thermal Coal** [3] | | | | | |
| Line Creek | 500 | 12,700 | 13,200 | 100.0 | 13,200 |
| Quintette (Mt Babcock) | | 900 | 900 | 100.0 | 900 |

| MINERAL RESERVES as at 31 December 2019[1] | Proven | | Probable | | Total | | Teck | Recoverable |
|---|---|---|---|---|---|---|---|---|
| Project Satellite | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Interest (%) | Metal (000 t) [7] |
| **Copper** | | | | | | | | |
| Zafranal | 408,800 | 0.39 | 32,000 | 0.21 | 440,700 | 0.38 | 80.0 | 1,150 |

| | Proven | | Probable | | Total | | Teck | Recoverable |
|---|---|---|---|---|---|---|---|---|
| Project Satellite | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Interest (%) | Metal (000 oz) [7] |
| **Gold** | | | | | | | | |
| Zafranal | 408,800 | 0.07 | 32,000 | 0.05 | 440,700 | 0.07 | 80.0 | 440 |

| MINERAL RESOURCES as at 31 December 2019[1] | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Teck Interest (%) |
| **Copper** | | | | | | | |
| Highland Valley Copper | 552,300 | 0.29 | 861,600 | 0.23 | 270,500 | 0.20 | 100.0 |
| Antamina | | | | | | | |
| Copper only ore OP | 90,800 | 0.68 | 311,900 | 0.77 | 588,300 | 0.81 | 22.5 |
| Copper-zinc ore OP | 28,600 | 0.79 | 132,800 | 1.00 | 234,800 | 1.00 | 22.5 |
| Copper only ore UG | | | | | 300,700 | 1.31 | 22.5 |
| Copper-zinc ore UG | | | | | 171,400 | 1.28 | 22.5 |
| Total | 119,400 | 0.70 | 444,800 | 0.84 | 1,295,200 | 1.02 | 22.5 |
| Quebrada Blanca | | | | | | | |
| Quebrada Blanca - Mill | 61,700 | 0.41 | 1,829,200 | 0.40 | 3,491,600 | 0.37 | 60.0 |
| Andacollo | | | | | | | |
| Heap leach ore[2] | 9,300 | 0.38 | 26,900 | 0.15 | | | 90.0 |
| Andacollo - Mill | 41,800 | 0.28 | 311,600 | 0.25 | 62,600 | 0.25 | 90.0 |
| NuevaUnión | | | | | | | |
| Relincho | 319,000 | 0.19 | 463,000 | 0.26 | 724,700 | 0.36 | 50.0 |
| La Fortuna | 6,600 | 0.38 | 151,800 | 0.53 | 533,900 | 0.37 | 50.0 |
| Total | 325,600 | 0.19 | 614,900 | 0.33 | 1,258,500 | 0.37 | 50.0 |
| **Molybdenum** | | | | | | | |
| Highland Valley Copper | 552,300 | 0.008 | 861,600 | 0.009 | 270,500 | 0.008 | 100.0 |
| Antamina | | | | | | | |
| Copper only ore OP | 90,800 | 0.018 | 311,900 | 0.024 | 588,300 | 0.029 | 22.5 |
| Copper only ore UG | | | | | 300,700 | 0.021 | 22.5 |
| Total | 90,800 | 0.018 | 311,900 | 0.024 | 889,000 | 0.026 | 22.5 |
| Quebrada Blanca | | | | | | | |
| Quebrada Blanca - Mill | 61,700 | 0.013 | 1,829,200 | 0.016 | 3,491,600 | 0.018 | 60.0 |
| NuevaUnión | | | | | | | |
| Relincho | 319,000 | 0.006 | 463,000 | 0.009 | 724,700 | 0.012 | 50.0 |

| MINERAL RESOURCES as at 31 December 2019[1] | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Teck Interest (%) |
| **Zinc** | | | | | | | |
| Antamina | | | | | | | |
| Copper-zinc ore OP | 28,600 | 1.4 | 132,800 | 1.7 | 234,800 | 1.5 | 22.5 |
| Copper-zinc ore UG | | | | | 171,400 | 1.5 | 22.5 |
| Total | 28,600 | 1.4 | 132,800 | 1.7 | 406,200 | 1.5 | 22.5 |
| Red Dog | | | | | | | |
| Red Dog Mine | | | 6,600 | 9.0 | 10,900 | 11.1 | 100.0 |
| Red Dog District | | | | | 19,400 | 14.4 | 100.0 |
| Pend Oreille | 100 | 8.3 | 100 | 7.5 | 2,400 | 6.6 | 100.0 |
| **Lead** | | | | | | | |
| Red Dog | | | | | | | |
| Red Dog Mine | | | 6,600 | 3.0 | 10,900 | 6.0 | 100.0 |
| Red Dog District | | | | | 19,400 | 4.2 | 100.0 |
| Pend Oreille | 100 | 2.0 | 100 | 1.0 | 2,400 | 1.4 | 100.0 |

| MINERAL RESOURCES as at 31 December 2019[1] | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Tonnes (000's) | Grade (g/t) [4] | Teck Interest (%) |
| **Gold** | | | | | | | |
| Andacollo | | | | | | | |
| Andacollo - Mill [6] | 41,800 | 0.11 | 311,600 | 0.09 | 62,600 | 0.08 | 90.0 |
| NuevaUnión | | | | | | | |
| La Fortuna | 6,600 | 0.31 | 151,800 | 0.62 | 533,900 | 0.37 | 50.0 |
| **Silver** | | | | | | | |
| Antamina | | | | | | | |
| Copper only ore OP[9] | 90,800 | 6.6 | 311,900 | 8.3 | 588,300 | 7.6 | 22.5 |
| Copper-zinc ore OP[9] | 28,600 | 21.4 | 132,800 | 17.9 | 234,800 | 15.2 | 22.5 |
| Copper only ore UG[9] | | | | | 300,700 | 11.3 | 22.5 |
| Copper-zinc ore UG[9] | | | | | 171,400 | 17.4 | 22.5 |
| Total[9] | 119,400 | 10.1 | 444,800 | 11.2 | 1,295,200 | 11.2 | 22.5 |
| Quebrada Blanca | | | | | | | |
| Quebrada Blanca - Mill | 61,700 | 1.2 | 1,829,200 | 1.1 | 3,491,600 | 1.1 | 60.0 |
| NuevaUnión | | | | | | | |
| Relincho | 319,000 | 1.0 | 463,000 | 1.2 | 724,700 | 1.3 | 50.0 |
| Red Dog | | | | | | | |
| Red Dog Mine | | | 6,600 | 55.5 | 10,900 | 111.9 | 100.0 |
| Red Dog District | | | | | 19,400 | 73.4 | 100.0 |

| MINERAL RESOURCES as at 31 December 2019 [1] | Measured Tonnes (000's) | Indicated Tonnes (000's) | Inferred Tonnes (000's) | Teck Interest (%) |
|---|---|---|---|---|
| **Metallurgical Coal** [5] | | | | |
| Fording River | 418,300 | 921,600 | 711,300 | 100.00 |
| Elkview | 320,900 | 146,800 | 219,000 | 95.00 |
| Greenhills | 179,500 | 227,600 | 168,500 | 80.00 |
| Line Creek | 305,100 | 405,300 | 417,900 | 100.00 |
| Cardinal River | 33,600 | 2,500 | 500 | 100.00 |
| Quintette (Mt Babcock) | 31,800 | 92,000 | 114,400 | 100.00 |
| Mt Duke | 24,300 | 102,400 | 122,600 | 92.68 |
| Elco | 25,100 | 115,300 | 112,300 | 75.00 |
| CMO Phase II (Martin Wheeler) | 102,200 | 71,700 | 7,900 | 100.00 |
| **PCI Coal** [5] | | | | |
| Cardinal River | 1,500 | 300 | | 100.00 |
| Coal Mountain | 56,600 | 22,900 | 4,800 | 100.00 |
| **Thermal Coal** [5] | | | | |
| Line Creek | 7,200 | 5,800 | 3,300 | 100.00 |
| Quintette (Mt Babcock) | | 200 | 200 | 100.00 |
| Mt Duke | 200 | 700 | 1,300 | 92.68 |
| Elco | 700 | 6,100 | 6,000 | 75.00 |
| CMO Phase II (Martin Wheeler) | 2,800 | 3,700 | 900 | 100.00 |

| | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| Project Satellite | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Teck Interest (%) |
| **Copper** | | | | | | | |
| Galore Creek | 256,800 | 0.72 | 846,700 | 0.39 | 198,100 | 0.27 | 50.0 |
| Schaft Creek | 166,000 | 0.32 | 1,127,200 | 0.25 | 316,700 | 0.19 | 75.0 |
| Mesaba | 244,100 | 0.47 | 1,334,100 | 0.42 | 1,462,000 | 0.35 | 100.0 |
| Zafranal | 5,100 | 0.19 | 2,300 | 0.21 | 62,800 | 0.24 | 80.0 |
| San Nicolás | 32,400 | 1.27 | 76,500 | 1.12 | 4,700 | 1.25 | 100.0 |
| **Molybdenum** | | | | | | | |
| Schaft Creek | 166,000 | 0.021 | 1,127,200 | 0.016 | 316,700 | 0.019 | 75.0 |
| **Zinc** | | | | | | | |
| San Nicolás | 32,400 | 1.9 | 76,500 | 1.5 | 4,700 | 0.8 | 100.0 |

| | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| Project Satellite | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Tonnes (000's) | Grade (%) | Teck Interest (%) |
| **Nickel** | | | | | | | |
| Mesaba | 244,100 | 0.11 | 1,334,100 | 0.10 | 1,462,000 | 0.09 | 100.0 |
| **Cobalt** | | | | | | | |
| Mesaba | 244,100 | 0.009 | 1,334,100 | 0.007 | 1,462,000 | 0.006 | 100.0 |

| | Measured | | Indicated | | Inferred | | |
|---|---|---|---|---|---|---|---|
| Project Satellite | Tonnes (000's) | Grade (g/t) (4) | Tonnes (000's) | Grade (g/t) (4) | Tonnes (000's) | Grade (g/t) (4) | Teck Interest (%) |
| **Gold** | | | | | | | |
| Galore Creek | 256,800 | 0.36 | 846,700 | 0.23 | 198,100 | 0.21 | 50.0 |
| Schaft Creek | 166,000 | 0.20 | 1,127,200 | 0.15 | 316,700 | 0.14 | 75.0 |
| Mesaba | 244,100 | 0.03 | 1,334,100 | 0.03 | 1,462,000 | 0.03 | 100.0 |
| Zafranal(8) | 5,100 | 0.04 | 2,300 | 0.05 | 62,800 | 0.10 | 80.0 |
| San Nicolás | 32,400 | 0.46 | 76,500 | 0.42 | 4,700 | 0.23 | 100.0 |
| **Silver** | | | | | | | |
| Galore Creek | 256,800 | 5.8 | 846,700 | 3.7 | 198,100 | 2.6 | 50.0 |
| Schaft Creek | 166,000 | 1.5 | 1,127,200 | 1.2 | 316,700 | 1.1 | 75.0 |
| Mesaba | 244,100 | 1.2 | 1,334,100 | 1.0 | 1,462,000 | 0.7 | 100.0 |
| San Nicolás | 32,400 | 26.0 | 76,500 | 23.8 | 4,700 | 14.2 | 100.0 |
| **Platinum** | | | | | | | |
| Mesaba | 244,100 | 0.04 | 1,334,100 | 0.03 | 1,462,000 | 0.04 | 100.0 |
| **Palladium** | | | | | | | |
| Mesaba | 244,100 | 0.12 | 1,334,100 | 0.09 | 1,462,000 | 0.13 | 100.0 |

## Notes to Mineral Reserves and Resources Tables

(1) Mineral reserves and resources are mine and property totals and are not limited to our proportionate interests.
(2) For heap leach and dump leach operations, copper grades are reported as % soluble copper rather than % total copper. Soluble copper is defined by an analytical methodology which uses acid and cyanide reagents to approximate the portion of copper recoverable in the heap and dump leach processes.
(3) Coal reserves are reported as tonnes of clean coal.
(4) g/t = grams per tonne.
(5) Coal resources are reported as tonnes of raw coal.
(6) In 2015, an interest in future gold production from the Andacollo mine was sold. Compañia Minera Teck Carmen de Andacollo has agreed to sell and deliver to the purchaser an amount of gold equal to 100% of the payable gold produced from the Carmen de Andacollo mine until 900,000 ounces have been delivered, and 50% thereafter. Reserves and resources are stated without accounting for this production interest.
(7) Recoverable Metal refers to the amount of metal contained in concentrate or cathode copper.
(8) At Zafranal, gold in Oxide material is considered to be non-recoverable.
(9) In 2015, Teck entered into an agreement with a purchaser to deliver silver equivalent to 22.5% of the payable silver sold by Compañia Minera Antamina S.A. until 86 million ounces of silver have been delivered, after which the amount of silver to be delivered will be reduced by one-third. Reserves and resources are stated without accounting for this production interest.

**DEFINITIONS FOR MINERAL RESERVES AND MINERAL RESOURCES**

**Mineral Reserves and Mineral Resources**: "**Proven**" and "**probable**" mineral reserves and "**measured**", "**indicated**" and "**inferred**" mineral resources are estimated in accordance with the definitions of these terms adopted by the Canadian Institute of Mining, Metallurgy and Petroleum in November, 2010 updated in May 2014 and incorporated in National Instrument 43-101, *Standards of Disclosure for Mineral Projects* ("**NI 43-101**"), by Canadian securities regulatory authorities.

Mineral resources are reported separately from, and do not include, that portion of the mineral resources classified as mineral reserves.

**Metallurgical coal**: means the various grades of coal that are used to produce coke which is used in the steel making process.

**PCI coal**: means coal that is pulverized and injected into a blast furnace. Those grades of coal used in the PCI process are generally non-coking. PCI grade coal is used primarily as a heat source in the steel making process in partial replacement for high quality coking coals which are typically more expensive.

**Thermal coal**: means coal that is used primarily for its heating value. Thermal coals tend not to have the carbonization properties possessed by metallurgical coals. Most thermal coal is used to produce electricity in thermal power plants.

The Canadian Institute of Mining, Metallurgy and Petroleum definitions for mineral resources and mineral reserves are as follows:

A "**mineral resource**" is a concentration or occurrence of solid material of economic interest in or on the Earth's crust in such form, grade or quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade or quality, continuity and other geological characteristics of a mineral resource are known, estimated or interpreted from specific geological evidence and knowledge, including sampling.

An "**inferred mineral resource**" is that part of a mineral resource for which quantity and grade or quality are estimated on the basis of limited geological evidence and sampling. Geological evidence is sufficient to imply but not verify geological and grade or quality continuity. An inferred mineral resource has a lower level of confidence than that applying to an indicated mineral resource and must not be converted to a mineral reserve. It is reasonably expected that the majority of inferred mineral resources could be upgraded to indicated mineral resources with continued exploration. An inferred mineral resource is based on limited information and sampling gathered through appropriate sampling techniques from locations such as outcrops, trenches, pits, workings and drillholes. Inferred mineral resources must not be included in the economic analysis, production schedules, or estimated mine life in publicly disclosed prefeasibility or feasibility studies, or in the life of mine plans and cash flow models of developed mines. Inferred mineral resources can only be used in economic studies as provided under NI 43-101.

An "**indicated mineral resource**" is that part of a mineral resource for which quantity, grade or quality, densities, shape and physical characteristics are estimated with sufficient confidence to allow the application of modifying factors in sufficient detail to support mine planning and evaluation of the economic viability of the deposit. Geological evidence is derived from adequately detailed and reliable exploration, sampling and testing and is sufficient to assume geological and grade or quality continuity between points of observation. An indicated mineral resource has a lower level of confidence than that applying to a measured mineral resource and may only be converted to a probable mineral reserve. Mineralization may be classified as an indicated mineral resource by the qualified person when the nature, quality, quantity and distribution of data are such as to allow confident interpretation of the geological framework and to reasonably assume the continuity of mineralization. An indicated mineral

resource estimate is of sufficient quality to support a prefeasibility study which can serve as the basis for major development decisions.

A "**measured mineral resource**" is that part of a mineral resource for which quantity, grade or quality, densities, shape, and physical characteristics are estimated with confidence sufficient to allow the application of modifying factors to support detailed mine planning and final evaluation of the economic viability of the deposit. Geological evidence is derived from detailed and reliable exploration, sampling and testing and is sufficient to confirm geological and grade or quality continuity between points of observation. A measured mineral resource has a higher level of confidence than that applying to either an indicated mineral resource or an inferred mineral resource. It may be converted to a proven mineral reserve or to a probable mineral reserve. Mineralization or other natural material of economic interest may be classified as a measured mineral resource when the nature, quality, quantity and distribution of data are such that the tonnage and grade or quality of the mineralization can be estimated to within close limits and that variation from the estimate would not significantly affect potential economic viability of the deposit. This category requires a high level of confidence in, and understanding of, the geology and controls of the mineral deposit.

A "**mineral reserve**" is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at prefeasibility or feasibility level as appropriate that include application of modifying factors. These studies demonstrate that, at the time of reporting, extraction could reasonably be justified.

A "**probable mineral reserve**" is the economically mineable part of an indicated, and in some circumstances, a measured mineral resource. The confidence in the modifying factors applying to a probable mineral reserve is lower than that applying to a proven mineral reserve.

A "**proven mineral reserve**" is the economically mineable part of a measured mineral resource. A proven mineral reserve implies a high degree of confidence in the modifying factors.

**METHODOLOGIES AND ASSUMPTIONS**

Mineral reserve and mineral resource estimates are based on various assumptions relating to operating matters, including with respect to production costs, mining and processing recoveries, mining dilution, cut-off 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 Teck's material base metal properties.

Assumed metal prices vary from property to property for a number of reasons. Teck 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. For operations with short remaining lives, assumed metal prices may reflect shorter-term commodity price forecasts.

**COMMENTS ON INDIVIDUAL OPERATIONS**

***Highland Valley Copper***

Reserve and resource estimates were prepared assuming long-term metal prices of US$3.00/lb copper, US$9.40/lb molybdenum, US$20.00/oz silver and US$1,300/oz gold and an exchange rate of CAD$1.25 per US$1.00. Reserves and resources are reported at a 0.10% copper equivalent cut-off and a 1.8 molybdenum factor. This copper equivalent cut-off equals a net smelter return of US$5.19 per tonne.

There was a net decrease of 51 million tonnes of Proven and Probable reserves in 2019 mostly as a result of normal mining activity. Resources significantly increased by 347 million tonnes when compared to 2018, primarily because of lower operating costs and higher assumed USD to CAD exchange rate. The resource estimate at Highland Valley is extremely sensitive to changes in these assumptions.

***Antamina***

Open pit reserve estimates were prepared assuming long-term metal prices of US$3.084/lb copper, US$1.08/lb zinc, US$8.7/lb molybdenum and US$17.39/oz. silver. Open pit and underground resource estimates were prepared assuming long-term metal prices of US$3.30/lb copper, US$1.23/lb zinc, US$10.0/lb molybdenum and US$19.95/oz silver.

Cut-off grades at Antamina are based on the net value before taxes that the relevant material is expected to generate per hour of concentrator operation at assumed prices, and varies by year in an effort to maximize the net present value of the pit.

The total, open pit and underground resources reported in 2019 are 564 million tonnes of Measured and Indicated and close to 1.3 billion tonnes of Inferred. These figures are similar to those reported in 2018.

***Quebrada Blanca***

Supergene reserves have been fully depleted in 2018 and only mineral resources are being reported. The Quebrada Blanca (hypogene) reserve and resource estimates were prepared assuming a long-term copper price of US$3.00/lb and a long-term molybdenum price of US$9.40/lb.

The hypogene mineral reserves remain at 1.4 billion tonnes and are limited by the current tailings storage capacity. Ongoing infill and resource delineation drilling continues to improve confidence in resource categories and increasing the resource basis. An additional 28,200 metres of drilling with assays results was incorporated in the current model that reports a 14% increase in resources from 2018, totaling 1.89 billion tonnes of measured and indicated resources and another 3.49 billion tonnes of inferred resources.

***Carmen de Andacollo***

Our Carmen de Andacollo Operations include a heap leach copper operation and a copper-gold hypogene concentrator. The year-end 2019 reserves and resources are supported by updated resource models that incorporate over 3,000 metres of new drilling and improved economic assumptions related to operational costs and higher long-term gold prices compared to 2018.

Hypogene reserve estimates assume long-term metal prices of US$3.00/lb copper and US$1,300/oz gold. Mineral reserves show a very small reduction from 2018 due to depletion from normal mining activities offset by improved costs and changes in mine design. Hypogene resources show a second-year increase of 75 million tonnes in comparison to 2018, due mostly to favourable operating costs, additional drilling and improved process recoveries.

### *NuevaUnión*

Teck has a 50% interest in NuevaUnión. As of the end of 2019, a feasibility study on the NuevaUnión project was nearing completion. Reserves and resources for two deposits, Relincho and La Fortuna have been updated based on the results of this study. Reserves at Relincho and La Fortuna deposits consider a bulk open-pit mining operation that will be developed in three production phases that will alternate mining operations between the two deposits.

Relincho mineral reserves and mineral resources are reported using an average net smelter return cut-off of US$11/tonne and US$6.72/tonne, respectively. It assumes metal prices of US$ 3.00/lb copper and US$ 10.0/lb molybdenum.

La Fortuna mineral reserves and open pit mineral resources are reported using an average net smelter return cut-off of US$9.14.0/tonne and US$9.12.0/tonne, respectively. It assumes metal prices of US$ 3.00/lb copper and US$ 1,200/oz gold. Mineral resources outside of the mineral reserve pit are defined using a conceptual underground mining envelope. This approach assumes the same recoveries, metal prices, processing and general & administration costs as used for the open pits but with mining costs and dilution assumptions that are more appropriate to bulk underground mining.

### *Red Dog*

Teck reports reserves and resources for Red Dog divided into two reporting groups based on the spatial proximity and the land ownership associated with the deposits in and around Red Dog. The names assigned to these groups are “Mine” and “District”.

In the “Mine” group, Teck is currently operating two deposits accessible by open pit mining: Aqqaluk, and Qanaiyaq. The Aqqaluk deposit, with first ore milled in August 2010, has had its operations extended to 2032. Mining of the Qanaiyaq deposit started with first ore milled in January 2017 and is planned to have a life span through 2028. The Red Dog Mine area also contains the undeveloped Paalaaq deposit, which is currently only defined to a resource level of confidence.

All reserves and resources were estimated using long-term metal prices: US$1.10/lb for zinc, US$0.90/lb for lead and US$20.00/oz for silver. Red Dog Mine reserve tonnage is down 5.1 million tonnes from 2018, due primarily to normal depletion from mining operations. Higher operating costs are primarily responsible for the reduction of 3.4 million tonnes of Red Dog Mine resources.

The “District” group consists entirely of Inferred resources from the Anarraaq deposit which lies approximately 11 km northwest of the current Red Dog operations. Inferred resources for this deposit are unchanged, at 19.4 million tonnes, from 2018.

### *Pend Oreille*

The operation is in care and maintenance and a decision was made to convert the remaining mineral reserves back in to resources. The resource models were updated in 2019 with short-term in-fill drilling.

The resources for Pend Oreille are estimated using a 4.0 % zinc+lead cut-off. Recovery is expected at 89.5% for zinc and 60% for lead. Commodity prices assumptions were US$1.10/lb zinc and US$0.90/lb for lead.

### *San Nicolás*

The 2019 reported resource estimates are unchanged from 2018. The estimates assume different net smelter return cut-offs for different geometallurgical domains from US$9.20/tonne to US$12.00/tonne based on an estimate of the marginal cost of production for the relevant ore. Net smelter return calculations include metal price assumptions as US$3.00/lb copper, US$1.10/lb zinc, US$1,250/oz gold and US$20/oz silver and scaled costs from previous studies.

### *Galore Creek*

Teck has a 50% interest in Galore Creek. Following the change in ownership of the Galore Creek partnership, new drilling, and a re-interpretation of existing geological information was completed during 2019. A resource update is scheduled to be completed in support of ongoing technical studies. The year-end 2019 statement reports unchanged resource figures from 2018 and are estimated based on commodity prices of US$3.00/lb copper, US$1,200/oz gold and US$20/oz silver and a US$8.84/tonne net smelter return cut-off.

### *Schaft Creek*

Schaft Creek resources are based on a 2018 Resource Model Update. Open pit mineral resources are reported at a net smelter return cut-off of US$4.31/tonne and constrained by a conceptual open pit shape. The resource estimate categorizes 10% of the mineral resources as Measured, 70% as Indicated and 20% as Inferred.

### *Mesaba*

Year-end 2019 statement reports unchanged figures from 2018 cycle when mineral resources were reported for the first time. The estimates are based at a cut-off of 0.2% copper, equivalent to a net smelter return cut-off of US$5.24/tonne, and consider the estimates of copper, nickel, silver, cobalt, gold, platinum and palladium.

### *Zafranal*

No changes to the resource and reserve statements in 2019. Figures reported at the end-of-year 2018 were supported by a feasibility study prepared for Compañia Minera Zafranal S.A.C.

Resource and reserves estimates at Zafranal were prepared using price assumptions of US$3.00/lb copper and US$1,200/oz gold. Mining and processing costs, as with other important input parameters, were updated from the prefeasibility study. The total contained metal used in the reserves table are based on variable metallurgical recoveries of up to 89.5% for copper and up to 56% for gold. Open pit mineral reserves are reported using a variable net smelter return cut-off of US$6.10 to $6.35/tonne averaging US$6.11/tonne.

### *Fording River*

The reserve economics assume a long-term selling price at the Port of Vancouver of US$140/tonne for metallurgical coal at an exchange rate of CAD$1.25 per US$1.00.

### *Elkview*

Teck has a 95% interest in the Elkview mine. The reserve economics assume a long-term selling price at the Port of Vancouver of US$140/tonne for metallurgical coal at an exchange rate of CAD$1.25 per US$1.00.

### *Greenhills*

Teck is an 80% partner in the Greenhills Joint Venture. The reserve economics assume a long term selling price at the Port of Vancouver of US$140/tonne for metallurgical coal at an exchange rate of CAD$1.25 per US$1.00.

### *Line Creek*

The reserve economics assume a long term selling price at the Port of Vancouver of US$140/tonne for metallurgical coal and US$75/tonne for oxide coal at an exchange rate of CAD$1.25 per US$1.00.

### *Cardinal River*

Mine operations at Cardinal River Operations will cease in 2020 and remaining reserves will be converted back to resources. The current reserves estimates are based on a long term selling price at the Port of Vancouver of US$140/tonne for metallurgical coal and at an exchange rate of CAD$1.25 per US$1.00.

### *Quintette (Mt Babcock)*

The reserve economics assume a long-term selling price of US$140/tonne for metallurgical coal and US$75 for oxide coal at an exchange rate of CAD$1.25 per US$1.00.

## RISKS AND UNCERTAINTIES

Mineral reserves and mineral resources are estimates of the size and grade of the deposits based on the assumptions and 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, grade, continuity, geometry or location of mineralization from that predicted by geological modeling, recovery rates being less than those expected and changes in project parameters due to changes in production plans. Except as expressly described elsewhere in this Annual Information Form, there are no known environmental, permitting, legal, title, taxation, sociopolitical, marketing or other issues that are currently expected to materially affect the mineral reserves or resources. Certain operations will require further permits over the course of their operating lives in order to continue operating. Where management expects such permits to be issued in the ordinary course, material that may only be mined after such permits are issued is included in Proven and Probable reserves. Specific current permitting issues are described in the narrative concerning the relevant operation under the headings "*Description of the Business*" and *"Health and Safety and Environmental Protection"* and "*Risk Factors — We face risks associated with the issuance and renewal of permits*."

## QUALIFIED PERSONS

Estimates of mineral reserves and resources for our base metal properties have been prepared under the general supervision of Rodrigo Marinho, P.Geo., who is an employee of Teck Resources Limited and the Qualified Person for the purposes of NI 43-101 for our base metal properties (other than Antamina). Mineral reserve and resource estimates for Antamina have been prepared under the supervision of Fernando Angeles P.Eng. and Lucio Canchis, who is an SME Registered Member, and who are both employees of Compañía Minera Antamina S.A. Messrs. Canchis and Angeles are the Qualified Persons for the purposes of NI 43-101 in respect of Antamina. Reserve and resource estimates for coal properties were prepared under the general supervision of Don Mills P.Geo. and Robin Gold P.Eng., employees of Teck Coal Limited, who are the Qualified Persons for coal properties for the purposes of NI 43–101.

## Oil and Gas Reserves

The reserves information set out below for the Fort Hills mine is based upon evaluations conducted by GLJ, an independent qualified reserves evaluator.

The effective date of the reserves data and other oil and gas information below for Fort Hills is December 31, 2019. Estimates of reserves and projections of production were prepared by GLJ using information provided up to November 30, 2019. The reserves information set out below for Fort Hills is taken from a report prepared by GLJ on January 24, 2020. All reserves information in this section is based on Teck's 21.3049% interest in Fort Hills.

Classifications of oil and gas reserves as Proved or Probable are only attempts to define the degree of certainty associated with the estimates. There are numerous uncertainties inherent in estimating quantities of oil reserves. It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There is no assurance that the forecast price and cost assumptions will be attained and variances could be material. The reserves estimates provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater or less than the estimates disclosed.

**RESERVE CATEGORIES**

For oil and gas, reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on analysis of drilling, geological, geophysical and engineering data; the use of established technology; and specified economic conditions that are generally accepted as being reasonable. Reserves are classified into Proved or Probable according to the degree of certainty associated with the estimates.

**Proved reserves** are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated Proved reserves.

**Probable reserves** are those additional reserves that are less certain to be recovered than Proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated Proved plus Probable reserves.

Each of the Proved and Probable reserves categories may be divided into developed and undeveloped categories. All of Teck's reserves are currently categorized as **developed reserves** since Fort Hills is now in operation**.** Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (e.g., construction of a primary extraction facility) is required and the necessary equipment is not yet installed to render them capable of production.

**FORT HILLS MINE**

The reserves data presented below summarizes our Proved and Probable reserves and the net present values of future net revenue for these reserves. The reserves data uses forecast prices and costs prior to provision for, and therefore do not take into account, interest, general and administrative expenses or the impact of any hedging activities. In addition, provisions for the abandonment and reclamation of the mines and associated facilities to which reserves have been assigned have been included; all other abandonment and reclamation costs have not been included. These forecasts and other assumptions are taken from the GLJ evaluation report with an effective date of December 31, 2019. Future net revenues have been presented on a before and after tax basis in accordance with National Instrument 51-101.

The future net revenue, development and operating cost, exchange rate, price and other assumptions set out in this " *Description of the Business — Oil and Gas Reserves and Resources — Fort Hills Mine*" section of this Annual Information Form are the estimates or assumptions of GLJ, our independent reserves evaluator. In order to estimate reserves and future net revenues, GLJ makes a number of assumptions, including assumptions regarding inflation rates, currency exchange rates, and prices for oil and other products. For planning, project economics, forecasts, accounting and other purposes, our management makes assumptions regarding those same factors and our assumptions generally differ from those of GLJ. Different assumptions would lead to different present value and net revenue figures, and could affect reserve estimates.

GLJ estimates of capital and operating costs associated with Fort Hills are based on historical costs and Suncor's estimates, as operator, of future costs, with consideration to those achieved by other oil sands mining projects. These GLJ-estimated costs differ somewhat from those that the Fort Hills partners use for planning and decision-making for the project, which are based on detailed engineering studies. See "*Description of the Business — Energy — Fort Hills Mine*" for a further description of Teck's estimates regarding costs.

All of our reserves are associated with Fort Hills. Bitumen is the only product type associated with our reserves. Reserves are presented on a gross and net basis. "**Gross**" in relation to Teck's interest in reserves means Teck's working interest as at December 31, 2019 (21.3049%) share before deduction of royalties. "**Net**" in relation to Teck's interest in reserves means Teck's working interest as at December 31, 2019 (21.3049%) share after deduction of royalties.

**Summary of Oil and Gas Reserves at December 31, 2019 (forecast prices and costs)**

| (in millions of barrels) | Reserves | |
|---|---|---|
| | Bitumen | |
| **Reserves Category** | **Gross** | **Net** |
| **Proved Reserves** | | |
| Developed Producing | 353 | 328 |
| Developed Nonproducing | 0 | 0 |
| Undeveloped | 0 | 0 |
| **Total Proved Reserves** | **353** | **328** |
| Probable Reserves | 185 | 168 |
| **Total Proved plus Probable Reserves** | **538** | **496** |

**Summary of Net Present Value of Future Net Revenue at December 31, 2019 (forecast prices and costs)**

The net present value of future net revenues below in respect of Teck's interest in Fort Hills were computed by applying an average price forecast based on forecasts from three qualified reserves evaluators (including GLJ), GLJ's forecast costs as described below, legislated tax rates and Teck's tax pools. The estimates of future net revenue do not necessarily provide a reliable estimate of the expected future cash flows to be obtained from our share of the Fort Hills reserves and do not necessarily represent the fair market value of our Proved and Probable oil reserves. The independent reserves evaluator makes various assumptions, including with respect to production rates and capital and operating costs, that may differ from those that the Fort Hills partners use for planning and decision-making for the project, which are based on detailed engineering studies and historical site cost data.

| Reserves Category | Net Present Value of Future Net Revenue Before Income Taxes Discounted at (%/year) ($ millions) | | | | | Net Present Value of Future Net Revenue After Income Taxes Discounted at (%/year) ($ millions) | | | | | Unit value ($/bbl)(1) |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 0% | 5% | 10% | 15% | 20% | 0% | 5% | 10% | 15% | 20% | |
| **Proved Reserves** | | | | | | | | | | | |
| Producing | 2,485 | 1,157 | 585 | 323 | 192 | 2,485 | 1,157 | 585 | 323 | 192 | 1.79 |
| Developed Nonproducing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| Undeveloped | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.00 |
| **Total Proved** | 2,485 | 1,157 | 585 | 323 | 192 | 2,485 | 1,157 | 585 | 323 | 192 | 1.79 |
| **Total Probable** | 3,389 | 961 | 372 | 201 | 134 | 2,614 | 790 | 331 | 190 | 131 | 2.21 |
| **Total Proved plus Probable** | 5,875 | 2,118 | 958 | 524 | 327 | 5,100 | 1,947 | 916 | 513 | 324 | 1.93 |

(1) Unit values are future net revenues, before deducting estimated cash income taxes payable, discounted at 10%, using net reserves.

**Total Future Net Revenue as at December 31, 2019 (undiscounted), (forecast prices and costs)**

The future net revenues below in respect of Teck's interest in Fort Hills were computed by applying an average price forecast based on forecasts from three qualified reserves evaluators (including GLJ), GLJ's forecast costs as described below, legislated tax rates and Teck's tax pools. The estimates of future net revenue do not necessarily provide a reliable estimate of the expected future cash flows to be obtained from our share of the Fort Hills reserves and do not necessarily represent the fair market value of our proved and probable oil reserves. The capital and operating costs below reflect GLJ's estimates and differ from those that the Fort Hills partners use for planning and decision-making for the project, which are based on detailed engineering studies and historical cost data. See "*Description of the Business — Energy — Fort Hills Mine* " for a further description of Teck's projections regarding costs.

| (in $ millions) (undiscounted) | Revenue | Royalties | Operating Costs | Capital Development Costs | Abandonment and Reclamation Costs | Future net revenue before income taxes | Income taxes | Future net revenue after income taxes |
|---|---|---|---|---|---|---|---|---|
| **Reserves Category** | | | | | | | | |
| Proved Producing | 22,620 | 1,672 | 15,252 | 2,201 | 1,010 | 2,485 | 0 | 2,485 |
| Proved Developed Nonproducing | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Proved Undeveloped | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total Proved** | **22,620** | **1,672** | **15,252** | **2,201** | **1,010** | **2,485** | **0** | **2,485** |
| **Total Probable** | **17,178** | **1,526** | **10,309** | **1,189** | **765** | **3,389** | **775** | **2,614** |
| **Total Proved Plus Probable Reserves** | **39,798** | **3,197** | **25,561** | **3,390** | **1,775** | **5,875** | **775** | **5,100** |

**Future Net Revenue by Product Type at December 31, 2019 (at forecast prices and cost)**

| Reserves Category | Production group | Future Net Revenue Before Income Taxes(1) (discounted at 10%/year) ($ millions) | ($/bbl) |
|---|---|---|---|
| Proved Producing | Bitumen | 585 | 1.79 |
| Total Proved | Bitumen | 585 | 1.79 |
| **Total Proved Plus Probable Reserves** | **Bitumen** | **958** | **1.93** |

(1) Unit values are based on Teck's net reserves.

**Summary of Forecast Prices Used in Estimates**

The determination of reserves requires assumptions of crude oil, natural gas and other important benchmark reference prices, as well as inflation and exchange rates. The forecast prices used in preparing Teck's reserves data, including estimated future net revenues, are provided below and were used by GLJ, our independent qualified reserves evaluator.

The table below reflects a December 31, 2019 average of three qualified reserves evaluators (including GLJ), forecast reference prices, and associated inflation and exchange rates. For determining costs associated with Fort Hills, GLJ has included a 1.7% inflation rate for 2021 and a 2.0% inflation rate for 2022 onwards.

The forecast reference prices, exchange rates, inflationary assumptions and other forecasts used in preparing the reserves data do not necessarily reflect the assumptions of Teck's management or the Fort Hills partners. The forecast price and other assumptions noted below are not used in Teck's investment or management decisions or for Teck's accounting purposes.

| Year | Exchange Rate ($US/$CAD) | West Texas Intermediate Crude Oil at Cushing Oklahoma $US/bbl (then current USD) | WCS Crude at Hardisty $CAD/bbl (then current CAD) | Edmonton Pentanes Stream Quality $CAD/bbl(1) (then current CAD) |
|---|---|---|---|---|
| 2019(2) | 0.7538 | 57.01 | 58.75 | 69.98 |
| 2020 | 0.7600 | 61.00 | 57.57 | 76.83 |
| 2021 | 0.7700 | 63.75 | 62.35 | 79.82 |
| 2022 | 0.7850 | 66.18 | 64.33 | 82.30 |
| 2023 | 0.7850 | 67.91 | 66.23 | 84.72 |
| 2024 | 0.7850 | 69.48 | 67.96 | 86.71 |
| 2025 | 0.7850 | 71.07 | 69.72 | 88.73 |
| 2026 | 0.7850 | 72.68 | 71.49 | 90.77 |
| 2027 | 0.7850 | 74.24 | 73.19 | 92.76 |
| 2028 | 0.7850 | 75.73 | 74.80 | 94.65 |
| 2029 | 0.7850 | 77.24 | 76.43 | 96.57 |
| 2030(3) | 0.7850 | 78.79 | 77.96 | 98.53 |

(1) Price used when determining the cost of diluent associated with bitumen reserves. Assumed diluent prices equal the posted pentanes prices less a discount of CAD$0.25/bbl (2020 dollars).
(2) Pricing for 2019 reflects Teck's historical weighted average prices.
(3) GLJ has included a 2% inflation rate from 2030 onwards.

**Reconciliation of Changes in Reserves**

National Instrument 51-101 requires a reporting issuer to disclose changes between the reserves estimates as at the effective date and the corresponding estimates made as at the last day of the preceding financial year of the reporting issuer.

| | Total Oil Reserves Bitumen (Company Gross) | | |
|---|---|---|---|
| (in millions of barrels) | Proved | Probable | Proved Plus Probable |
| At December 31, 2018 | 370.7 | 195.4 | 566.1 |
| Production | (12.1) | 0.0 | (12.1) |
| Acquisitions | 0.0 | 0.0 | 0.0 |
| Revisions | (5.8) | (10.7) | (16.4) |
| At December 31, 2019 | 352.8 | 184.7 | 537.5 |

**Additional Information Relating to Reserves Data**

All of Teck's Proved and Probable undeveloped reserves relate to Fort Hills and were first attributed to Teck in 2013, with additional amounts attributed to Teck in 2017 solely due to Teck's increased ownership interest in Fort Hills. On October 30, 2013, the co-owners of Fort Hills announced project sanction. The plant began producing limited quantities of a bitumen froth product in the fourth quarter of 2017, followed by the first oil milestone on January 27, 2018 when the secondary extraction plant began operating. Undeveloped reserves were recategorized as developed producing reserves following commercial sales of bitumen in 2018.

**Gross Undeveloped Reserves Effective December 31, 2019**

| | Bitumen (Company Gross) | | | |
|---|---|---|---|---|
| | Proved | | Probable | |
| (in millions of barrels) | First Attributed | Total at Year End | First Attributed | Total at Year End |
| **2017** | 15.6 | 365.6 | 9.7 | 228.7 |
| **2018** | - | - | - | - |
| **2019** | - | - | - | - |

**Future Development Costs**

The table below provides the development costs GLJ has estimated and assumed are to be incurred for purposes of the estimation of the future net revenue attributable to the reserves. The GLJ future development costs set out below differ from those that the Fort Hills partners use for construction planning and decision-making for the project, which are based on detailed engineering studies and historical cost data. See "*Description of the Business — Energy — Fort Hills Mine* " for a further description of Teck's projections regarding development costs.

| Reserves Category ($ thousands) | 2020 | 2021 | 2022 | 2023 | 2024 | Remainder | Total | Total (10% discounted) |
|---|---|---|---|---|---|---|---|---|
| Total Proved | 135,152 | 124,518 | 112,896 | 165,534 | 110,116 | 1,553,091 | 2,201,306 | 978,031 |
| Total Proved plus Probable Reserves | 139,429 | 131,633 | 119,347 | 174,993 | 116,408 | 2,708,241 | 3,390,051 | 1,094,120 |

We believe that internally generated cash flows, existing credit facilities and access to capital markets will be sufficient to fund our future development costs. However, there can be no guarantee that the necessary funds will be available or that we will allocate funding to develop all of our reserves. Failure to develop those reserves would have a negative impact on our future cash flow.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates and would reduce future net revenue, depending upon the funding sources utilized. We do not believe that interest or other funding costs would make development of any property uneconomic.

**Costs Incurred in 2019**

| 2019 ($ millions) | Exploration Costs | Proved Property Acquisition Costs | Unproved Property Acquisition Costs | Development Costs | Total |
|---|---|---|---|---|---|
| Canada - Fort Hills(1) | 0 | 0 | 0 | 157 | 157 |

(1) Reflects Teck's 21.3049% interest.

**Production History**

| 2019 - Fort Hills | Unit | Q1 | Q2 | Q3 | Q4 | Average |
|---|---|---|---|---|---|---|
| Total bitumen production | mbbls/d | 30,878 | 35,158 | 33,674 | 34,619 | 33,593 |
| Bitumen price realized(1)(2) | $/bbl | $ 48.42 | $ 62.28 | $ 52.61 | $ 44.29 | $ 52.21 |
| Crown royalties(3) | $/bbl | $ (1.75) | $ (1.19) | $ (1.81) | $ (1.27) | $ (1.50) |
| Transportation costs(4) | $/bbl | $ (10.30) | $ (9.41) | $ (9.16) | $ (9.71) | $ (9.62) |
| Adjusted operating costs(2)(5) | $/bbl | $ (29.42) | $ (28.06) | $ (27.31) | $ (32.55) | $ (29.24) |
| Operating netback(2) | $/bbl | $ 6.95 | $ 23.62 | $ 14.33 | $ 0.76 | $ 11.85 |

(1) Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense and before royalties. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend, sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from the Fort Hills oil sands mining and processing operations blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.

(2) Operating netback, Adjusted operating costs and Bitumen price realized are non-GAAP financial measures. See “Non-GAAP Measures” for additional information, including where to find a reconciliation of these measures to GAAP measures.

(3) The royalty rate applicable to pre-payout oil sands operations starts at 1% of gross revenue and increases for every dollar by which the WTI crude oil price in Canadian dollars exceeds $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. Fort Hills is currently in the pre-payout phase.

(4) Transportation costs represent pipeline and storage costs downstream of the East Tank Farm blending facility. We use various pipeline and storage facilities to transport and sell our blend to customers throughout North America. Sales to the U.S. markets require additional transportation costs, but realize higher selling prices.

(5) Adjusted operating costs represent the costs to produce a barrel of bitumen from the Fort Hills mining and processing operation.

### *Production Estimate*

GLJ has forecast Fort Hills production for 2020 to be 158,000 barrels per day and 163,000 barrels per day in the total proved and the total proved plus probable reserves categories, respectively (of which Teck’s share would be 33,662 barrels per day and 34,727 barrels per day). These estimates take into consideration the current curtailment measures imposed by the Government of Alberta.

## OTHER OIL AND GAS INFORMATION

### *Tax Horizon*

Because of available tax pools, we are currently shielded from cash income taxes, but not resource taxes, in Canada. We remain subject to cash taxes in foreign jurisdictions. When we will become subject to cash income taxes in Canada is dependent on a number of factors, including but not limited to the price of the commodities that our various business units deal in and the level of our future investments in Canadian operations.

## Health, Safety, Community and Environmental Protection

Our current and future operations, including development activities and commencement of production on our properties or areas in which we have an interest, are subject to laws and regulations in Canada, the U.S., Chile and elsewhere governing occupational health and safety, protection and remediation of the environment, site reclamation, management of toxic substances, permit approvals and similar matters. Compliance with these laws and regulations can affect the planning, designing, operating, closing and remediating of our mines, refineries and other facilities.

Whether in Canada, the U.S., Chile or elsewhere, we work to apply technically proven and economically feasible measures to protect the environment and worker health and safety throughout the mining life cycle of exploration, construction, mining, processing and closure. Although we believe that, except as described in the narrative concerning the relevant operation, our operations and facilities are currently in substantial compliance in all material respects with all existing laws, regulations and permits, there can be no assurance that additional significant costs will not be incurred to comply with current or future regulations or that liabilities associated with non-compliance will not be incurred.

We are often an active participant in public regulatory review, revision and development processes with government agencies and non-governmental organizations and, as such, typically have insight regarding emerging regulatory developments and trends. We apply this insight when we estimate risks and liabilities associated with current and future regulatory matters including in the areas of health and safety, the environment and permitting. We conduct regular environmental and health and safety audits. The overall objective of our audits is to assess key environmental and health and safety risks and their associated controls and to assess regulatory compliance. Environmental, health and safety regulations are constantly evolving and it can be a significant challenge to meet changing standards.

### HEALTH AND SAFETY

Safety is a core value at Teck. Safety performance and workplace occupational health and hygiene are key priorities for us. Safety statistics are collected from each business unit and operation monthly. Targets for health and safety key performance indicators are set each year and are one factor used in determining management compensation. Safety incidents are thoroughly investigated and findings reports are shared across our business, and occasionally across the industry, to assist in the prevention of similar incidents. We continue to implement our occupational health and hygiene strategy to prevent occupational disease and our high potential risk control strategy and hazard identification training program to prevent serious injuries and fatalities. Our Courageous Safety Leadership program also helps us build a positive culture of safety across Teck. At this time, we do not anticipate significant liability associated with long-term occupational health issues.

### RECLAMATION AND CLOSURE

In order to obtain mining permits and approvals from regulatory authorities, mine operators must typically submit a reclamation plan for restoring, upon prolonged suspension or completion of mining operations, the mined property to a productive use and to meet many other permitted conditions. Typically, we submit the necessary permit applications several months or even years before we plan to begin activities. Some of the permits we require are becoming increasingly difficult and expensive to obtain, and the application and review processes are taking longer to complete, becoming increasingly complex in terms of required background information, and are subject to challenge. For a further discussion of risks associated with the issuance and renewal of permits, see "*Risk Factors — We face risks associated with the issuance and renewal of permits*".

For accounting purposes, current costs associated with permit compliance are treated as normal operating costs necessary to maintain operations on an ongoing basis. In addition, amounts are accrued in our accounts to provide for certain and probable future decommissioning, reclamation, site restoration and other closure costs. Financial assurance of various forms, including letters of credit and surety bonds, are posted with various governmental authorities as security to cover estimated reclamation obligations. Our provisions for future reclamation and site restoration are estimated based on known requirements. Many of our sites undergo extensive progressive reclamation during operations so as to proactively address mined-out areas and lessen the works required upon mine closure. The reclamation programs are guided by land capability assessments, which integrate several factors in the reclamation approach, including biological diversity, establishment of sustainable vegetation, diversity of physical landforms and requirements for wildlife habitat. All of our mining operations have closure plans in place that are developed to the level of detail appropriate to the stage of life of the operation. All of the plans undergo regular updates.

Certain idle and closed mines are under continuous care and maintenance as well as progressive closure and, as noted above, many of our active sites undergo extensive progressive reclamation during operations. Cost estimates for these planned and anticipated closure and remediation activities are reviewed on a regular basis and revised as plans for individual sites are refined and implemented, typically with input and oversight from regulatory agencies and other stakeholders.

Our decommissioning and restoration provision as at December 31, 2019 is $2,234 million, of which $837 million is attributable to our operating coal operations, $489 million is attributable to our operating copper operations, $425 million is attributable to our operating zinc operations, $87 million is attributable to our energy operations and $396 million is attributable to closed properties. Of that amount, we expect to spend approximately $90 million in 2020. As at December 31, 2019, we had letters of credit and other bonding in place in the aggregate amount of approximately $2.5 billion, primarily to secure our reclamation obligations. British Columbia and Chile are continuing to review their reclamation security policies and requirements, which we expect may result in future increases to the financial security that we may be required to post in respect of our reclamation obligations.

See the disclosure regarding environmental matters under the respective descriptions of our material operations for further details of environmental matters impacting those operations.

**CLIMATE CHANGE AND CARBON PRICING**

As part of the ongoing efforts to address climate change, regulations to control greenhouse gas emissions continue to be developed and enhanced in many jurisdictions. Regulatory uncertainty and resulting uncertainty regarding the costs of technology required to comply with current or anticipated regulations make it difficult to predict the ultimate costs of compliance. Societal focus on controlling carbon emissions, minimizing climate change and preparing for climate change adaptation continues to mount.

Recognizing our role in combating climate change, we continue to take action to reduce greenhouse gas emissions by improving our energy efficiency and implementing low-carbon technologies at our operations and by working with governments and regulators to advocate for effective and efficient carbon pricing. In February 2020, we announced our objective to be carbon neutral across all our operations and activities by 2050.

In 2019, British Columbia increased its existing carbon tax to $40 per tonne of carbon dioxide-equivalent ($CO_2e$). The B.C. carbon tax is expected to continue to increase by $5 per tonne of $CO_2e$ per year until reaching $50 per tonne of $CO_2e$. In 2019, British Columbia also implemented the CleanBC Program for

Industry to address impacts to emissions-intensive, trade-exposed industries to ensure that B.C. operations maintain their competitiveness and that carbon leakage is avoided.

In April 2019, the Government of Canada introduced the *Greenhouse Gas Pollution Pricing Act* which establishes a federal carbon levy for any Province or Territory that has not implemented a compliant carbon-pricing regime. Federal carbon tax rates began at $20 per tonne of $CO_2e$ in 2019, increasing $10 per year to $50 per tonne of $CO_2e$ by 2022. Alberta repealed its *Climate Leadership Act* effective as of May 29, 2019 and, as a result, became subject to the *Greenhouse Gas Pollution Pricing Act* as of January 1, 2020. B.C.'s *Carbon Tax Act* is considered substantially similar to the federal requirements; therefore B.C. will not be subject to the *Greenhouse Gas Pollution Pricing Act*. In addition, Alberta's *Carbon Competitiveness Incentive Regulation* was replaced by Alberta's *Technology, Innovation and Emissions Reduction* system as of January 1, 2020. This industry-specific carbon pricing policy requires large emitters, and other facilities that have opted in, to reduce their emissions intensity below a prescribed level, or to purchase emissions credits in concert with or as an alternative to physical abatement, with significant penalties for failure to achieve compliance.

While climate change regulations continue to evolve in most jurisdictions in which we operate, we expect that regional, national, or international regulations, which seek to reduce greenhouse gas emissions, will continue to be established or revised. The cost of reducing our emissions or of obtaining the equivalent amount of credits or offsets in the future, if regulations permit this, remains highly uncertain. The cost of compliance with various climate change regulations will ultimately be determined by the regulations themselves and by the markets that evolve for carbon credits and offsets. Teck's direct greenhouse gas emissions attributable to our operations for 2019 are estimated to be approximately 3.3 million tonnes ($CO_2e$). The most material indirect emissions associated with our activities are those from the use of our steelmaking coal by our customers. Based on our 2019 sales volumes, emissions from the use of our steelmaking coal would have been approximately 73 million tonnes of $CO_2$.

For 2019, our B.C. based operations incurred $72.8 million in British Columbia provincial carbon tax and our Cardinal River operation in Alberta paid $0.8 million in carbon costs, primarily from our use of coal, diesel fuel and natural gas. As a result of the CleanBC Program for Industry, in late 2019 we received back $5.4 million of the $58.8 million we paid under the British Columbia provincial carbon tax in 2018 and we expect to receive a similar portion of our 2019 expenditures back in late 2020. We may in the future face similar taxation for our activities in other jurisdictions. Similarly, customers of some of our products may also be subject to new carbon costs or taxation in the future in the jurisdictions where the products are ultimately used.

**WATER REGULATION**

In addition to climate change, issues surrounding water regulation remain of particular importance. We continue to monitor regulatory initiatives and participate in consultation opportunities with governments. For example, we are participating in the Canadian federal government consultation focused on developing a Coal Mining Effluent Regulation. The ultimate form of this regulation may have a material effect on compliance costs, mine plans, and our capital and operating costs at affected mines. See "*Risk Factors — Changes in environmental, health and safety laws may have a material adverse effect on our operations*". We are continuing to work to implement a plan for the management of selenium and other constituents at all of our operating steelmaking coal mines in the Elk Valley. Our costs of implementing this plan are uncertain and will depend on the results of ongoing environmental monitoring, other technical developments, and future actions by regulators. See "*Description of the Business — Coal" and "Risk Factors — We face risks associated with the issuance and renewal of permits* " for further information.

**SOCIAL AND ENVIRONMENTAL POLICIES**

We have adopted and implemented a number of social and environmental policies and practices that are essential to our operations. Our operating practices are governed by the principles set out in our Code of Ethics and our Code of Sustainable Conduct.

Our Code of Sustainable Conduct reflects Teck's commitment to sustainability and our efforts to make a positive contribution to the environment and to the communities where we operate. This Code sets out how we work to achieve support for our activities through responsible social, economic and environmental performance.

In addition to the Code of Ethics and the Code of Sustainable Conduct, we have adopted a Health and Safety Policy, a Health and Safety Guide for Exploration, a Water Policy, a Human Rights Policy, an Inclusion and Diversity Policy, an Indigenous Peoples Policy, a Tax Policy and a Policy setting out our expectations for suppliers and contractors. We have taken steps to implement the Code of Sustainable Conduct and related policies through the development of our Health, Safety, Environment and Community Management Standards, which are intended to provide direction to all operations and provide criteria against which performance may be measured. Safety and sustainability (including environment and community) performance are metrics used in our bonus plan.

We set objectives in these areas for improvement on an annual basis, and these are used to determine specific objectives for corporate and operational groups within our organization. Overall responsibility for achievement of objectives rests with senior personnel. For example, our corporate Health, Safety, Environment, and Community Risk Management Committee and our Materials Stewardship Committee, which are comprised of members of senior management, provide oversight in these areas and report to our Safety and Sustainability Committee of the Board, which in turn reports to the Board of Directors.

We measure and report our performance on an ongoing and comprehensive basis. Internal monthly, quarterly and annual reporting tracks performance indicators, including compliance with permits, environmental monitoring, health and safety performance, materials inputs and outputs, community concerns expressed, engagement with indigenous groups and actions taken in response, and reclamation and remediation activities.

In February 2020, we approved new short- and long-term goals for sustainability within eight strategic themes: health and safety, climate change, circular economy, employees, water, tailings management, communities and Indigenous Peoples, and biodiversity and reclamation. Our long-term sustainability goals include: achieving carbon neutrality across all our operations and activities by 2050; eliminating fatalities, serious injuries and occupational disease; working towards disposing zero industrial waste by 2040; being a leader in responsibly providing the metals and minerals needed for the transition to a circular economy; fostering a workplace where everyone is included, valued and equipped for today and the future; transitioning to seawater or low-quality water sources for all operations in water-scarce regions by 2040; implementing innovative water management and water treatment solutions to protect water quality downstream of all our operations; continuing to manage our tailings across their life-cycle in a safe and environmentally responsible way; collaborating with communities and Indigenous Peoples to generate economic benefits, advance reconciliation efforts and improve community well-being; and working towards securing a net-positive impact on biodiversity. Progress against these goals, as well as the short-term goals that support them, will be reported on an annual basis in our Sustainability Report.

## Human Resources

As at December 31, 2019, there were approximately 10,100 employees classified as “regular” employees working at the various operations and projects we manage, as well as our corporate offices. Of those employees, approximately 4,700 were employed by our Coal operations, 2,700 by our Copper operations, 1,900 by our Zinc operations and 800 by our Exploration, Energy, and projects and corporate groups. Our regular employees figure excludes employees classified as casual, fixed-term or inactive.

In 2019, we reached new 36-month agreements with three of our unions: Quebrada Blanca Union 1, Carmen de Andacollo Supervisors’ Union and Carmen de Andacollo Operators’ Union. In 2019, CMA also reached a three-year agreement with its union expiring July 31, 2021. Bargaining continues with the International Union of Operating Engineers, Local 115 at Line Creek, whose collective agreement expired on May 31, 2019. We are preparing to commence bargaining on a new collective agreement at Elkview as the current collective agreement expires later this year.

Collective bargaining agreements covering unionized employees at our principal operations (including Antamina) are as follows:

| | Expiry Date of Collective Agreement |
|---|---|
| Antamina | July 31, 2021 |
| Line Creek | May 31, 2019 |
| Carmen de Andacollo | September 30, 2022 (Operators’ Union) and December 31, 2022 (Supervisors’ Union) |
| Coal Mountain | December 31, 2020 |
| Elkview | October 31, 2020 |
| Fording River | April 30, 2021 |
| Highland Valley Copper | September 30, 2021 |
| Quebrada Blanca | January 31, 2022 (Union Admin); November 30, 2022 (Union 1); and March 31, 2022 (Union 2) |
| Trail | May 31, 2022 |
| Cardinal River | June 30, 2022 |

## Technology and Innovation

Teck undertakes and participates in a number of research and development programs designed to improve exploration, mining and processing for new projects and operations, environmental performance in operations, and technologies to assist the sale of products, and hence enhance overall competitiveness and reduce costs.

In May 2019, we began implementing RACE21™, our innovation-driven business transformation program. RACE21™ is a company-wide approach to **R**enewing our technology infrastructure, **A**ccelerating and scaling automation and robotics, **C**onnecting data systems to enable broad application of advanced analytics and artificial intelligence, and **E**mpowering our employees, all with a focus on improving our operating results and EBITDA between now and 2021.

RACE21™ currently includes approximately 30 projects, distributed across our operations, which is larger than initially planned due to the success of early initiatives. These projects primarily focus on the development and implementation of data analytics to improve throughput and yield at our processing plants as well as mining analytics and predictive maintenance programs to improve the performance and cycle times of our mobile equipment fleets. In 2020, we plan to expand the projects implemented already more broadly across our operations, as appropriate, and to identify and implement additional projects to generate new value in our business.

Our ability to achieve the expected improvements from the RACE21™ projects depends on the projects achieving the expected improvements in production and operating results, including cost reductions, the ability of our transportation service providers to move additional product to market, future commodity prices and exchange rates, and various other factors. See also "*Risk Factors - Our operations depend on information technology systems, which may be disrupted or may not operate as desired".*

We also have technology and research groups at our Technical Services Trail facility, our Technical Services Richmond facility and our Product Technology Centre in Mississauga, Ontario. The primary focus of these facilities is to create value through the development, testing and implementation of technologies related to our principal products as well as extractive technologies related to existing operations or development projects. The programs are aligned with business units and are integrated with operations or other business activities.

Our research and innovation expense for 2019 was $67 million.

## Foreign Operations

The Red Dog mine located in Alaska, the Antamina mine located in Peru, and the Quebrada Blanca and Carmen de Andacollo mines located in Chile are our significant operating assets located outside of Canada. We hold a 22.5% interest in Antamina through our equity interest in CMA, the operating company for the mine. We hold a 100% interest in the Red Dog mine, subject to the royalty in favour of NANA described under the heading "*Description of the Business — Zinc — Red Dog Mine, United States (Zinc, Lead)* " above. We own 90% of the Chilean operating company that owns Carmen de Andacollo and 60% of the Chilean operating company that owns QBSA, which holds our Quebrada Blanca operations and the QB2 project. Foreign operations accounted for approximately 28% of our 2019 consolidated revenue and represented approximately 34% of our total assets as at December 31, 2019.

We also have interests in various exploration and development projects in various foreign countries, with significant activities in Australia, Chile, Ireland, Mexico, Peru, Turkey and the United States. We currently have foreign exploration offices in all of those countries, except Mexico and the United States. See "*Risk*

*Factors — We operate in foreign jurisdictions and face added risks and uncertainties due to different economic, cultural and political environments*" for further information on the risks associated with these foreign properties.

## Competitive Conditions

Our business is to sell steelmaking coal, base metals, metal concentrates, specialty metals and blended bitumen at prices determined by world markets over which we have no influence or control. These markets are cyclical. Our competitive position is determined by our costs compared to those of other producers throughout the world, and by our ability to maintain our financial capacity through metal, coal and oil price cycles and currency fluctuations. Costs are governed principally by the location, grade and nature of orebodies and mineral deposits; costs of equipment, fuel, power and other inputs; costs of transport and other infrastructure; the location of our Trail metal refining facility and its cost of power; and by operating and management skill.

Over the long term, our competitive position will be determined by our ability to locate, acquire and develop economic orebodies and replace current production, as well as by our ability to hire and retain skilled employees. In this regard, we also compete with other mining companies for employees, mineral properties, joint venture agreements and the acquisition of investments in other mining companies. See "*Risk Factors - We face competition in product markets and from other natural resource companies"* and "*Risk Factors - We may not be able to hire enough skilled employees to support our operations".*

## Risk Factors

You should carefully consider the risks and uncertainties described below as well as in other sections of this Annual Information Form. These risks and uncertainties are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also impair our business operations. If any of these events actually occur, our business, prospects, financial condition, cash flows and operating results could be materially harmed.

**We face risks in the mining, metals and oil business.**

The business of exploring for natural resources and the development and production of mining operations are inherently risky. Many projects are unsuccessful and there are no assurances that current or future exploration or development programs will be successful. During development and after the commencement of mining operations, our projects and operations are subject to significant risks and hazards, some beyond our control, including environmental hazards, industrial accidents, unexpected increases in capital or operating costs, unusual or unexpected geological formations, unanticipated metallurgical difficulties, ground control problems, restrictions on water availability, seismic activity, weather events, security incidents, failure of unproven or evolving technology, labour-force disruptions, supply problems and delays, and natural disasters, such as flooding.

Our mining, oil and exploration operations require reliable infrastructure such as roads, rail, ports, pipelines, power sources and transmission facilities, and water supplies. As ore bodies become more remote, and as availability of fresh water becomes more restricted in certain areas, the complexity and cost of infrastructure for mining projects are increasing. Availability and cost of infrastructure affects the production and sales from operations, as well as our capital and operating costs.

The Trail metallurgical operations, our concentrate mills, our coal preparation plants, and our oil extraction and processing plants are also subject to risks and hazards, including process upsets and equipment malfunctions. Equipment and supplies may from time to time be unavailable on a timely basis.

Our operating mines and certain closed sites have large tailings dams, which could fail as a result of seismic activity or for other reasons.

The occurrence of any of the foregoing could result in damage to or destruction of mineral properties or production or logistics facilities, personal injuries or death, environmental damage, delays or interruption of production, failure to achieve production targets, increases in operating costs, monetary losses, legal liability and/or adverse governmental action, any of which may have a significant adverse effect our operations, business and financial condition.

**Fluctuations in the market price of steelmaking coal, base metals, blended bitumen and specialty metals may significantly adversely affect the results of our operations.**

The results of our operations are significantly affected by the market price of steelmaking coal, base metals, blended bitumen, and speciality metals which are cyclical and subject to substantial price fluctuations. Our earnings are particularly sensitive to changes in the market price of steelmaking coal, copper, zinc and blended bitumen. Market prices can be affected by numerous factors beyond our control, including new sources of production of our products, levels of supply and demand for our products and for a broad range of other industrial products, substitution of new or different products in critical applications for our existing products, expectations with respect to the rate of inflation, the relative strength of the Canadian dollar and of certain other currencies, interest rates, speculative activities, transportation restrictions and pipeline capacity, global or regional political or economic

crises, government policy changes, including taxes and tariffs, trade disputes or the potential for trade disputes and sales of commodities by holders in response to such factors.

Prices for our blended bitumen can be influenced by global and regional factors that are beyond our control and can result in a high degree of volatility, including, among other things, constraints on rail and pipeline capacity, regional supply and demand imbalances, political developments, decisions by the Organization of the Petroleum Exporting Countries (OPEC) or governments to impose or not impose quotas, compliance or non- compliance with agreed quotas by OPEC members, and weather.

The Chinese market is a significant source of global demand for commodities, including steelmaking coal, zinc and copper. A sustained slowdown in China's growth or demand, or a significant slowdown in other markets, in either case, that is not offset by reduced supply or increased demand from other regions could have an adverse effect on the price and/or demand for our products. The Coronavirus and efforts to contain it may have a significant effect on Chinese commodity prices and demand and potentially broader impacts on the global economy

A prolonged period of low and/or volatile commodity prices, particularly of one or more of our principal products, could have a significant adverse effect on our operations, business and financial condition. If prices should decline below our cash costs of production and remain at such levels for any sustained period, we could determine that it is not economically feasible to continue commercial production at any or all of our operations. We may also curtail or suspend some or all of our exploration activities, with the result that our depleted reserves are not replaced.

A substantial reduction or sustained decrease in hard coking coal prices would have a material adverse effect on our business. Our general policy has been not to hedge changes in prices of our mineral or energy products. From time to time, however, we have in the past and may in the future undertake hedging programs in specific circumstances, with an intention to reduce the risk of declines in a commodity's market price while optimizing upside participation, to maintain adequate cash flows and profitability to contribute to the long-term viability of our business. There are, however, risks associated with hedging programs including, among other things, the risk of opportunity losses in the event of an increase in the world price of the commodity, an increase in interest rates, the possibility that rising operating costs will make delivery into hedged positions uneconomic, counterparty risks and the impact of production interruption events.

**We face risks associated with the issuance and renewal of permits.**

Numerous governmental permits or approvals are required for mining operations. We have significant permitting activities currently underway for new projects and for the extension or expansion of existing operations. In addition, many existing permits require periodic renewals. Examples of current significant permitting efforts include the Quebrada Blanca Phase 2 project and our steelmaking coal mine operations in the Elk Valley. When we apply for these permits and approvals, we are often required to prepare and present data to various government authorities pertaining to the potential effects or impacts that any proposed project may have on the environment and on communities. The authorization, permitting and implementation requirements imposed by any of these authorities may be costly and time-consuming, and may delay commencement or continuation of mining operations. There can be no certainty that these approvals or permits will be granted in a timely manner, or at all. Regulations also provide that a mining permit or modification can be delayed, refused or revoked. In certain jurisdictions, some parties have extensive rights to appeal the issuance of permits or to otherwise intervene in the regulatory process. Permits may be stayed or withdrawn during the pendency of appeals.

Past or ongoing violations of mining or environmental laws could provide a basis to revoke existing permits or to deny the issuance of additional permits. In addition, evolving reclamation or environmental concerns may threaten our ability to renew existing permits or obtain new permits in connection with future development, expansions and operations.

Delays associated with permitting may cause us to incur material additional costs in connection with the development of new projects or the expansion of existing operations, including penalties or other costs in relation to long-lead equipment orders and other commitments associated with projects or operations. Failure to obtain certain permits may result in damage to our reputation, cessation of development of a project or inability to proceed with the expansion of existing operations, increased costs of development or production and litigation or regulatory action, any of which may have a material adverse effect on our operations, business and financial position.

Ongoing operation of our steelmaking coal mines in the Elk Valley, British Columbia, continually requires new permits or amendments to existing permits from applicable government agencies. We received approval in 2014 of a plan to manage water quality for the Elk Valley watershed as a whole. The Elk Valley Water Quality Plan is intended to provide a regulatory framework for permitting current and future projects and for managing the cumulative effects of new projects. The plan contemplates ongoing monitoring of the receiving environment, and adjustment of water quality targets if unacceptable environmental impacts are identified. There can be no assurance that the water quality targets set out in our valley-wide water quality management plan will prove to be suitably protective of the environment, that our planned mitigation efforts will be sufficient to meet those targets or that ongoing monitoring will not disclose unanticipated environmental effects of our operations that will require additional mitigation. For example, we previously announced that we were working to address an issue regarding selenium compounds in effluent from the West Line Creek active water treatment facility, which was constructed as part of our Elk Valley Water Quality Plan, and we delayed commencement of construction of our next water treatment facility, at our Fording River Operations, to incorporate certain related design changes. We are currently not in compliance with certain of the water quality parameters set out in the Elk Valley Water Quality Plan.

Fish surveys have revealed unanticipated declines in fish populations in mine-affected waters, the causes of which are not clear. Until the causes of this decline are identified and appropriate mitigation measures are in place, we may face delays in permitting or restrictions on our mining activities in the Elk Valley. See "*Individual Operations – Steelmaking Coal – Elk Valley Water Quality Management Plan* " for more details.

Notwithstanding the approval of the plan in 2014, during the third quarter of 2018, we received notice from Canadian federal prosecutors of potential charges under the *Fisheries Act* in connection with discharges of selenium and calcite from coal mines in the Elk Valley. See "*Legal Proceedings and Regulatory Actions – Fisheries Act* " for more details. We cannot operate our Elk Valley coal mines in compliance with the *Fisheries Act* and its current associated regulations. Federal regulatory issues may create additional difficulties in obtaining permits for our Elk Valley operations, whether or not charges are eventually laid or we are successful in defending any charges.

Any negative developments relating to matters referred to above may result in consequential delays in permitting new mining areas in the Elk Valley or on restrictions being placed on our mining activities in the Elk Valley, which would limit our ability to maintain or increase steelmaking coal production in accordance with our long-term plans or to realize the projected mine life of our operations. The potential shortfall in production may be material and may have a material adverse affect on our operations, business and financial position.

**We face risks associated with our development projects.**

We are involved in a number of development projects. Our major projects include our Quebrada Blanca Phase 2 project. We also have a number of other projects in our development portfolio, including, NuevaUnión, Galore Creek, San Nicolás, Mesaba and Zafranal. Development and exploitation of the hypogene resource at Quebrada Blanca Phase 2 will require considerable capital expenditures and various environmental and other permits and governmental authorizations. NuevaUnión, San Nicolás and Zafranal are also all in early stages of development. Our ability to maintain or increase our annual production of our principal products is dependent, to a significant extent, on our ability to bring new mines into production and expand existing mines.

Development projects typically require a number of years and significant expenditures before production is possible. Estimates of such expenditures or of future operating costs may differ materially from actual capital or operating costs. Such projects could experience unexpected problems or delays during development, production or mine start-up.

Construction and development of these projects are subject to numerous risks, including, without limitation, risks relating to:

- significant cost overruns due to, among other things, delays, changes to inputs or changes to engineering;
- delays in construction, and technical and other problems, including adverse geotechnical conditions and other obstacles to construction;
- our ability to obtain regulatory approvals or permits, on a timely basis or at all;
- our ability to comply with any conditions imposed by regulatory approvals or permits, maintain such approvals and permits or obtain any required amendments to existing regulatory approvals or permits;
- accuracy of reserve and resource estimates;
- accuracy of engineering and changes in scope;
- adverse regulatory developments, including the imposition of new regulations;
- significant fluctuation in prevailing prices for copper and other metals, oil, other petroleum products and natural gas, which may affect the profitability of the projects;
- community action or other disruptive activities by stakeholders;
- adequacy and availability of a skilled workforce;
- difficulties in procuring or a failure to procure required supplies and resources to construct and operate a mine;
- the fact that we do not own 100% of many of our projects and certain decisions will require the agreement of one or more of our partners (See "*Risk Factors — "We face risks associated with our joint venture operations and projects"* );
- availability, supply and cost of water and power;
- weather or severe climate impacts;
- litigation;
- our dependence on third parties for services and utilities;
- development of required infrastructure;

- a failure to develop or manage a project in accordance with our planning expectations or to properly manage the transition to an operating mine;
- the ability of our partners to finance their respective shares of project expenditures; and
- our ability to finance our share of project costs or obtain financing for these projects on commercially reasonable terms, or at all.

The economic feasibility analysis with respect to each project is based upon, among other things, the interpretation of geological data obtained from drill holes and other sampling techniques, feasibility studies, pricing assumptions for inputs and products produced, the configuration of the ore body, expected recovery dates, anticipated climate conditions and estimates of labour, productivity, royalty and tax rates. Actual operating results may differ materially from those anticipated.

**Product alternatives may reduce demand for our products.**

Most of our products are primarily used in specific applications, such as the use of copper in electrical wiring and electronic applications, the use of refined zinc to galvanize steel, the use of steelmaking coal in steel production and the use of heavy crude oils, such as our blended bitumen, to make refined petroleum products. Alternative technologies are continually being investigated and developed with a view to reducing production costs or for other reasons, such as minimizing environmental or social impact. If competitive technologies emerge that use other materials in place of our products, demand and price for our commodities might fall.

For example, substantially all of our coal production is high-quality hard coking coal, which commands a significant price premium over other forms of coal because of its value in use in blast furnaces for steel production. High-quality hard coking coal is globally scarce, and has specific physical and chemical properties that are necessary for efficient blast furnace operation. Steel producers are continually investigating alternative steel production technologies with a view to reducing production costs. Many of those alternative technologies are designed to use lower quality coals or other sources of carbon instead of higher cost high-quality hard coking coal. While conventional blast furnace technology has been the most economic large-scale steel production technology for decades, and while emergent technologies typically take many years to commercialize, there can be no assurance that over the longer term competitive technologies not reliant on hard coking coal could emerge, which could reduce demand and price premiums for hard coking coal.

**Climate change may have an adverse effect on demand for our products or on our operations.**

Climate change may have an adverse effect on demand for our products or on our operations.

As the world transitions to a lower-carbon economy, there is increasing focus on low-carbon technologies to replace carbon-intensive ones. This is increasing the pressure on steel producers to develop less carbon-intensive production processes that do not rely on high quality hard coking coal. Government action to address climate change and societal pressures towards a lower-carbon economy may reduce the demand for our products. Concerns regarding climate change may lead to technological development of alternatives to certain of our products, such as steelmaking coal and oil. Climate change and policy responses to climate change may have similar impacts on our customers, reducing demand for our products.

A decrease in demand for our products, particularly of one or more of our principal products, could have a significant adverse effect on our operations, business and financial condition.

Climate change may, among other things, cause or result in sea level increases, changes in precipitation, changes in fresh water levels, increases in extreme weather events, melting permafrost in the Arctic and resource shortages. While our mining and refining operations are located well above sea level, an increase in sea level could affect our ocean transportation and shipping facilities. Extreme weather events have the potential to disrupt operations at our mines and to impact our transportation infrastructure, including by affecting the length of our shipping season at our Red Dog mine.

Climate change may also result in shortages in certain consumables and other products required to sustain our operations, and any such shortage could impact our production capacity. Our Red Dog mine is located in the Arctic and could be materially impacted by melting permafrost.

Although we make efforts to anticipate potential costs associated with climate change to mitigate the physical risks of climate change, and work with governments to influence regulatory requirements regarding climate change, there can be no assurances that these efforts will be effective or that climate change or associated governmental action will not have an adverse impact on our operations and therefore our profitability.

**Regulatory efforts to control or reduce greenhouse gas emissions or societal pressures in relation to climate change could materially negatively affect our business.**

Our businesses include several operations that emit large quantities of carbon dioxide, or that produce or may produce products that emit large quantities of carbon dioxide when consumed by end users. This is particularly the case with our steelmaking coal operations and our oil sands operation and projects. Carbon dioxide and other greenhouse gases are the subject of increasing public concern and regulatory scrutiny. See "*Health and Safety and Environmental Protection — Climate Change and Carbon Pricing*".

Climate change may result in increased regulations for our operations or those of our customers and/or restrict the development of our projects, which may increase costs and/or limit production. Changes in carbon regulation or taxation may decrease demand for our products, particularly steelmaking coal and blended bitumen.

The primary source of greenhouse gas emissions in Canada is the use of hydrocarbon energy. Our operations depend significantly on hydrocarbon energy sources to conduct daily operations, and there are typically no economic substitutes for these forms of energy. While carbon tax legislation has been adopted in several jurisdictions where we operate, it is not yet possible to reasonably estimate the nature, extent, timing and cost of any future taxes or other programs that may be enacted.

Most of our steelmaking coal products are sold outside of Canada, and sales are not expected to be significantly affected by the greenhouse gas emissions targets that Canada committed to under the Paris Agreement or the resulting provincial and federal carbon tax legislation. All of our blended bitumen is sold in North America and such sales are not currently subject to any significant carbon tax or similar requirements. However, the broad adoption of emission limitations or other regulatory efforts to control or reduce greenhouse gas emissions by other countries could materially negatively affect the demand for steelmaking coal and oil, as well as restrict development of new steelmaking coal or oil sands projects and increase production and transportation costs.

As a result of public concern regarding climate change, natural resource companies, like Teck, face increasing public scrutiny of our activities and our impacts. Societal pressures in relation to climate change may adversely affect our social license to operate and may impair our ability to obtain required permits, increase regulatory action or result in litigation against us, and negatively affect our

reputation and our relationships with stakeholders. Concerns around climate change may also affect the market price of our shares as institutional investors and others may divest interests in carbon intensive industries due to societal pressures. See "*Risk Factors — Damage to our reputation may result in decreased investor confidence, challenges in maintaining positive community relations and increased risks in obtaining permits or financing for our development properties and expansions to our existing operations*."

**Failure to comply with environmental, health and safety laws may have a material adverse effect on our operations and projects.**

Environmental, health and safety legislation affects nearly all aspects of our operations, including mine development, worker health and safety, waste disposal, emissions controls, and protection of endangered and protected species. Compliance with environmental, health and safety legislation can require significant expenditures and can restrict the manner in which mining operations can be conducted.

In addition, failure to comply with environmental, health or safety legislation may result in the imposition of significant fines and/or penalties, the temporary or permanent suspension of operations or other regulatory sanctions including cleanup costs arising out of contaminated properties, damages, damage to reputation, the loss of existing, or inability to obtain future, permits and civil suits or criminal charges. Exposure to these liabilities arises not only from our existing operations, but also from operations that have been closed or sold to third parties. Some of our historical operations have generated significant environmental contamination and other issues in the context of current regulation. We could also be held liable for worker exposure to hazardous substances. There can be no assurance that we will at all times be in compliance with all environmental, health and safety regulations or that steps to achieve compliance would not materially adversely affect our operations, business and financial condition.

**Changes in environmental, health and safety laws may have a material adverse effect on our operations and projects.**

In February 2018, the Government of Canada proposed new regulations under the *Fisheries Act* relating to coal mining effluent. While these regulations are still in development, they could impose significant costs and operating limitations on our steelmaking coal operations. In the absence of these new regulations, our coal mining activities cannot be conducted in compliance with the *Fisheries Act* and we may face significant liability as a result. There can be no assurance that the new regulations will completely remedy this situation.

In 2019, the *Canadian Impact Assessment Act* came into force with significant changes to the federal government's current environmental assessment and regulatory processes for resource development projects. While the new legislation does not affect Teck's projects that are already in regulatory approval processes it will apply to new projects which meet certain criteria. Similarly in 2019, the British Columbia government reformed the province's environmental assessment process for resource projects, introducing significant new changes into the environmental assessment process for industrial and resource projects in British Columbia including new rules surrounding project notifications, early engagement and increased public participation, along with new timelines dictating when certain steps must be taken throughout the environmental assessment process. These changes and any other new legislation may affect our ability to obtain or renew permits for our operations and projects in an efficient and cost-effective manner or at all.

In addition, the Government of British Columbia has recently introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) in British Columbia. The

legislation commits to a systematic review of the province's laws with respect to UNDRIP, while also encouraging new agreements with Indigenous nations that are intended to address outstanding governance questions around the nature of Indigenous rights and title interests in B.C. While the potential risks of this legislation remain to be determined they could be significant, particularly with respect to Teck's permitting efforts.

Environmental, health and safety laws and regulations are evolving in all jurisdictions where we have activities. We are not able to determine the specific impact that future changes in environmental laws and regulations may have on our operations and activities, and our resulting financial position; however, we anticipate that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent environmental, health and safety regulations. For example, emissions standards for carbon dioxide and sulphur dioxide are becoming increasingly stringent, as are laws relating to the use and production of regulated chemical substances and the consumption of water by industrial activities. Further changes in environmental, health and safety laws, new information on existing environmental, health and safety conditions or other events, including legal proceedings based upon such conditions, or an inability to obtain necessary permits, could require increased financial reserves or compliance expenditures, or otherwise have a material adverse effect on us. Changes in environmental, health and safety legislation could also have a material adverse effect on product demand, product quality and methods of production and distribution. In the event that any of our products were demonstrated to have negative health effects, we could be exposed to workers' compensation and product liability claims, which could have a material adverse effect on our business.

**Damage to our reputation may result in decreased investor confidence, challenges in maintaining positive community relations and increased risks in obtaining permits or financing for our development properties and expansions of our existing operations.**

Damage to our reputation can occur from our actual or perceived actions or inactions and a variety of events and circumstances, many of which are out of our control. The growing use of social media to generate, publish and discuss community news and issues and to connect with others has made it significantly easier for individuals and groups to share their opinions of us and our activities, whether true or not. We do not directly control how we are perceived by others and loss of reputation could result in, among other things, a decrease to the price of our shares, decreased investor confidence, challenges in maintaining positive relationships with the communities in which we operate and other important stakeholders and increased risks in obtaining permits or financing for our development properties or expansions to our existing operations, any of which could have a material adverse effect on our operations, development projects, business and financial position.

**We face risks associated with our reclamation obligations.**

We are required to reclaim properties as mining progresses and after mining is completed and specific requirements vary among jurisdictions. We are required by various governments in the jurisdictions in which we operate to provide financial assurances to cover any reclamation obligations we may have at our mine sites. The amount of these financial assurances is significant and is subject to change from time to time by the governments in the jurisdictions in which we operate, and may exceed our estimates for such costs. The amount and nature of our financial assurance obligations depend on a number of factors, including our financial condition and reclamation cost estimates.

Reclamation cost estimates can escalate because of new regulatory requirements, changes in site conditions or conditions in the receiving environment, or changes in analytical methods or scientific understanding of the impacts of various constituents in the environment. Since 2016, the B.C.

government has been carrying out a review of its financial assurance requirements for reclamation obligations. While it is not clear what the new requirements will be or when they will be implemented, we expect they will result in an increase to our financial assurance requirements, for both our ongoing operations and our projects in B.C.

Changes to the form or amount of our financial assurance obligations in respect of reclamation obligations could significantly increase our costs, making the maintenance and development of existing or new mines less economically feasible. Increases in financial assurance requirements could severely impact our credit capacity and our ability to raise capital for other projects or acquisitions. We may be unable to obtain letters of credit or surety bonds to satisfy these requirements, in which case we may be required to deposit cash as financial assurance. If we are unable to satisfy these requirements, we may face loss of permits, fines and other material and negative consequences.

Although we currently make provisions for our reclamation obligations, there can be no assurance that these provisions will be accurate in the future. Any underestimated or unanticipated reclamation costs could materially affect our business, operations and financial condition. Failure to provide regulatory authorities with the required financial assurances could potentially result in the closure of one or more of our operations, which could result in a material adverse effect on our operations and therefore our profitability.

**Failure to secure water rights could have negative effects on our operations and financial condition.**

Water rights are an area of significant and increasing focus for our foreign operations and community relations are significantly impacted by access and sourcing of water. Our mining operations require significant quantities of water for mining, ore processing and related support facilities. Certain of our operations and projects are located in areas where water is scarce and competition among users for access to water is significant. If water supplies become scarce or are negatively affected by environmental events or factors such as drought, water supplies to our operations might be reduced in order to maintain supply to the local communities in which we operate or for ecological purposes, whether or not we have legal rights to draw water. Laws and regulations may be introduced in certain jurisdictions which could limit our access to water resources.

Any reduction in the availability of water may preclude development of otherwise potentially economic mineral deposits or may negatively affect costs, production and/or sales from our affected operations.

**We are subject to legal proceedings, the outcome of which may affect our business.**

The nature of our business subjects us to numerous regulatory investigations, claims, lawsuits and other proceedings in the ordinary course of our business. The results of these legal proceedings cannot be predicted with certainty and the costs of these legal proceedings can be significant. Additionally, although largely unsuccessful to date, natural resource issuers are facing a significant increase in climate change related litigation. There can be no assurances that these matters will not have a material adverse effect on our reputation, our support by various stakeholders, our ability to secure permits, the market price of our shares or on our operations, business or financial condition generally. See "*Legal Proceedings and Regulatory Actions*" below.

**We face risks associated with our joint venture operations and projects.**

A number of our projects and operations are developed and operated through joint venture or shared ownership arrangements with third parties. These joint arrangements include, among others, Quebrada Blanca Phase 2, Fort Hills, Antamina, NuevaUnión, Zafranal, Galore Creek, Elkview and Greenhills. We face risks from the fact that at certain of our operations, like Fort Hills and Antamina, we are a minority partner and certain major decisions may be made without our consent, meaning we may not have control over a number of factors including, timing and amount of capital and operating expenditures, operation and production decisions, risk management and other operational practices.

We also face risks from the fact that at certain other projects, like NuevaUnión and Galore Creek, we hold a 50% interest and many decisions require the consent of our partner, and, even at projects or operations where we hold a majority interest, such as Quebrada Blanca, Zafranal, Elkview and Greenhills, major decisions affecting the project or operation may require agreement with our partners. Dispute resolution provisions with respect to major decisions in the relevant agreements may result in major decisions being made without our consent or may trigger other remedies.

The success and timing of these operations and projects depend on a number of factors that may be outside our control including, the financial resources of our partners and the objectives and interests of our partners. While joint venture partners may generally reach consensus regarding the direction and operation of the operation or project, there are no assurances that this will always be the case or that future demands and expectations will continue to align. Failure for joint venture partners to agree on matters requiring consensus may lead to development or operational delays, failure to obtain necessary permits or approvals in an efficient manner or at all, remedies under dispute resolution mechanisms, or the inability to progress with production at the relevant operation or development of the relevant project in accordance with expectations or at all, which could materially affect the operation or development of such projects or operations and our business and financial condition.

**Volatility in commodity markets and financial markets may adversely affect our ability to operate and our financial condition and may cause the market price of our shares to fluctuate significantly.**

Recent global financial conditions and commodity markets have been volatile. From time to time, access to financing has been negatively affected by many factors, including the financial distress of banks and other credit market participants and global market uncertainty. This volatility has from time to time affected and may in the future affect our ability to obtain equity or debt financing on acceptable terms, and may make it more difficult to plan our operations and to operate effectively. If volatility or market disruption affects our access to financing on reasonable terms, our operations and financial condition could be adversely affected.

Furthermore, the market price of our shares may fluctuate significantly in response to a number of factors, many of which are beyond our control, including, without limitation, variations in our operating results, changes in market conditions, announcements by us of strategic developments, acquisitions and other material events, speculation about us in the press or investment community, changes in market valuation of similar companies, developments in the mining business generally, activism, regulatory changes and changes in political environments and changes in global financial markets generally. Any of these events could result in a material decline in the price of our shares.

**We have indebtedness to service and repay.**

As of December 31, 2019, we and our consolidated subsidiaries had total indebtedness of $4.8 billion. We must generate sufficient amounts of cash to service and repay our debt, and our ability to generate cash will be affected by general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control.

**Our material financing agreements contain financial and other covenants that may impose restrictions on our business and, if breached by us, may require us to redeem, repay, repurchase or refinance our existing debt obligations prior to their scheduled maturity.**

We are party to a number of financing agreements, including our credit facilities and the indentures governing our various public indebtedness, which contain financial and other covenants, including restrictive covenants. If we breach covenants contained in our financing agreements, we may be required to redeem, repay, repurchase or refinance our existing debt obligations prior to their scheduled maturity, and our ability to do so may be restricted or limited by the prevailing conditions in the capital markets, available liquidity and other factors. If we are unable to refinance any of our debt obligations in such circumstances, our ability to make capital expenditures and our financial condition and cash flows could be adversely impacted. In addition, our ability to borrow under our credit facilities is subject to our compliance with certain covenants, and the making of certain representations and warranties at the time of a borrowing request. See "*Credit Facilities and Debt Securities*" for further information regarding, and a further discussion of the covenants in, our financing arrangements.

In addition, from time to time, new accounting rules, pronouncements and interpretations are enacted or promulgated that may require us, depending on the nature of those new accounting rules, pronouncements and interpretations, to reclassify or restate certain elements of our financing agreements and other debt instruments, which may in turn cause us to be in breach of the financial or other covenants contained in our financing agreements and other debt instruments.

**Future funding requirements may affect our business and we may not have access to credit in the future.**

Future investments, including development projects, acquisitions and other investments, may require significant capital expenditures. Our operating cash flow may not be sufficient to meet all of these expenditures depending on the timing and costs of development. As a result, new sources of capital may be needed to fund acquisitions or these investments. Additional sources of capital may not be available when required or on acceptable terms and as a result we may be unable to grow our business, finance our projects, take advantage of business opportunities, fund our ongoing business activities, respond to competitive pressure, retire or service outstanding debt or refinance maturing debt.

We have significant financial support in the form of outstanding letters of credit issued by banks, which reduces the amount of other credit, including loans, that issuing banks may be willing to extend to us by way of debt financing. We also have a significant amount of surety bonds issued by insurance companies. These letters of credit and surety bonds are required for a number of purposes, mainly as security for reclamation obligations. If we are no longer rated investment grade, we may be required to deliver a significant amount of letters of credit to support our parent guarantees of the take-or-pay commitments in respect of our Fort Hills downstream arrangements and Quebrada Blanca Phase 2 power arrangements.

The surety bonds and the credit facilities that support our letters of credit do not currently require us to deliver cash collateral or other security, although we may elect to do so from time to time to

reduce borrowing costs. If letters of credit, surety bonds or other acceptable financial assurance are not available to us on an unsecured basis, we may be required to deliver cash collateral to a financial institution that will issue the financial assurance, which would reduce our cash available for use in our business.

In addition, certain of our letters of credit are issued under uncommitted standby facilities. Our standby letter of credit facilities may be terminated at the election of the bank counterparty upon at least 90 days' notice. In the event that a standby letter of credit facility is terminated, we would be required to deliver cash collateral to the bank counterparty if we were unable to terminate the letter of credit issued by the bank. Providers of our surety bonds also have the right to require the delivery of cash collateral upon 60 days' notice.

Investor or general societal pressures may limit the appetite of certain institutions to lend to, or hold debt or equity securities of, issuers, such as Teck, in carbon-intensive industries or industries with a track record of social and environmental controversy, despite our efforts to adhere to leading industry practices regarding social and environmental matters.

Our credit ratings have been subject to change over the years. There can be no assurance that the credit ratings currently assigned to Teck's debt securities will not be lowered. A downgrade by any rating agency could adversely affect the value of our outstanding debt securities, the value of our existing debt and our ability to obtain new financing on favourable terms, if at all, and may increase our borrowing costs and require us to provide additional financial support in respect of certain obligations relating to our operations, which in turn could have a material adverse effect on our operations, business and financial position.

**We may be adversely affected by interest rate changes.**

Our exposure to changes in interest rates results from investing and borrowing activities undertaken to manage our liquidity and capital requirements. We have incurred indebtedness that bears interest at fixed and floating rates, and we may from time to time enter into interest rate swap agreements to effectively convert some fixed rate exposure to floating rate exposure. There can be no assurance that we will not be materially adversely affected by interest rate changes in the future. In addition, our use of interest rate swaps exposes us to the risk of default by the counterparties to those arrangements. Any default by a counterparty could have a material adverse effect on our business.

**We may be adversely affected by currency fluctuations.**

Our operating results and cash flow are affected by changes in currency exchange rates relative to the currencies of other countries. Exchange rate movements can have a significant impact on results, as a significant portion of our operating costs are incurred in Canadian and other currencies, most revenues are earned in U.S. dollars, and a significant portion of the capital costs for our QB2 project will be incurred in Chilean pesos. To reduce the exposure to currency fluctuations, we enter into foreign exchange contracts from time to time, but these hedges do not eliminate the potential that those fluctuations may have an adverse effect on us. In addition, foreign exchange contracts expose us to the risk of default by the counterparties to those contracts, which could have a material adverse effect on our business. In addition, our operating costs are influenced by the strength of the currencies of those countries where our operations are located, such as Chile, Peru and the United States.

Our general policy has been not to hedge currency exchange rates. From time to time, however, we have in the past and may in the future undertake currency hedging activities in specific circumstances. There can be no assurance that we will enter into these currency hedging activities

or that these currency hedging activities will not cause us to experience less favourable economic outcomes that we would have experienced if we did not engage in such activities.

**We face competition in product markets and from other natural resource companies**

The mining industry in general is intensely competitive and even if commercial quantities of mineral resources are developed, a profitable market may not exist for the sale of the minerals. We must sell base metals, metal concentrates, by-product metals and concentrate, blended bitumen and steelmaking coal at prices determined by world markets over which we have no influence or control. Our competitive position is determined by our costs in comparison to those of other producers in the world. If our costs increase due to our locations, grade and nature of orebodies, foreign exchange rates, government policy changes, permitting costs or our operating and management skills, our profitability may be affected. We have to compete with larger companies that have greater assets and financial and human resources than us and which may be able to sustain larger losses than us.

We also compete with other natural resource companies to obtain specialized equipment, components and supplies to develop our projects or operate our mines. Competition in these areas could result in significant delays or increased costs to us in the development of our projects or the operation of our mines.

In addition, we face strong competition for exploration properties. Competition in this area could impede our ability to acquire suitable exploration properties on reasonable terms or at all in order to offset the depletion of our current reserves.

**We may face market access restrictions or tariffs.**

Access to our markets may be subject to ongoing interruptions or trade barriers due to policies and tariffs of individual countries, and the actions of certain interest groups to restrict the import of certain commodities. Our products may also be subject to tariffs that do not apply to producers based in other countries. In 2018, the Chinese government imposed tariffs on our zinc and lead concentrates produced in the U.S. While these tariffs did not materially affect our business or our access to Chinese markets, there is no assurance that they will not do so in the future or that those tariffs will not increase in the future. The Chinese government has also from time to time placed restrictions on imports of steelmaking coal. Other than the foregoing, there are currently no significant trade barriers existing or impending of which we are aware that do, or could, materially affect our access to certain markets; however, there can be no assurance that our access to these markets will not be restricted in the future, or that tariffs or similar measures will not impair the competitiveness of our products.

**Fluctuations in the price and availability of consumed commodities affect our costs of production.**

Prices and availability of commodities consumed or used in connection with exploration, development, mining, smelting, refining and blending, such as natural gas, diesel, oil, diluent and electricity, as well as reagents such as copper sulphate, fluctuate and these fluctuations affect the costs of production at our various operations. Our smelting and refining operations at Trail require concentrates, some of which are produced at our Red Dog mine and some of which we purchase from third parties. The availability of those concentrates and the treatment charges we can negotiate fluctuate depending on market conditions. These fluctuations can be unpredictable, can occur over short periods, and may have a material adverse impact on our operating costs or on the timing and costs of various projects. Our general policy is not to hedge our exposure to changes in prices of the commodities we use in our business.

**We could be subject to potential labour unrest or other labour disturbances as a result of the failure of negotiations in respect of our collective agreements.**

Approximately 5,900 of our approximately 10,100 regular employees (as of December 31, 2019) are employed under collective bargaining agreements. We could be subject to labour unrest or other labour disturbances as a result of delays in or the failure of negotiations in respect of our collective agreements, which could, while ongoing, have a material adverse effect on our business. See "*Description of the Business — Human Resources*" for a description of our regular employee category and the expiry dates of the collective bargaining agreements covering unionized employees at our material projects.

**We may not be able to hire enough skilled employees to support our operations.**

We compete with other mining companies to attract and retain key executives and skilled and experienced employees. The mining industry is labour intensive and our success depends to a significant extent on our ability to attract, hire, train and retain qualified employees, including our ability to attract employees with needed skills in the geographic areas in which we operate. We face competition for limited candidates in many trades and professions, and may see current employees leave to pursue other opportunities. We could experience increases in our recruiting and training costs, and decreases in our operating efficiency, productivity and profit margins if we are not able to attract, hire and retain a sufficient number of skilled employees to support our operations.

**Our reserve and resource estimates may prove to be incorrect.**

Disclosed reserve and mine life estimates should not be interpreted as assurances of mine life or of the profitability of current or future operations. We estimate and report our mineral and oil and gas reserves and resources in accordance with the requirements of the applicable Canadian securities regulatory authorities and industry practice.

We disclose both mineral reserves and mineral resources. Mineral resources are concentrations or occurrences of minerals that are judged to have reasonable prospects for economic extraction, but for which the economics of extraction cannot be assessed, whether because of insufficiency of geological information or lack of feasibility analysis, or for which economic extraction cannot be justified at the time of reporting. Consequently, mineral resources are of a higher risk and are less likely to be accurately estimated or recovered than mineral reserves.

In general, our mineral reserves and resources are estimated by persons who are, or were at the time of their report, employees of the respective operating company for each of our operations under the supervision of our employees. These individuals are not "independent" for purposes of applicable securities legislation. Generally, we do not use outside sources to verify mineral reserves or resources, except at the initial feasibility stage and through periodic external audits.

We disclose both oil and gas reserves and resources other than reserves in accordance with applicable Canadian securities requirements. Resources other than reserves (further defined as contingent or prospective) are less certain due to geologic, economic, legal, market, political, social, or regulatory conditions, as well as level of corporate commitment. These resources may not be developed, and are less likely to be accurately estimated or recovered than reserves.

The reserve and resource figures included or incorporated in this disclosure document by reference are estimates based on the interpretation of limited sampling and subjective judgments regarding the grade, continuity and existence of mineralization, as well as the application of economic assumptions, including assumptions as to operating costs, production costs, mining and processing recoveries, cut-off grades, long-term commodity prices and, in some cases, exchange rates, inflation rates, capital costs and applicable taxes and royalties. As a result, changes in estimates or

inaccuracy of estimates may affect our reserves and resources. The sampling, interpretations or assumptions underlying any reserve or resource estimate may be incorrect, and the impact on reserves or resources may be material.

Should the mineralization and/or configuration of a deposit ultimately turn out to be significantly different from that currently envisaged, or should regulatory standards or enforcement change, then the proposed mining plan may have to be altered in a way that could affect the tonnage and grade of the reserves mined and rates of production and, consequently, could adversely affect the profitability of the mining operations. In addition, short-term operating factors relating to the reserves, such as the need for orderly development of orebodies or the processing of new or different ores, may cause reserve and resource estimates to be modified or operations to be unprofitable in any particular fiscal period.

There can be no assurance that our projects or operations will be, or will continue to be, economically viable, that the indicated amount of minerals or hydrocarbons will be recovered, or that they will be recovered at the prices assumed for purposes of estimating reserves.

**The depletion of our mineral reserves may not be offset by future discoveries or acquisitions of mineral reserves.**

We must continually replace mineral reserves depleted by production to maintain production levels over the long term. This is done by expanding known mineral reserves or by locating or acquiring new mineral deposits.

There is, however, a risk that depletion of reserves will not be offset by future discoveries of mineral reserves. Exploration for minerals and oil and gas is highly speculative and involves many risks. Few properties that are explored are ultimately developed into producing mines. The reasons why a mineral property may be non-productive often cannot be anticipated in advance. Further, significant costs are incurred to establish mineral or oil and gas reserves and to construct mining and processing facilities. Development projects have no operating history upon which to base estimates of future cash flow and are subject to the successful completion of feasibility studies, obtaining necessary government permits, obtaining title or other land rights, and availability of financing, among other things. In addition, assuming discovery of an economic orebody, depending on the type of mining operation involved many years may elapse from the initial phases of drilling until commercial operations are commenced. Accordingly, there can be no assurances that our current work programs will result in any new commercial mining operations or yield new reserves to replace and/or expand current reserves in a timely manner.

**Our operations depend on information technology systems, which may be disrupted or may not operate as desired.**

We rely on information technology systems and networks in our operations. Our information technology systems are subject to disruption, damage or failure from a variety of sources, including, without limitation, security breaches, cybersecurity attacks, computer viruses, malicious software, natural disasters or defects in software or hardware system. Our system and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient in the future and such disruption, damage or failure could result in, among other things, production downtime, operational delays, destruction or corruption of data, damage to reputation, environmental or physical damage to our operations or surrounding areas or legal or regulatory consequences, any of which could have a material adverse effect on our financial condition, operations, production, sales, and business. We could also be adversely affected in a similar manner by system or network

disruptions if new or upgraded information technology systems are defective, not installed properly or not properly integrated into our operations.

In addition, as technologies evolve and cybersecurity attacks become more sophisticated, we may incur significant costs to upgrade or enhance our security measures or mitigate potential harm. Our exposure to these risks is expected to increase as we take steps to further integrate information technology in our operations through the adoption of technologies such as autonomous haulage and process control automation.

**Title defects or claims may affect our existing operations as well as our development projects and future acquisitions.**

Title to our properties may be challenged or impugned. Our mining properties may be subject to prior unregistered agreements, transfers or subject to challenge by governments or private parties. Claims and title may be affected by, among other things, undetected defects. A determination of defective title or a challenge to title rights could impact our existing operations as well as exploration and development projects and future acquisitions, which may have a material adverse effect on our operations, business and cash flow.

**Indigenous Peoples' claims and rights to consultation and accommodation may affect our existing operations worldwide as well as development projects and future acquisitions.**

Governments in many jurisdictions must consult with Indigenous Peoples with respect to grants of mineral rights and the issuance or amendment of project authorizations. These requirements are subject to change from time to time. As an example, the Government of British Columbia has recently introduced legislation to implement the United Nations Declaration on the Rights of Indigenous Peoples in British Columbia. See "*Risk Factors - Changes in environmental, health and safety laws may have a material adverse effect on our operations and projects.*" Consultation and other rights of Indigenous Peoples may require accommodations, including undertakings regarding financial compensation, employment, and other matters in impact and benefit agreements. This may affect our ability to acquire within a reasonable time frame effective mineral titles or environmental permits in these jurisdictions, including in some parts of Canada in which Aboriginal title is claimed, and may affect the timetable and costs of development of mineral properties in these jurisdictions. The risk of unforeseen Indigenous Peoples' claims or grievances also could affect existing operations as well as development projects and future acquisitions. These legal requirements and the risk of Indigenous Peoples' opposition may increase our operating costs and affect our ability to expand or transfer existing operations or to develop new projects.

**We are subject to changes in law or policy in relation to taxes, fees and royalties**

We are subject to taxes (including income taxes, mineral taxes and carbon taxes), various fees and royalties imposed by various levels of government across the jurisdictions in which we operate. The laws imposing these taxes, fees and royalties and the manner in which they are administered may in the future be changed or interpreted in a manner that materially and adversely affects our business, financial position and results of operations.

**We operate in foreign jurisdictions and face added risks and uncertainties due to different economic, cultural and political environments.**

Our business operates in a number of foreign countries where there are added risks and uncertainties due to the different economic, cultural and political environments. Some of these risks include nationalization and expropriation, social unrest and political instability, uncertainties in perfecting mineral titles, delays or inability to obtain permits, trade barriers and exchange controls, limitations on repatriation of funds, and material changes in taxation. Further, developing country

status or an unfavourable political climate may make it difficult for us to obtain financing for projects in some countries.

A substantial portion of our base metals business is in Chile, which has recently been subject to significant social unrest. While our QB2 project has the benefit of a tax stability agreement, social conditions in Chile may result in tax increases or may disrupt our business and the impact may be material.

**Our business is subject to the Canadian *Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act* and similar worldwide anti-bribery laws, a breach or violation of which could lead to civil and criminal fines and penalties, loss of licences or permits and reputational harm.**

We operate in certain jurisdictions that have experienced governmental and private sector corruption to some degree, and, in certain circumstances, strict compliance with anti-bribery laws may conflict with certain local customs and practices. For example, the Canadian *Corruption of Foreign Public Officials Act*, the U.S. *Foreign Corrupt Practices Act*, and anti-corruption and anti-bribery laws in other jurisdictions generally prohibit companies and their intermediaries from making improper payments for the purpose of obtaining or retaining business or other commercial advantage. In recent years, there has been a general increase in both the frequency of enforcement and the severity of penalties under such laws, resulting in greater scrutiny of and punishment to companies convicted of violating anti-corruption and anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also by its contractors and third-party agents.

Our Code of Ethics, our Anti-Corruption Policy and other corporate policies mandate compliance with these anti-corruption and anti-bribery laws, and we have implemented training programs, internal monitoring and controls, and reviews and audits to ensure compliance with such laws. However, there can be no assurance that our internal control policies and procedures will always protect us from recklessness, fraudulent behaviour, dishonesty or other inappropriate acts committed by our affiliates, employees, contractors or agents. Violations of these laws, or allegations of such violations, could lead to civil and criminal fines and penalties, litigation, loss of operating licences or permits, or withdrawal of mining tenements, and may damage our reputation, which could have a material adverse effect on our business, financial position and results of operations, or cause the market value of our shares to decline. We may face disruption in our permitting, exploration or other activities resulting from our refusal to make “facilitation payments” in certain jurisdictions where such payments are otherwise prevalent.

**We are highly dependent on third parties for the provision of transportation services and are subject to government action regarding production.**

Due to the geographical location of many of our mining properties and operations, we are highly dependent on third parties for the provision of transportation services, including rail, pipeline and port services. We negotiate prices for the provision of these services in circumstances where we may not have viable alternatives to using specific providers, or have access to regulated rate setting mechanisms. Contractual disputes, demurrage charges, rail, pipeline and port capacity issues, availability of vessels and railcars, weather problems or other factors can have a material adverse effect on our ability to transport materials according to schedules and contractual commitments, and result in lower than anticipated sales volumes and revenue. In recent years we have experienced a loss of revenue and an increase in cost of coal product due, in part, to logistics issues with our transportation service providers.

In 2019, we experienced significant challenges with pipeline capacity for our energy products resulting in low realized prices for our blended bitumen. In December 2018, the Government of Alberta announced temporary curtailment measures that continue to affect our production at Fort Hills and are expected to be in place throughout 2020. There can be no assurances that pipeline capacity challenges or production curtailment will not continue or increase in the future, each of which may materially affect our energy operations and revenue.

**A number of our concentrate products include varying amounts of minor elements that are subject to increasing environment regulation, which may expose us to higher smelter treatment charges, penalties or limit our ability to sell certain products.**

Our customer smelters are subject to increasingly stringent environmental regulation, in particular with respect to minor elements such as mercury, cadmium and thallium, which could adversely affect their ability to treat copper, zinc and lead concentrates from certain of our operations. We rely on customer smelters to process our concentrates into metals for sale. We are already restricted in our ability to sell certain products in certain jurisdictions for regulatory reasons. We may be required to pay higher smelter treatment charges or specific penalties relating to minor elements present in our concentrates, we may incur additional costs to blend certain products, or we may not be able to sell certain products at all in certain jurisdictions, depending on the regulatory environment.

**The profitability of our Trail Operations depends in part on our ability to sell various products that may face more stringent environmental regulation.**

In addition to zinc and lead, Trail Operations produces various minor metals and other compounds, which are sold into specialized markets. Changes in market demand for these products, or changes in export regulations or other regulatory restrictions, may limit our ability to sell these products. If we are unable to sell certain products at a profit, we may incur significant storage and disposal costs, or costs to change our production facilities or processes.

**Our arrangements relating to our relationship with BC Hydro regarding the Waneta hydroelectric plant may require us to incur substantial costs.**

In connection with the sale of our interest in the Waneta hydroelectric plant in 2018, we entered into a 20-year arrangement with BC Hydro, with the ability to renew for an additional 10 years, to use a portion of the energy derived from the Waneta hydroelectric plant for our Trail Operations. Under our arrangement with BC Hydro, Teck Metals is required to provide firm delivery of a portion of the energy from the Waneta hydroelectric plant to BC Hydro until 2036. If Teck Metals does not deliver power as required, it could be required to purchase replacement power in the open market or to pay liquidated damages to BC Hydro based on the market rate for power at the time of the shortfall. These costs are generally not covered by our insurance policies and we could incur substantial costs, especially if the shortfall is protracted.

In addition, BC Hydro has contracted to make power available to Teck Metals at favourable rates in amounts sufficient to meet the current and anticipated future requirements of our Trail Operations. If our entitlement to power from the Waneta hydroelectric plant (taking into account our arrangements with BC Hydro) is not sufficient to supply the requirements of our Trail Operations, we may be required to reduce production at our Trail Operations, or purchase power in the open market, in order to address any shortfall. Following expiry of this arrangement we may be required to purchase power in the open market to power our Trail Operations, which may require us to incur substantial additional costs to operate our Trail Operations.

**We face risks in connection with our committed downstream arrangements in connection with Fort Hills.**

Under the arrangements governing Fort Hills, we are obliged to lift our *pro rata* share of project production, and to supply the diluent required in order to create a bitumen blend that meets pipeline specifications. In order to meet our lifting obligations and to ensure that our share of project production reaches a market, we are required to enter into commitments to secure tankage and transportation (pipeline, rail) capacity. These commitments involve long-term take-or-pay obligations. There is a risk that there may be delays or interruptions in the availability of appropriate pipeline or rail capacity, that we may be unable to provide the required diluent despite our efforts to secure diluent supply, or that unanticipated events may otherwise interfere with our ability to lift and dispose of our share of Fort Hills production. In any of these events, we may face additional costs or penalties under the Fort Hills arrangements. In addition, interruptions in production at Fort Hills may not relieve us of take-or-pay obligations incurred in connection with our downstream arrangements, causing us to incur significant costs. We may face material losses in any of these situations, which may not be covered by insurance.

**Our Red Dog Operations are subject to a limited annual shipping window, which increases the consequences of restrictions on our ability to ship concentrate from the operation.**

Like our other mines, our Red Dog mine operates year-round on a 24-hour-per-day basis. Due to sea ice and weather conditions, the annual production of the mine must be stored at the port site and shipped within an approximate 100-day window when sea ice and weather conditions permit. Two purpose-designed shallow draft barges transport the concentrates to deep-water moorings. The barges cannot operate in severe swell conditions.

Unusual ice or weather conditions, or damage to the barges or ship loading equipment could restrict our ability to ship all of the stored concentrate. Failure to ship the concentrate during the shipping season could have a material adverse effect on our sales, as well as on our Trail Operations, and could materially restrict mine production subsequent to the shipping season.

**Although we believe our financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance.**

We prepare our financial reports in accordance with accounting policies and methods prescribed by International Financial Reporting Standards as issued by the International Accounting Standards Board. In the preparation of financial reports, management may need to rely upon assumptions, make estimates or use their best judgment in determining the financial condition of the Company. Significant accounting policies are described in more detail in the notes to our annual consolidated financial statements for the year ended December 31, 2019. In order to have a reasonable level of assurance that financial transactions are properly authorized, assets are safeguarded against unauthorized or improper use, and transactions are properly recorded and reported, we have implemented and continue to analyze our internal control systems for financial reporting. Although we believe our financial reporting and financial statements are prepared with reasonable safeguards to ensure reliability, we cannot provide absolute assurance in that regard.

**Our insurance may not provide adequate coverage.**

We maintain large self-insured retentions and insure against most risks up to reasonably high limits through captive insurance companies. Our property, business interruption and liability insurance may not provide sufficient coverage for losses related to certain hazards, and large losses within our captive insurers could have an effect on our consolidated financial position. We may elect not to maintain insurance for certain risks due to the high premiums associated with insuring those risks

and for various other reasons. In other cases, insurance against certain risks, including certain liabilities for environmental pollution, may not be available to us or to other companies within the industry. In addition, our insurance coverage may not continue to be available at economically feasible premiums, or at all. Any such event could have a material adverse effect on our business, operations or financial position.

**Our pension and other post-retirement liabilities and the assets available to fund them could change materially.**

We have substantial assets in defined benefit pension plans which arise through employer contributions and returns on investments made by the plans. The returns on investments are subject to fluctuations depending upon market conditions and we are responsible for funding any shortfall of pension assets compared to our pension obligations under these plans.

We also have certain obligations to current and former employees with respect to post-retirement benefits. The cost of providing these benefits can fluctuate and the fluctuations can be material.

Our liabilities under defined benefit pension plans and in respect of other post-retirement benefits are estimated based on actuarial and other assumptions. These assumptions may prove to be incorrect and may change over time, and the effect of these changes can be material.

## Dividends

Our Class A common shares and Class B subordinate voting shares rank equally as to the payment of dividends. Total dividends per share declared and paid in the past three years were:

| Year ended December 31 | 2019 | 2018 | 2017 |
|---|---|---|---|
| Dividends paid per share | $ 0.20 | $ 0.30 | $ 0.60 |

Our dividend policy contemplates the payment of a quarterly base dividend and annual consideration of a supplemental dividend. Each year, the Board reviews the free cash flow generated by the business, the outlook for business conditions and priorities regarding capital allocation, and determine whether a supplemental dividend should be paid. If declared, supplemental dividends may be highly variable from year to year, given the volatility of commodity prices and the potential need to conserve cash for certain project capital expenditures or other corporate policies. In accordance with the policy, in 2019 we declared and paid an aggregate $0.20 per share base dividend and no supplemental dividend. The payment of dividends is at the discretion of the Board, who will review the dividend policy regularly in the context of our capital allocation framework.

All dividends paid on our Class A common shares and Class B subordinate voting shares after 2005 are eligible dividends for purposes of the federal and provincial enhanced dividend tax credit that may be claimed by Canadian resident individuals.

We may not pay dividends on the Class A common shares and Class B subordinate voting shares unless all dividends on any preferred shares outstanding have been paid to date. We do not currently have any preferred shares outstanding.

## Description of Capital Structure

### General Description of Capital Structure

**SHARE CAPITAL**

Teck is authorized to issue an unlimited number of Class A common shares and Class B subordinate voting shares and an unlimited number of preference shares, issuable in series.

Class A common shares carry the right to 100 votes per share. Class B subordinate voting shares carry the right to one vote per share. Each Class A common share is convertible, at the option of the holder, into one Class B subordinate voting share. In all other respects, including dividend rights and the distribution of property upon dissolution or winding-up of the Company, the Class A common shares and Class B subordinate voting shares rank equally.

The attributes of the Class B subordinate voting shares contain so called “coattail” provisions, which provide that, in the event that an offer (an Exclusionary Offer) to purchase Class A common shares, which is required to be made to all or substantially all holders thereof, is not made concurrently with an offer to purchase Class B subordinate voting shares on identical terms, then each Class B subordinate voting share will be convertible into one Class A common share at the option of the holder during a certain period, provided that any Class A common shares received upon such conversion are deposited to the Exclusionary Offer. Any Class B subordinate voting shares converted into Class A common shares pursuant to such conversion right will automatically convert back to Class B subordinate voting shares in

the event that any such shares are withdrawn from the Exclusionary Offer or are not otherwise ultimately taken up and paid for under the Exclusionary Offer.

The Class B subordinate voting shares will not be convertible in the event that holders of a majority of the Class A common shares (excluding those shares held by the offeror making the Exclusionary Offer) certify to Teck that they will not, among other things, tender their Class A common shares to the Exclusionary Offer.

If an offer to purchase Class A common shares does not, under applicable securities legislation or the requirements of any stock exchange having jurisdiction, constitute a "takeover bid" or is otherwise exempt from any requirement that such offer be made to all or substantially all holders of Class A common shares, the coattail provisions will not apply.

The above is a summary only. Reference should be made to the articles of Teck, a copy of which may be obtained on SEDAR at www.sedar.com or by writing to the Corporate Secretary.

### *Securities subject to contractual restriction on transfer*

On July 15, 2009, Teck issued 101.3 million Class B subordinate voting shares to Fullbloom Investment Corporation (Fullbloom), a wholly owned subsidiary of China Investment Corporation (CIC). Each of Fullbloom and CIC have agreed that neither of them will, without the prior written consent of Teck, knowingly dispose or agree to dispose (directly or indirectly) of all or a significant portion of their Class B subordinate voting shares to any person that at the time of the disposition is (i) either itself, or through its affiliates, a direct participant in the mining, metals or minerals industries with respect to a substantial portion of the business of itself and its affiliates taken together, (ii) a material customer of Teck, or (iii) a person who, based on Fullbloom and CIC's actual knowledge without inquiry, is not dealing at arm's-length with any of the persons referred to in (i) or (ii) in connection with securities of Teck, in each case anywhere in the world. These transfer restrictions are subject to certain exceptions.

In September 2017, Fullbloom sold 42 million of its Class B subordinate voting shares. As a result, 59.3 million shares remain subject to the restrictions described above, representing 11% of Teck's outstanding Class B subordinate voting shares as of February 26, 2020.

## CREDIT FACILITIES

We maintain various committed and uncommitted credit facilities for liquidity and for the issuance of letters of credit. As at December 31, 2019, we or our subsidiaries were party to various credit agreements establishing the following credit facilities (collectively, the credit facilities):

- A US$4 billion revolving credit facility provided by a syndicate of lenders, which matures on November 22, 2024 and which, as at December 31, 2019, was undrawn.
- A $200 million uncommitted standby letter of credit facility with Bank of Montreal. As at December 31, 2019, $120 million of letters of credit under the facility were outstanding.
- A $150 million uncommitted credit facility with Royal Bank of Canada. As at December 31, 2019, $121 million of letters of credit under the facility were outstanding.
- A $100 million uncommitted standby letter of credit facility with Canadian Imperial Bank of Commerce. As at December 31, 2019, $72 million of letters of credit under the facility were outstanding.
- A $50 million uncommitted standby letter of credit facility with the Toronto-Dominion Bank. As at December 31, 2019, $37 million of letters of credit under the facility were outstanding.

- A $125 million uncommitted standby letter of credit facility with BNP Paribas. As at December 31, 2019, $97 million of letters of credit under the facility were outstanding.
- A $125 million uncommitted standby letter of credit facility with United Overseas Bank. As at December 31, 2019, $115 million of letters of credit under the facility were outstanding.
- A $100 million uncommitted standby letter of credit facility with National Bank of Canada. As at December 31, 2019, $75 million of letters of credit under the facility were outstanding.
- A $75 million uncommitted standby letter of credit facility with Sumitomo Mitsui Banking Corporation. As at December 31, 2019, $46 million of letters of credit under the facility were outstanding.
- A $50 million uncommitted standby letter of credit facility with MUFG Bank Ltd. As at December 31, 2019, $39 million of letters of credit under the facility were outstanding.
- A US$450 million Performance Security Guarantee Issuance and Indemnity Agreement with Export Development Canada (EDC), regarding our Red Dog mine. As at December 31, 2019, US$419 million of letters of credit, issued by third-party banks but secured by EDC under this arrangement, were outstanding.
- A $150 million Performance Security Guarantee Issuance and Indemnity Agreement with EDC, regarding our coal operations. As at December 31, 2019, $125 million of letters of credit, issued by third-party banks but secured by EDC under this arrangement, were outstanding.
- A US$150 million credit facility with Goldman Sachs Mortgage Company. As at December 31, 2019, US$150 million of letters of credit were outstanding.

In addition to the letters of credit outstanding under the facilities listed above, we also had, as at December 31, 2019, $453 million of stand-alone letters of credit and $450 million of surety bonds outstanding. The stand-alone letters of credit are issued by financial institutions on an as-negotiated basis mainly to support our reclamation obligations. While a variety of banks issue these stand-alone letters of credit, approximately $203 million were issued by Scotiabank Chile and approximately $177 million were issued by the Bank of Nova Scotia. The surety bonds are provided by insurance companies and support our reclamation obligations.

Our uncommitted standby letter of credit facilities may be terminated at the election of the bank counterparty upon at least 90 days' notice. In the event that a standby letter of credit facility is terminated, we would be required to deliver cash collateral to the bank counterparty if we were unable to terminate the letter of credit issued by the bank. These facilities are typically renewed on an annual basis. From time to time, at our election, we may reduce the fees paid to banks issuing letters of credit by making short-term deposits of excess cash with those banks. The deposits earn a competitive rate of interest and are generally refundable on demand. At December 31, 2019, we had US$12 million of such deposits. Our surety bonds provide the insurance issuer with the right, on 60 days' notice, in certain circumstances, to require Teck to obtain the return of a surety bond or to deliver cash collateral if we are unable to return the bond.

In addition to the above, on November 18, 2019, Compañía Minera Teck Quebrada Blanca, S.A. (QBSA) closed a US$2.5 billion limited recourse project financing facility to fund the development of the QB2 project. Project finance loans issued under this facility are secured against the assets of QBSA and are guaranteed pre-completion on a several basis by Teck, Sumitomo Metal Mining Co. Ltd. and Sumitomo Corporation pro-rata to their respective interests in the Series A shares of QBSA. Borrowing by QBSA under the project finance arrangements is subject to a number of conditions, including there being no event of default under the arrangements.

The owner of the Antamina project, CMA, is party to a credit facility. We hold a 22.5% interest in CMA. As at December 31, 2019, our proportionate share of CMA's US$100 million senior revolving credit facility was US$22.5 million. This facility is fully drawn and is non-recourse to us and the other Antamina project sponsors. The facility matures on April 30, 2020.

Our US$4.0 billion revolving credit facility contains restrictive and financial covenants, including:

- a requirement to maintain a net debt to total capitalization (net debt over debt-plus-equity) ratio of not more than 0.60:1.0;
- a restriction on certain of our subsidiaries incurring indebtedness of more than an aggregate of US$675 million unless the relevant subsidiary guarantees the credit facility;
- a provision requiring prepayment in the event of a change of control at Teck; and
- a prohibition on agreements that might restrict certain subsidiaries from issuing dividends or other distributions to, or making or repayment of loans to, Teck.

Our revolving credit facility includes customary events of default, which include non-payment of principal, interest, fees or other amounts owing in connection with such credit facilities, inaccuracy of representations and warranties , violation of covenants (subject, in the case of certain affirmative covenants, to a grace period), a payment default by Teck or any material subsidiary (as defined in the applicable credit facility) in respect of indebtedness equal to or in excess of US$100 million, acceleration of indebtedness equal to or in excess of US$100 million, bankruptcy or insolvency events of Teck or a material subsidiary, the rendering of a final judgment against Teck or any material subsidiary or a combination thereof in excess of US$100 million, the rendering of a final judgment not involving the payment of money against Teck or any material subsidiary that could reasonably be expected to result in a material adverse effect (as defined in the applicable credit facility) and certain events under the United States *Employee Retirement Income Security Act of 1974* .

Borrowing under our primary committed credit facilities is subject to our compliance with the covenants in the relevant agreement and our ability to make certain representations and warranties at the time of the borrowing request.

Our reclamation obligations are included in the "Other Liabilities and Provisions" line item on our balance sheet. Associated letters of credit and surety bonds would not become a liability unless the letter of credit or surety bond is drawn by the beneficiary, which drawing would be triggered if we did not perform our obligations under the relevant contract or permit. In the event of a drawing, we would be required to reimburse the issuing bank or surety bond provider for the amount drawn on the letter of credit or surety bond, respectively.

There are no restrictions on borrowing, or additional covenants, triggered under our credit facilities as a result of ratings downgrades, although the pricing under certain of our credit facilities varies with credit ratings. Teck's indebtedness outstanding under each of the credit facilities ranks *pari passu* in right of payment with the indebtedness under each of the other credit facilities and with all of Teck's other indebtedness for borrowed money, except that which is secured by liens permitted by the credit facilities and indentures.

**PUBLIC INDEBTEDNESS**

As of December 31, 2019, our public indebtedness consisted of eight series of outstanding notes.

We have issued notes under an indenture dated September 12, 2002 and an indenture dated August 17, 2010 (as supplemented from time to time in connection with an offering of notes). The Bank of New York Mellon acts as trustee under each indenture. All of our notes are issued under the 2010 indenture, except for our 6.125% notes due October 1, 2035, which were issued under the 2002 indenture.

The details of the outstanding principal amount, coupon and issuance date of each issuance of our outstanding series of notes as of December 31, 2019 follows:

- US$116.896 million of 4.500% notes due 2021 issued on September 8, 2010;
- US$201.856 million of 4.750% notes due 2022 issued on July 5, 2011;
- US$219.943 million of 3.750% notes due 2023 issued on August 8, 2012;
- US$609.355 million of 6.125% notes due 2035 issued on September 28, 2005;
- US$490.670 million of 6.000% notes due 2040 issued on August 17, 2010 and September 8, 2010;
- US$794.717 million of 6.250% notes due 2041 issued on July 5, 2011;
- US$399.043 million of 5.200% notes due 2042 issued on February 28, 2012; and
- US$376.908 million of 5.400% notes due 2043 issued on August 8, 2012.

In June 2019, we redeemed US$600 million of our 8.500% notes that were due in 2024.

The indentures supplementing the 2010 indenture include a covenant requiring us to offer to purchase the notes in the event of a change in control (as defined in the related supplemental indentures), and both the 2002 and 2010 indentures include restrictive covenants regarding liens on certain assets of Teck and certain restricted subsidiaries (as defined in the indentures). The indentures also provide for customary events of default, which include non-payment of principal or interest, failure to comply with covenants, the bankruptcy or insolvency of Teck or a material subsidiary, final judgments against Teck or a material subsidiary in excess of US$100 million, failure to pay other indebtedness in excess of US$100 million, or an acceleration of other indebtedness in excess of US$100 million.

The above is a summary of the terms of our public notes and is qualified in its entirety by reference to the indentures under which the notes were issued. A copy of the indentures can be found under Teck's profile on SEDAR at www.sedar.com.

## Ratings

During 2019, we regained investment grade ratings with three major U.S. credit rating agencies. Moody's, Fitch and S&P upgraded our credit ratings to Baa3, BBB-, and BBB-, respectively, all with stable outlooks. In addition, DBRS upgraded our credit rating to BBB with a stable trend.

The following table sets forth the current ratings that we have received from rating agencies in respect of our outstanding securities. The cost of funds under our credit facilities depend in part on our credit ratings from time to time. In addition, credit ratings affect our ability to obtain other short-term and long-term financing and the cost of such financing. The drawn and undrawn costs under some of our credit facilities are based upon our credit ratings, and could increase, or decrease, if Teck's credit ratings are downgraded, or upgraded, respectively.

Credit ratings are not recommendations to purchase, hold or sell securities and do not address the market price or suitability of a specific security for a particular investor. Credit ratings may not reflect the potential impact of all risks on the value of securities and may be revised or withdrawn at any time by the credit rating organization. In addition, real or anticipated changes in the ratings assigned to a security will generally affect the market value of that security. We cannot guarantee that a rating will remain in effect for any given period of time or that a rating will not be revised or withdrawn entirely by a rating agency in the future.

Our current credit ratings are as follows:

| | Moody's | Standard & Poor's | Fitch |
|---|---|---|---|
| Senior Unsecured Notes (1) | Baa3 | BBB- | BBB- |

(1) Our senior unsecured notes are issued under the 2002 Indenture and the 2010 Indenture.

A description of the rating categories of each of the rating agencies is set out below.

**MOODY'S INVESTOR SERVICE (MOODY'S)**

Moody's long-term credit ratings are on a rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of securities rated. Moody's "Baa" rating assigned to our senior unsecured notes is the fourth-highest rating of nine major rating categories. Obligations rated "Baa" are subject to moderate credit risk. They are considered medium-grade and as such may possess speculative characteristics. Moody's appends numerical modifiers from 1 to 3 to its long-term debt ratings, which indicates where the obligation ranks within its ranking category, with 1 being the highest.

**STANDARD & POOR'S (S&P)**

S&P's long-term issue credit ratings are on a rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of securities rated. S&P's "BBB" rating assigned to our senior unsecured notes is the fourth-highest rating of 10 major rating categories. A "BBB" rating is among those S&P's ratings that exhibits adequate protection parameters; however, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments than higher rated categories. S&P uses "+" or "-" designations to indicate the relative standing of securities within a particular rating category.

**FITCH RATINGS (FITCH)**

Fitch's long-term credit ratings are on a scale ranging from AAA to D, representing the range from highest to lowest quality of securities rated. Fitch has assigned a rating of "BBB-" to our senior unsecured notes representing the fourth highest of Fitch's nine major rating categories for long-term debt. Debt securities rated "BBB" are considered good credit quality. Such rating indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity. Fitch's may append the modifier "+" or "-" to a rating to denote the relative status of a security within a major rating category.

**PAYMENTS TO AGENCIES**

We have made payments in respect of certain services provided to us by each of Moody's, S&P and Fitch during the last two years.

# Market for Securities

## Trading Price and Volume

Our Class A common shares are listed on the Toronto Stock Exchange under the ticker symbol TECK.A. Our Class B subordinate voting shares are listed on the Toronto Stock Exchange under the ticker symbol TECK.B and on the New York Stock Exchange under the symbol TECK. The following tables set out the monthly price ranges and volumes traded on The Toronto Stock Exchange during 2019 for the Class A common shares and Class B subordinate voting shares.

| | Teck Resources A | | | Teck Resources B | | |
|---|---|---|---|---|---|---|
| Month | High ($) | Low ($) | Volume | High ($) | Low ($) | Volume |
| January | $ 32.20 | $ 27.00 | 84879 | $ 32.34 | $ 26.70 | 33492652 |
| February | $ 31.60 | $ 28.40 | 60017 | $ 31.75 | $ 28.33 | 30337801 |
| March | $ 32.08 | $ 28.66 | 75600 | $ 31.38 | $ 28.62 | 32588275 |
| April | $ 34.00 | $ 30.50 | 80744 | $ 34.31 | $ 30.35 | 31472627 |
| May | $ 31.30 | $ 26.36 | 61488 | $ 31.64 | $ 26.15 | 30537241 |
| June | $ 31.00 | $ 27.65 | 37743 | $ 30.81 | $ 27.20 | 27740562 |
| July | $ 30.30 | $ 27.10 | 40690 | $ 30.41 | $ 26.95 | 28894145 |
| August | $ 27.44 | $ 21.80 | 76771 | $ 26.61 | $ 21.50 | 33675594 |
| September | $ 25.65 | $ 21.21 | 55589 | $ 25.74 | $ 21.05 | 31835566 |
| October | $ 22.75 | $ 19.60 | 67050 | $ 23.00 | $ 19.34 | 30416616 |
| November | $ 23.98 | $ 20.70 | 56167 | $ 23.09 | $ 20.58 | 34764491 |
| December | $ 23.37 | $ 20.05 | 78729 | $ 23.20 | $ 19.89 | 30307524 |

Source: TSX

# Directors and Officers

## Directors

As of February 26, 2020, the Directors of Teck are as follows

| Name, City, Province/State and Country of Residence | Principal Occupations within Previous Five Years | Director Since |
|---|---|---|
| Mayank M. Ashar(2)(3)<br>Calgary, Alberta, Canada | Principal, CanOilX LLC and Principal, Bison Refining LLC since 2019; previously, an advisor for Reliance Industries Limited; Managing Director, and Chief Executive Officer of Cairn India Limited from November 2014 to June 2016. | November 2007 |
| Quan Chong(5)<br>Beijing, China | Chair of the China Society for World Trade Organization Studies; previously, Deputy China International Trade Representative (Vice-Ministerial level) from 2010 to 2018. | April 2016 |
| Laura L. Dottori-Attanasio(4)(5)<br>Toronto, Ontario, Canada | Senior Executive Vice President and Chief Risk Officer for the Canadian Imperial Bank of Commerce since 2013. | November 2014 |
| Edward C. Dowling(1)(2)(3)<br>Denver, Colorado, United States | Chairman, Alacer Gold Corp. since 2014 and Polyus Public Joint-Stock Company since 2016. | September 2012 |
| Eiichi Fukuda(5)<br>Vancouver, British Columbia, Canada | President of Sumitomo Metal Mining Canada Ltd.; previously, Executive Vice President of Sumitomo Metal Mining America, Inc. and held various other roles within the Sumitomo Metal Mining group since 1986. | April 2016 |
| Toru Higo<br>Tokyo, Japan | Executive Officer, Senior Deputy General Manager, Non-Ferrous Metals Division of Sumitomo Metal Mining Co., Ltd. since 2019; previously, President, Sumitomo Metal Mining Philippine Holdings Corporation 2017-2019 and General Manager Copper and Precious Metals Raw Materials Department, Sumitomo Metal Mining Co., Ltd. 2014-2017. | September 2019 |
| Norman B. Keevil III(1)<br>Victoria, British Columbia, Canada | Vice Chair of Teck. President of Boydel Wastewater Technologies Inc.; previously Chief Operating Officer of Sunpump Solar Inc. 2015 to 2016 and President of Poncho Wilcox Engineering from 2009 to 2015. | April 1997 |
| Donald R. Lindsay(1)<br>Vancouver, British Columbia, Canada | President and Chief Executive Officer of Teck since 2005. | February 2005 |
| Tracey L. McVicar(1)(2)(3)(6)<br>Vancouver, British Columbia, Canada | Partner of CAI Capital Partners since 2003. | November 2014 |
| Sheila A. Murray(1)(4)(5)<br>Toronto, Ontario, Canada | Chair of the Board since February 2020; Director of CI Financial Corp. since 2016 and President of CI Financial Corp. from 2016 to 2019; previously, Executive Vice-President, General Counsel and Secretary of CI Financial Corp. | April 2018 |
| Kenneth W. Pickering(4)(5)<br>Chemainus, British Columbia, Canada | Corporate Director and private international mining operations and project development consultant since 2010; previously, VP Major Products, Closed Mines & North American Assets, BHP Billiton Base Metals. | April 2015 |

| Name, City, Province/State and Country of Residence | Principal Occupations within Previous Five Years | Director Since |
|---|---|---|
| Una M. Power (2)(3)<br>Vancouver, British Columbia, Canada | Corporate Director; previously, Chief Financial Officer of Nexen Energy ULC from 2009 to 2016. | April 2017 |
| Timothy R. Snider (1)(4)(5)<br>Tucson, Arizona, United States | Chairman of Cupric Canyon Capital LP/GP since 2010; previously, President & COO, Freeport-McMoRan Copper and Gold, Inc. | April 2015 |

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation, Talent & Technology Committee
(4) Member of the Corporate Governance & Nominating Committee
(5) Member of the Safety & Sustainability Committee
(6) Ms. McVicar was a director of G.L.M. Industries LP (GLM), a portfolio company of CAI Capital Management Co. In July 2015, at the time Ms. McVicar was a director of GLM, a court order granted by the Court of Queen's Bench of Alberta placed GLM into receivership and appointed a receiver of GLM. Ms. McVicar was a director of Tervita Corporation until December 2016. In December 2016, Tervita completed a recapitalization by way of a court-approved plan of arrangement reducing Terivita's total debt.

In addition to the above committees, directors may participate in sub-committees of the Board from time to time formed on an ad hoc basis to review certain matters in further detail. Each of the Directors is elected to hold office until the next annual meeting of the Company or until a successor is duly elected or appointed. The next annual meeting of the Company is scheduled to be held on April 21, 2020.

## Officers

As of February 26, 2020, the officers of Teck are as follows:

| Name, City, Province/State and Country of Residence | Office Held with Teck and Principal Occupations within Previous Five Years |
|---|---|
| Sheila A. Murray<br>Toronto, Ontario, Canada | Chair of the Board since February 2020; Director of CI Financial Corp. since 2016 and President of CI Financial Corp. from 2016 to 2019; previously, Executive Vice-President, General Counsel and Secretary of CI Financial Corp. |
| Norman B. Keevil III<br>Victoria, British Columbia, Canada | Vice Chair of the Board since September 2018; President of Boydel Wastewater Technologies Inc.; previously Chief Operating Officer of Sunpump Solar Inc. 2015 to 2016 and President of Poncho Wilcox Engineering from 2009 to 2015. |
| Donald R. Lindsay<br>Vancouver, British Columbia, Canada | President and Chief Executive Officer of Teck |
| Dale E. Andres<br>Vancouver, British Columbia, Canada | Senior Vice President, Base Metals since May 2016; previously, Senior Vice President, Copper |
| Alex N. Christopher<br>Vancouver, British Columbia, Canada | Senior Vice President, Exploration, Projects & Technical Services since July 2016; previously, Vice President, Exploration |
| Réal Foley<br>Calgary, Alberta, Canada | Senior Vice President, Marketing and Logistics since January 2020; previously Vice President, Marketing, Coal and Base Metals and Vice President, Coal Marketing |
| Andrew J. Golding<br>West Vancouver, British Columbia, Canada | Senior Vice President, Corporate Development |

| Name, City, Province/State and Country of Residence | Office Held with Teck and Principal Occupations within Previous Five Years |
|---|---|
| Kieron McFadyen<br>Calgary, Alberta, Canada | Senior Vice President, Energy since March 2018; previously, Executive Vice President and President, Upstream Oil and Gas, Cenovus Energy Inc. and prior to that Vice President, Non-Operated Joint Ventures, Royal Dutch Shell plc |
| Ronald A. Millos<br>Vancouver, British Columbia, Canada | Senior Vice President, Finance and Chief Financial Officer |
| Andrew K. Milner<br>Vancouver, British Columbia, Canada | Senior Vice President and Chief Transformation Officer since September 2019; previously, Senior Vice President, Technology and Innovation at Teck and prior to that Vice President, Production Systems, BHP Billiton Limited. |
| H. Fraser Phillips<br>Vancouver, British Columbia, Canada | Senior Vice President, Investor Relations and Strategic Analysis since March 2017; previously, Managing Director, RBC Capital Markets |
| Peter C. Rozee<br>West Vancouver, British Columbia, Canada | Senior Vice President, Commercial and Legal Affairs |
| Robin B. Sheremeta<br>Sparwood, British Columbia, Canada | Senior Vice President, Coal since May 2016; previously, Vice President, Operations, Coal |
| Marcia M. Smith<br>Vancouver, British Columbia,<br>Canada | Senior Vice President, Sustainability and External Affairs |
| Dean C. Winsor<br>West Vancouver, British Columbia, Canada | Senior Vice President and Chief Human Resources Officer since November 2018; previously, Vice President, Human Resources |
| Ian K. Anderson<br>Coleman, Alberta, Canada | Vice President, Logistics Base Metals since January 2020; previously, General Manager, Fording River Operations and General Manager, Line Creek Operations |
| Shehzad Bharmal<br>Vancouver, British Columbia, Canada | Vice President, North American Operations, Base Metals since February 2018; previously, Vice President, Planning & Development, Base Metals and prior to that Vice President, Strategy & Development, Copper |
| Greg J. Brouwer<br>Kamloops, British Columbia, Canada | Vice President, Transformation since September 2019; previously, Vice President, Technology and Innovation, General Manager, Technology and Innovation, and General Manager, Teck Highland Valley Copper |
| Anne J. Chalmers<br>Vancouver, British Columbia, Canada | Vice President, Risk and Security and Chair, Materials Stewardship Committee |
| Amparo Cornejo<br>Santiago, Chile | Vice President, Chile Sustainability and Corporate Affairs since November 2018; previously, Director, Social Responsibility and Corporate Affairs |
| Larry M. Davey<br>Coleman, Alberta, Canada | Vice President, Planning & Development, Coal since May 2016; previously Vice President, Development, Coal and General Manager Elkview Coal Mine |
| Christopher J. Dechert<br>Santiago, Chile | Vice President, South America, since November 2018; previously, Vice President, Copper, Chile Operations and General Manager, Teck Highland Valley Copper |

| Name, City, Province/State and Country of Residence | Office Held with Teck and Principal Occupations within Previous Five Years |
|---|---|
| Sepanta Dorri<br>Toronto, Ontario, Canada | Vice President, Corporate Development since December 2018; previously, Vice President, Corporate and Stakeholder Development, Teranga Gold Corporation |
| Mark Edwards<br>Port Moody, British Columbia, Canada | Vice President, Community and Government Relations |
| John F. Gingell<br>Tsawwassen, British Columbia, Canada | Vice President, Financial Systems since December 2018; previously, Vice President and Corporate Controller |
| C. Jeffrey Hanman<br>Vancouver, British Columbia, Canada | Vice President, Corporate Affairs since March 2017; previously, Head of Corporate Affairs and Director of Communications |
| M. Colin Joudrie<br>North Vancouver, British Columbia, Canada | Vice President, Business Development |
| Ralph J. Lutes<br>Beijing, China | Vice President, Asia |
| Scott E. Maloney<br>Vancouver, British Columbia, Canada | Vice President, Environment since September 2017; previously, Lead HSE Assurance and Review and Manager Health Safety Environment Community at BHP |
| Karla L. Mills<br>Coquitlam, British Columbia, Canada | Vice President, Project Development since November 2018; previously, Director, Project Development and Engineering |
| Douglas J. Powrie<br>Vancouver, British Columbia, Canada | Vice President, Tax |
| Crystal J. Prystai<br>North Vancouver, British Columbia, Canada | Vice President and Corporate Controller since December 2018; previously, Director, Finance, Reporting and Compliance |
| Amanda R. Robinson<br>Vancouver, British Columbia, Canada | Corporate Secretary since February 2018; previously Partner and Associate at Fasken Martineau DuMoulin LLP |
| Kalev Ruberg<br>West Vancouver, British Columbia, Canada | Vice President and Chief Innovation Officer since September 2019; previously Vice President, Teck Digital Systems and Chief Information Officer |
| André D. Stark<br>Calgary, Alberta, Canada | Vice President, Marketing since January 2020; previously Head of Marketing, Coal and Director, Marketing, Coal |
| Keith G. Stein<br>Anmore, British Columbia, Canada | Vice President, Major Projects since November 2018; previously, Vice President, Project Development and Vice President, Projects |
| Lawrence A. Watkins<br>Abbotsford, British Columbia, Canada | Vice President, Health and Safety |
| Scott R. Wilson<br>Vancouver, British Columbia, Canada | Vice President and Treasurer |

## Audit Committee Information

### MANDATE OF AUDIT COMMITTEE

The full text of our Audit Committee's mandate is included as Schedule A to this Annual Information Form.

### COMPOSITION OF THE AUDIT COMMITTEE

Our Audit Committee consists of four members. All of the members of the Committee are independent and financially literate. The names, relevant education and experience of each Audit Committee member are outlined below:

#### *Tracey L. McVicar (Chair)*

Ms. McVicar is a graduate of the Sauder School of Business (B.Comm, Finance). She has over 20 years of experience in finance and investment banking. She is a Chartered Financial Analyst (CFA Institute) and Institute Certified Director (Institute of Corporate Directors). She served as the audit committee chair of BC Hydro Corporation from 2009 to 2014.

#### *Mayank M. Ashar*

Mr. Ashar is a graduate of the University of Toronto, holding multiple degrees, including a Master of Engineering and a Master of Business Administration. Mr. Ashar has extensive experience in international oil and gas industry through various senior executive roles, including as Managing Director and Chief Executive Officer at Cairn India Limited from October 2014 to June 2016, as President and Chief Executive Officer of Irving Oil Limited from 2008 to 2013, and in various executive roles at Suncor Energy Inc., from 1991 to 2008.

#### *Edward C. Dowling*

Mr. Dowling holds a Bachelor of Science in Mining Engineering as well as a Master of Science and a Doctor of Philosophy in Mineral Processing, all from Pennsylvania State University. Mr. Dowling has extensive experience in the mining industry and was previously President and Chief Executive Officer of Alacer Gold Corp. from February 2008 to August 2012, and Meridian Gold Inc. from September 2006 to November 2007. He is currently Chairman of both Alacer Gold Corp. and Polyus Public-Joint Stock Company and serves on the Audit Committee of both companies.

#### *Una M. Power*

Ms. Power is a graduate of Memorial University B.Comm (Honours), and also holds CPA, CA and CFA designations. Ms. Power is the former Chief Financial Officer of Nexen Energy ULC, and held various other executive positions covering financial reporting, financial management, investor relations, business development, strategic planning and investment at Nexen. She is also a director of the Bank of Nova Scotia and TC Energy Corporation.

## PRE-APPROVAL POLICIES AND PROCEDURES

The Audit Committee has adopted policies and procedures with respect to the pre-approval of audit and permitted non-audit services to be provided by PricewaterhouseCoopers LLP. All non-audit services are pre-approved by the Committee prior to commencement. In addition, the Committee has prohibited the use of the external auditors for the following non-audit services:

- bookkeeping or other services related to the accounting records or financial statements;
- financial information systems design and implementation;
- appraisal or valuation services, fairness opinions or contribution-in-kind reports;
- actuarial services;
- internal audit outsourcing services;
- management functions or human resources functions;
- broker or dealer, investment advisor, or investment banking services;
- legal services;
- expert services unrelated to the audit; and
- all other non-audit services unless there is a strong financial or other reason for external auditors to provide those services.

## AUDITOR'S FEES

For the years ended December 31, 2019 and 2018, we paid the external auditors $6,676,806 and $6,607,566, respectively, as detailed below:

| | Year Ended 2019 ($000) | Year Ended 2018 ($000) |
|---|---|---|
| Audit Services(1) | 5,371 | 4,950 |
| Audit-Related Services(2) | 365 | 340 |
| Tax Fees(3) | 288 | 306 |
| All Other Fees(4) | 653 | 1,011 |

Notes:

(1) Includes services that are provided by the Corporation's external auditors in connection with the audit of the financial statements and internal controls over financial reporting.
(2) Includes assurance and related services that are related to the performance of the audit, pension plan and special purpose audits.
(3) Fees are for corporate and international expatriate tax services.
(4) Amounts relate to a number of projects, including greenhouse gas verification and sustainability assurance, as well as subscriptions to online accounting guidance and publications.

### Ownership by Directors and Officers and Interests in Material Transactions

As of February 26, 2020, the Directors and executive officers as a group beneficially own or exercise control or direction, directly or indirectly, over the following shares issued by Teck:

| | Shares beneficially owned or over which control or direction is exercised | As a % of the total outstanding of the class |
|---|---|---|
| Class A common shares | - | - |
| Class B subordinate voting shares | 796,400 | 0.15% |

In addition, Keevil Holding Corporation owns 51% of the outstanding shares of Temagami Mining Company Limited (Temagami) that, as of February 26, 2020, beneficially owned or exercised direction or control, directly or indirectly, over 4,300,000 Class A common shares, representing 55.37% of the Class A common shares outstanding and 725,000 Class B subordinate voting shares, representing 0.13% of the Class B subordinate voting shares outstanding. Norman Keevil, III is a director of Keevil Holding Corporation and 98% of the votes attached to the outstanding shares of Keevil Holding Corporation are held by a trust for the benefit of certain members of the Keevil family. The other 49% of the outstanding Temagami shares are owned by Sumitomo Metal Mining Co. Ltd. (SMM). Two of our directors, Eiichi Fukuda and Toru Higo, are directors or officers of certain entities that are affiliated with SMM. Messrs. Keevil III, Fukuda and Higo are also directors of Temagami.

In March 2019, we closed a transaction whereby SMM and Sumitomo Corporation acquired a 30% indirect interest in our Quebrada Blanca Phase 2 project. See "*Description of the Business – Individual Operations - Copper – Quebrada Blanca Mine, Chile (Copper)*" for further details. SMM is a significant shareholder of our company and has a material interest in the transaction. Dr. Keevil (who was on the Board at the time) and Messrs. Keevil III, Kubota and Fukuda each declared their potential conflict of interest and recused themselves from all Board discussions related to this transaction.

## Legal Proceedings and Regulatory Actions

### Upper Columbia River Basin (Lake Roosevelt)

Prior to our acquisition in 2000 of a majority interest in Cominco Ltd. (now Teck Metals Ltd.), the Trail smelter discharged smelter slag into the Columbia River. These discharges commenced prior to Teck Metals' acquisition of the Trail smelter in 1906 and continued until 1996. Slag was discharged pursuant to permits issued in British Columbia subsequent to the enactment of relevant environmental legislation in 1967.

Slag is a glass-like compound consisting primarily of silica, calcium and iron that also contains small amounts of base metals including zinc, lead, copper and cadmium. It is sufficiently inert that it is not characterized as a hazardous waste under applicable Canadian or U.S. regulations and is sold to the cement industry.

While slag has been deposited into the river, further study is required to assess what effect the presence of metals in the river has had and whether it poses an unacceptable risk to human health or the environment.

A large number of studies regarding slag deposition and its effects have been conducted by various governmental agencies on both sides of the border. The historical studies of which we are aware have not identified unacceptable risks resulting from the presence of slag in the river. In June 2006, Teck

Metals and its affiliate, Teck American Incorporated (TAI), entered into a Settlement Agreement with the U.S. Environmental Protection Agency (the EPA) and the United States under which TAI is paying for and conducting a remedial investigation and feasibility study (RI/FS) of contamination in the Upper Columbia River under the oversight of the EPA.

The RI/FS is being prepared by independent consultants approved by the EPA and retained by TAI. TAI is paying the EPA's oversight costs and providing funding for the participation of other governmental parties: the Department of Interior, the State of Washington, and two native tribes, the Confederated Tribes of the Colville Nation (the Colville Tribe) and the Spokane Tribe. Teck Metals has guaranteed TAI's performance of the Settlement Agreement. TAI has also placed US$20 million in escrow as financial assurance for its obligations under the Settlement Agreement. We have accrued our estimate of the costs of the RI/FS.

Two citizens of Washington State and members of the Colville Tribe commenced an enforcement proceeding under the *Comprehensive Environmental Response, Compensation and Liability Act* (CERCLA) to enforce an EPA administrative order against Teck and to seek fines and penalties against Teck Metals for non-compliance. Subsequently, an amended complaint was filed in District Court adding the Colville Tribe as a plaintiff and seeking natural resource damages and costs. Teck Metals sought to have the claims dismissed on the basis that the court lacked jurisdiction because the CERCLA statute, in Teck Metals' view, was not intended to govern the discharges of a facility in another country. That case proceeded through U.S. Federal District Court and the Federal Court of Appeals for the 9th Circuit. The 9th Circuit found that CERCLA could be applied to Teck Metals' disposal practices in British Columbia because they may have resulted in a release of toxic materials from a facility in Washington State.

The litigation continues. In September 2012, Teck Metals entered into an agreement with the plaintiffs, agreeing that certain facts were established for purposes of the litigation. The agreement stipulates that some portion of the slag discharged from our Trail Operations into the Columbia River between 1896 and 1995, and some portion of the effluent discharged from Trail Operations, has been transported to and is present in the Upper Columbia River in the United States, and that some hazardous substances from the slag and effluent have been released into the environment within the United States. In December 2012, the District Court found in favour of the plaintiffs in phase one of the case, issuing a declaratory judgment that Teck Metals is liable under CERCLA for response costs, the amount of which will be determined in a subsequent phase of the case.

In October 2013, the Colville Tribe filed an omnibus motion with the District Court seeking an order stating that it is permitted to seek recovery from Teck Metals for environmental response costs and, in a subsequent proceeding, natural resource damages and assessment costs arising from the alleged deposition of hazardous substances in the United States from aerial emissions from Teck Metals' Trail Operations. Prior allegations by the Tribes related solely to solid and liquid materials discharged to the Columbia River. The motion does not state the amount of response costs allegedly attributable to aerial emissions, nor did it attempt to define the extent of natural resource damages, if any, attributable to past smelter operations. In December 2013, the District Court ruled in favour of plaintiffs. The plaintiffs subsequently filed amended pleadings in relation to air emissions. The Court dismissed a motion to strike the air claims on the basis that CERCLA does not apply to air emissions in the manner proposed by the plaintiffs, and a subsequent Teck Metals motion seeking reconsideration of the dismissal. Teck Metals sought leave to appeal both of these decisions in the Ninth Circuit on an interlocutory basis, and in July 2016 the Ninth Circuit unanimously ruled in favour of Teck Metals on its appeal of the District Court decision. Plaintiffs sought an *en banc* review of the decision in the Ninth Circuit, which was denied in October 2016. As a result, alleged damages associated with air emissions are no longer part of the case.

A hearing with respect to past response costs took place in December 2015. In August 2016, the trial court judge ruled in favour of the plaintiffs. Teck Metals appealed that decision, along with certain other findings in the first phase of this case, in the Ninth Circuit Court of Appeals, which upheld the trial court ruling in September 2018. Teck Metals applied for rehearing of the Ninth Circuit ruling, which application was denied. Teck Metals sought leave to appeal certain findings in the U.S. Supreme Court, which was denied.

A hearing with respect to claims for natural resource damages and assessment costs is expected to occur when the remedial investigation and feasibility study being undertaken by TAI are completed.

Natural resource damages are assessed for injury to, destruction of, or loss of natural resources including the reasonable cost of a damage assessment. TAI commissioned a study by recognized experts in damage assessment in 2008. Based on the assessment performed, Teck Metals estimates that the compensable value of such damage will not be material.

TAI intends to fulfill its obligations under the Settlement Agreement reached with the United States and the EPA in June 2006 and to complete the RI/FS mentioned above. The Settlement Agreement is not affected by the litigation.

There can be no assurance that we will ultimately be successful in our defence of the litigation or that we or our affiliates will not be faced with further liability in relation to this matter. Until the studies contemplated by the Settlement Agreement and additional damage assessments are completed, it is not possible to estimate the extent and cost, if any, of any additional remediation or restoration that may be required or to assess our potential liability for damages. The studies may conclude, on the basis of risk, cost, technical feasibility or other grounds, that no remediation other than some residential soil removal should be undertaken. If other remediation is required and damage to resources found, the cost of that remediation may be material.

### Fisheries Act

During the third quarter of 2018, we received notice from Canadian federal prosecutors of potential charges under the *Fisheries Act* in connection with discharges of selenium and calcite from coal mines in the Elk Valley. Since 2014, compliance limits and site performance objectives for selenium and other constituents, as well as requirements to address calcite, in surface water throughout the Elk Valley and in the Koocanusa Reservoir have been established under a regional permit issued by the Provincial government, which references the Elk Valley Water Quality Plan. If Canadian Federal charges are laid, potential penalties may include fines as well as orders with respect to operational matters. We expect that discussions with respect to the draft charges will continue through the first quarter of 2020. It is not possible at this time to fully assess the viability of our potential defences to any charges, or to estimate the potential financial impact on us of any conviction. Nonetheless, that impact may be material.

## Transfer Agents and Registrars

AST Trust Company (Canada) is the transfer agent and registrar for the Class A common and Class B subordinate voting shares and maintains registers in Vancouver, British Columbia and Toronto, Ontario.

## Material Contracts

The following are the only contracts entered into by Teck that are material, still in effect and not entered into in the ordinary course of business:

- Waneta Transmission Agreement, dated as of July 26, 2018, between Teck Metals Ltd. and British Columbia Hydro and Power Authority (See "*Zinc – Refining and Smelting – Trail Operations* " for more details)
- Indenture, dated as of August 17, 2010, between Teck and The Bank of New York Mellon, as trustee, and the first, second, third, fourth and fifth supplemental indentures thereto (See "*Description of Share Capital – Public Indebtedness*" for more details)
- Indenture, dated as of September 12, 2002, between Teck and The Bank of New York Mellon, as trustee (See " *Description of Share Capital – Public Indebtedness*" for more details)

## Interests of Experts

PricewaterhouseCoopers LLP, Chartered Professional Accountants, are the Company's auditors and have prepared an opinion with respect to the Company's consolidated financial statements as at and for the year ended December 31, 2019. PricewaterhouseCoopers LLP report that they are independent of the Company in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct and the rules of the Public Company Accounting Oversight Board.

Rodrigo Marinho, P.Geo., Don Mills, P.Geo., Robin Gold, P.Eng., Fernando Angeles P.Eng., and Lucio Canchis, SME Registered Member, have acted as Qualified Persons in connection with the estimates of mineral reserves and resources presented in this Annual Information Form. Mr. Marinho is an employee of Teck. Messrs. Mills and Gold are employees of Teck Coal Limited, which is directly and indirectly, wholly owned by Teck. Messrs. Angeles and Canchis are employees of Compañía Minera Antamina S.A., in which Teck holds a 22.5% share interest.

GLJ Petroleum Consultants Ltd. has acted as an independent qualified reserves evaluator in connection with our interest in Fort Hills.

Messrs. Marinho, Mills, Gold, Angeles, Canchis and the designated professionals of GLJ Petroleum Consultants Ltd., each respectively, hold beneficially, directly or indirectly, less than 1% of any class of the Company's securities.

## Disclosure Pursuant to the Requirements of the New York Stock Exchange

The Board and management are committed to leadership in corporate governance. As a Canadian reporting issuer with securities listed on the Toronto Stock Exchange, we have in place a system of corporate governance practices that meets or exceeds all applicable Canadian requirements.

Notwithstanding that Teck is a "foreign private issuer" for purposes of its New York Stock Exchange (NYSE) listing and, as such, the NYSE director independence requirements that are applicable to U.S. domestic issuers do not apply to Teck, the Board has established a policy that at least a majority of its directors must satisfy the director independence requirements under Section 303A.02 of the NYSE corporate governance rules. The Board annually reviews and makes such determination as to the independence of each director for both Canadian and NYSE purposes.

The NYSE requires that, as a foreign private issuer that is not required to comply with all of the NYSE's corporate governance rules applicable to U.S. domestic issuers, Teck disclose any significant ways in

which its corporate governance practices differ from those followed by NYSE listed U.S. domestic issuers. Aside from the exception listed below, the differences between our practices and the NYSE rules are not material and are more of a matter of form than substance. The exception is that Messrs. Fukuda and Higo are employees of Sumitomo Metal Mining Co., Ltd. or a subsidiary thereof. Sumitomo Metal Mining Co., Ltd., together with Sumitomo Corporation, acquired an interest in our subsidiary Compañia Minera Quebrada Blanca S.A., for payments in aggregate of approximately US$1.3 billion in 2019. While the Board has determined that Messrs. Fukuda and Higo are "independent" under the NYSE listing standards applicable to foreign private issuers, because of the amount of that payment they would not be considered "independent" under the NYSE listing standards if Teck were a U.S. domestic issuer.

## Non-GAAP Measures

Our financial results are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). This document refers to Operating Netback, Adjusted Operating Costs and Bitumen Price Realized which are non-GAAP financial measures not recognized under IFRS in Canada. These measures do not have standardized meanings prescribed by IFRS or Generally Accepted Accounting Principles (GAAP) in the United States. As a result they may not be comparable to similar measures reported by other companies.

Operating Netbacks per barrel in our energy business unit are calculated as blended bitumen sales revenue net of diluent expenses (also referred to as bitumen price realized), less royalties, transportation and operating expenses divided by barrels of bitumen sold. We include this information as investors and analysts use it to measure our profitability on a per barrel basis.

Bitumen price realized is revenue from the sale of our blended bitumen excluding non-proprietary product revenue with crown royalties added back in divided by blended bitumen barrels sold in the period.

Adjusted operating costs for our energy business unit are defined as the costs of product as it leaves the mine, excluding depreciation and amortization charges, cost of diluent for blending to transport our bitumen by pipeline, cost of non-proprietary product purchased and transportation costs of our product and non-proprietary product and any one-time collective agreement charges or inventory write-down provisions.

Operating Netback, Adjusted operating costs and Bitumen price realized are each reconciled to Revenue under the heading " *Use of Non-GAAP Measures – Energy Business Unit – Operating Netback, Bitumen and Blended Bitumen Price Realized Reconciliations*" of our Management's Discussion and Analysis for the year ended December 31, 2019, which can be found under our profile on SEDAR at www.sedar.com.

## Additional Information

1. Additional information relating to Teck may be found under our profile on SEDAR at www.sedar.com.

2. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, securities authorized for issuance under equity compensation plans, options to purchase securities and interests of insiders in material transactions, is contained in the Management Proxy Circular to be issued for our Annual Meeting of Shareholders to be held on April 21, 2020. Additional financial information is also provided in our comparative financial statements and in the Management's Discussion and Analysis for the year ended December 31, 2019. Copies of these documents are available upon request from our Corporate Secretary.

3. Unless otherwise stated, information contained herein is as at December 31, 2019.

# Schedule A – Audit Committee Charter

**TECK RESOURCES LIMITED**
**AUDIT COMMITTEE CHARTER**

## A. GENERAL

### 1. Purpose

The Audit Committee (the "Committee") is established by the Board of Directors (the "Board") of Teck Resources Limited ("Teck") to:

(i) provide an open avenue of communication between Teck's management, external auditors and advisors, internal auditors and the Board;

(ii) assist the Board in its oversight of the:

(a) integrity, adequacy and timeliness of Teck's financial reporting and disclosure practices;

(b) processes for identifying Teck's principal financial risks and reviewing Teck's internal control systems to ensure that they are adequate to ensure fair, complete and accurate financial reporting;

(c) compliance with legal and regulatory requirements related to financial reporting;

(d) accounting principles, policies and procedures used by management in determining significant estimates;

(e) antifraud programs and controls, including management's identification of fraud risks and implementation of antifraud measures;

(f) mechanisms for employees to report concerns about accounting policies and financial reporting;

(g) engagement, independence and performance of Teck's external and internal financial and reserves and resources auditors or evaluators and any other advisors; and

(h) internal audit mandate, internal audit plans, internal audit and Sarbanes Oxley (SOX) audit programs and results of internal audits and SOX compliance audits performed by Teck's internal audit department;

(iii) assist the Board with its responsibility to review all publicly disclosed mineral resource and reserve estimates and oil and gas reserves data, including recommending the appointment of the independent oil and gas evaluators and "qualified persons" with respect to Teck's mineral reserves and resources ("Reserves Matters");

(iv) assist the Board in fulfilling its responsibilities to oversee and monitor the management and governance of Teck's various pension plans ("Pension Matters"); and

(v) perform any other activities consistent with this Charter, Teck's by-laws and applicable laws as the Committee or Board deems necessary or appropriate.

### 2. Responsibilities

The Committee's role is one of oversight and it is to act in an advisory capacity to the Board.

Management is responsible for preparing Teck's financial statements and other financial information, for the fair presentation of the information set forth in the financial statements in accordance with Canadian generally accepted accounting principles ("GAAP", which for Teck is International Financial Reporting Standards), for establishing, documenting, maintaining and reviewing systems of internal control and for maintaining the appropriate accounting and financial reporting principles and policies designed to assure compliance with accounting standards and all applicable laws and regulations. The external financial auditors' responsibility is to audit Teck's financial statements and provide an opinion, based on their audit conducted in accordance with Canadian generally accepted auditing standards, that the financial statements present fairly, in all material respects, Teck's financial position, results of operations and cash flows in accordance with GAAP.

In accordance with the Sarbanes Oxley Act of 2002, Section 404, the external auditors are also responsible for providing an opinion on the effectiveness of Teck's internal controls over financial reporting.

The Committee is responsible for recommending to the Board for recommendation to Teck's shareholders the appointment of the external auditor and for approving the external auditor's remuneration. The external auditor shall report directly to the Committee, as the external auditor is accountable to the Board as representatives of Teck's shareholders. The Committee is responsible for the evaluation and oversight of the work of the external auditor and the resolution of any disagreements between management and the external auditor regarding financial reporting and SOX assessment. It is not the duty or responsibility of the Committee or any of its members to plan or conduct any type of audit or accounting review or procedure.

With respect to Reserves Matters, management is responsible for the preparation and fair and complete disclosure of the estimates of mineral and oil and gas reserves and resources in accordance with applicable regulatory requirements and industry practice.

With respect to Pension Matters, management is responsible for the day-to-day administrative and sponsorship responsibilities with respect to pension matters. The Committee is responsible for overseeing the activities of the Management Reserves Committee and Executive Pension Committee and the senior management personnel responsible for these activities.

**B. AUTHORITY AND RESPONSIBILITIES WITH RESPECT TO FINANCIAL REPORTING AND RELATED MATTERS**

In performing its oversight responsibilities, the Committee shall:

1. Review the appointments of Teck's CFO and any other key financial executives involved in the financial reporting process.

2. Review with management, the external auditor, and the Internal Auditor the adequacy and effectiveness of Teck's systems of internal control, the status of management's implementation of internal audit recommendations and the remediation status of any reported control deficiencies. Particular emphasis will be placed on those deficiencies evaluated as either a significant deficiency or a material weakness, which have been identified as a result of audits and/or during annual controls compliance testing as required under SOX legislation.

3. Review Teck's process for the CEO and CFO certifications required by applicable securities regulations with respect to Teck's financial statements, disclosures and internal controls, including any significant changes or deficiencies in such controls.

4. Review with management and the external auditor the annual audited financial statements and management's discussion and analysis and recommend their approval by the full Board prior to their release and/or filing with the applicable regulatory agencies.

5. Review with management and the external auditor the unaudited quarterly financial statements, associated management's discussion and analysis and interim earnings news releases and approve them on behalf of the Board, prior to their release and/or filing with the applicable regulatory agencies.

6. As appropriate, review other news releases and reporting documents that include material non-public financial information prior to their public disclosure by filing or distribution of these documents. Such review includes financial matters required to be reported under applicable legal or regulatory requirements, but does not necessarily include news releases that contain financial information incidental to the announcement of acquisitions, financings or other transactions.

7. Ensure that adequate procedures are in place for the review of Teck's public disclosure of financial information extracted or derived from Teck's financial statements, other than the disclosure documents referred to above, and periodically assess the adequacy of these procedures.

8. Review Teck's financial reporting and accounting standards and principles and significant changes in such standards or principles or in their application, including key accounting decisions affecting the financial statements, alternatives thereto and the rationale for decisions made.

9. Review the quality and appropriateness, not just the acceptability, of the accounting policies and the clarity of financial information and disclosure practices adopted by Teck, including consideration of the external auditor's judgments about the quality and appropriateness of Teck's accounting policies. This review shall include discussions with the external auditor without the presence of management.

10. Review with management, the external auditor, and the Internal Auditor significant related party transactions and potential conflicts of interest.

11. Review with management Teck's tax policy and material developments in Teck's tax affairs.

12. Review with management Teck's privacy and cyber security risk exposure and the policies, procedures, and mitigation plans in place to protect the security and integrity of Teck's information systems and data, including crisis management and business continuity plans.

13. To assist the Board with its recommendations to shareholders, recommend (a) the external auditor to be nominated to examine Teck's accounts and financial statements and prepare and issue an auditor's report on them or perform other audit, review or attest services for Teck, and (b) the compensation of the external auditor.

14. Approve all audit engagement terms and fees.

15. Review with management and the external auditor and approve the annual external audit plan and results of and any problems or difficulties encountered during any external audits and management's responses thereto.

16. Receive the reports of the external auditor on completion of the quarterly reviews and the annual audit.

17. Monitor the independence of the external auditors by reviewing all relationships between Teck's external auditor and all audit, non-audit and assurance work performed for Teck by the external auditor on at least a quarterly basis. The Committee will receive an annual written confirmation of independence from the external auditor.

18. Pre-approve all audit, non-audit and assurance services provided by the independent auditor prior to the commencement of any such engagement. The Committee may delegate the responsibility for approving non-audit services to the Chair or another member of the Committee appointed by

the Chair where the fee does not exceed $50,000. The Committee will review a summary of all audit, non-audit and assurance work performed for Teck at least twice per year.

19. Review and approve hiring policies regarding partners, employees or former partners and employees of the present or former external auditor of Teck, including:

    (a) the appointment of any employee or former employee of the present and former external auditor to a senior financial management position with Teck, and

    (b) management's reports of the profiles of all individuals hired during the past year who were employed by the present and former external auditor at any time during the two years prior to being hired by Teck.

20. Review and approve the functions of Teck's Audit and Operational Review Department, including:

    (a) its mandate, authority and organizational reporting lines;

    (b) its annual and longer term internal audit plans, budgets and staffing;

    (c) its performance; and

    (d) the appointment, reassignment or replacement of Teck's chief audit executive.

    This review will include discussions with the Internal Auditor without the presence of management or the external auditor.

21. Review Teck's procedures and establish procedures for the Committee for the:

    (a) receipt, retention and resolution of complaints regarding accounting, internal accounting controls, financial disclosure or auditing matters; and

    (b) confidential, anonymous submission by employees regarding questionable accounting, auditing or financial reporting and disclosure matters or violations of Teck's Code of Ethics or associated policies.

22. Review the adequacy of Teck's bank lines of credit and guidelines for the investment of cash.

23. Review with senior financial management, the external auditor, Teck's chief audit executive, and such others as the Committee deems appropriate, the results of operational reviews, audits, SOX controls compliance audits and any problems or difficulties encountered during the audits.

**C. AUTHORITY AND RESPONSIBILITIES WITH RESPECT TO RESERVES AND RESOURCE MATTERS**

In assisting the Board in fulfilling its responsibilities with respect to reserves and resource matters, the Committee shall:

1. Oversee the activities of the Management Reserves Committee and periodically receive reports from that Committee and from senior management personnel responsible for reserve and resource estimation and reporting.

2. Review regulatory requirements regarding the estimation of mineral and oil and gas reserves and resources and any changes thereto.

3. Recommend to the Board the approval of appropriate policies and practices of Teck in the estimation and reporting of reserves and resources.

4. Review and approve the composition of the Management Reserves Committee.

5. With respect to Mineral Reserves and Resources:

   (a) Review Teck's procedures relating to the preparation of mineral reserve and resource estimates and in connection therewith:

      i. consider the adequacy of such procedures,

      ii. review compliance with applicable regulations and policies, and

      iii. make appropriate reports and recommendations to the Board concerning the disclosure of Teck's mineral reserves and resources.

   (b) Review and approve the qualifications of persons acting as "qualified persons" for purposes of National Instrument 43-101 in respect of Teck's mineral reserve and resource reporting;

   (c) Review Teck's annual mineral reserve and resource estimates prior to public disclosure including:

      i. reviewing and approving the material economic and other assumptions supporting Teck's mineral reserve and resource estimates,

      ii. reviewing any third party audit of mineral reserve and resource estimates for material properties,

      iii. reviewing any material change to Teck's mineral reserves and resources and the disclosure related thereto, and

      iv. making recommendations to the Board with respect to the content, filing and release of such disclosure, as applicable.

6. With respect to Oil and Gas Reserves:

   (a) Review Teck's procedures relating to the disclosure of information with respect to oil and gas reserves data and estimates, and in connection therewith shall:

      i. consider the adequacy of such procedures,

      ii. review the procedures for providing information to the qualified oil and gas reserves evaluators or auditors,

      iii. review compliance with applicable regulations and policies, and

      iv. make appropriate reports and recommendations to the Board concerning the disclosure of Teck's oil and gas reserves data.

   (b) Annually review the selection of the qualified oil and gas reserves evaluators or auditors chosen to report to the Board on Teck's oil and gas reserves data, including:

      i. considering the independence and expertise of the proposed firms, and, in particular, the responsible individuals,

      ii. in the case of a proposed change in the evaluators from the previous year, determining the reasons for such proposed change and whether any disputes have arisen between the previous qualified reserves evaluators or auditors and Teck's management, and

      iii. making a recommendation to the Board with respect to such selections.

   (c) annually review and approve the expected fees of the independent reserve evaluators.

(d) Review Teck's annual oil and gas reserve and resource estimates prior to public disclosure including:

i. reviewing and approving the material economic and other assumptions supporting the oil and gas reserve and resource estimates,

ii. reviewing any third party audit of oil and gas reserve and resource estimates for material properties,

iii. reviewing the scope of work of the qualified oil and gas reserves evaluators or auditors,

iv. reviewing the reserves estimates of the qualified reserves evaluators or auditors,

v. meeting separately with Teck management and with the qualified reserves evaluators or auditors with respect to such estimates,

vi. reviewing any material change to Teck's oil and gas reserves and resources and the disclosure related thereto, and

vii. making recommendations to the Board with respect to the content, filing and release of such disclosure, as applicable.

**D. AUTHORITY AND RESPONSIBILITIES WITH RESPECT TO PENSION MATTERS**

In assisting the Board in fulfilling its responsibilities with respect to the management and governance of Teck's pension plans, the Committee shall:

1. With respect to Teck's role as plan sponsor:

(a) Review and oversee the implementation of the design of Teck's pension plans, the coverage afforded by the plans and changes to the plans.

(b) Review the funding policies for Teck's defined benefit plans and where appropriate, recommend the Board's approval of these policies.

(c) Review the level of Teck's contributions to its defined contribution plans and any proposed changes thereto and where appropriate recommend approval of such changes to the Board.

(d) Review proposals for the wind-up or partial wind-up of any of Teck's pension plans, having regard to any collective bargaining and regulatory requirements and making appropriate recommendations in respect thereof to the Board.

2. With respect to Teck's role as plan administrator:

(a) Oversee and monitor the authority delegated to management's Executive Pension Committee to administer each of the pension plans in accordance with relevant pension legislation, the terms of the plans and all other requirements of law.

(b) Review compliance with minimum funding requirements (if any) prescribed by applicable pension legislation and the policies and procedures in place in respect thereof, including requisitioning and reviewing actuarial reports.

(c) Review and monitor the investment of pension fund assets (in the case of a defined benefit plan), including the policies and procedures in place in respect thereof.

(d) Review and monitor the sufficiency and appropriateness of the investment choices available to plan members of the defined contribution plans and the communication and educational materials provided to plan members.

(e) Review and monitor the performance of the investment managers chosen by management for Teck's pension plans, including the process established for the selection, retention or replacement of any investment manager or advisors.

## E. COMMITTEE COMPOSITION

**1.** Member Qualifications

The Committee shall consist of at least three directors. All members of the Committee shall be independent directors and shall be sufficiently financially literate to enable them to discharge their responsibilities in accordance with any applicable corporate, securities, or other legislation or any applicable rule, regulation, instrument, policy, guideline, or interpretation under such legislation and the requirements of the stock exchanges on which Teck's securities trade, including National Instrument 52-110. Financial literacy means the ability to read and understand a balance sheet, income statement, cash flow statement and associated notes, which represent a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by Teck's consolidated financial statements.

At least one member of the Committee shall have accounting or related financial management expertise that allows that member to read and understand financial statements and the related notes attached thereto in accordance with GAAP.

**2.** Member Appointment and Removal

The members of the Committee shall be appointed annually at the time of each annual meeting of shareholders and shall hold office until the next annual meeting or until they cease to be directors of Teck.

**3.** Quorum

A quorum for the Committee shall be a majority of the members.

## F. PROCEDURES AND OTHER MATTERS

1. Structure and Operations

The Board shall appoint a Chair of the Committee who, in consultation with the Committee members, shall determine the schedule and frequency of Committee meetings, provided that the Committee shall meet at least five times per year. The Committee may invite any person to attend meetings to assist in the discussion of the matters under consideration by the Committee. Decisions at meetings of the Committee will be made by simple majority vote and the Chair shall not have a casting vote. The Committee may also take action evidenced by a written consent resolution signed by all members of the Committee, which resolution may be signed in counterparts.

2. In-Camera Meetings

In performing its oversight responsibilities, the Committee shall meet separately with:

i. the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), senior financial management, the external auditor, and Teck's chief audit executive (the "Internal Auditor") at

least four times per year, or more frequently as required, to discuss matters that the Committee or these individuals or groups believe should be discussed privately with the Committee;

ii. the Technical Director, Reserve Evaluation, or other "Qualified Persons" as defined under applicable securities laws, prior to the public release of the annual mineral reserves and resources estimates; and

iii. the independent oil and gas reserves evaluators or auditors, prior to the public release of the annual oil and gas reserves or resource estimates.

3. Litigation and Ethics Matters

On a quarterly basis, the General Counsel, and the Internal Auditor shall report any litigation, claim or other contingency that could have a significant effect on Teck's financial results or disclosure and any real or suspected incidents of fraud, theft or violations of Teck's Code of Ethics or associated policies that have been reported to management or to the internal audit department. The Committee shall review any such reports or similar reports submitted by other employees or members of management and if deemed necessary, report such matters related to auditing, accounting and financial reporting and/or disclosure to the full Board.

4. Disclosure Controls

The Chair of the Committee or an appointee shall meet at least once per year with management's Disclosure Committee to review Teck's disclosure controls and procedures.

5. Management Committee Minutes

The Committee shall be provided with copies of the minutes of meetings of management's Disclosure Committee and Executive Pension Committee.

6. Investigations and Advisors

The Committee shall conduct or authorize investigations into any matter that the Committee believes is within the scope of its responsibilities. The Committee has the authority to (a) retain independent counsel, accountants, auditors or other advisors to assist it in the conduct of any investigation or otherwise to assist it in the discharge of its duties, at the expense of Teck, (b) set and pay the compensation of and engagement terms for any such advisors retained by it, and (c) communicate directly with the internal and external auditors and advisors.

7. Manner of Reporting to the Board

The Committee shall fix its own procedures, keep records of its proceedings, and report to the Board when the Committee may deem appropriate (but not later than the next meeting of the Board). The Board shall be promptly advised of any decisions taken by the Committee, and minutes of any Committee meeting will be provided to the Board.

8. Review of the Charter

The Committee shall annually assess the adequacy of this Charter and recommend any changes to the Board for approval, taking into account any applicable legislative and regulatory requirements and best practice guidelines.

9. Annual Review and Assessment

The Committee's performance, including its compliance with this Charter, shall be evaluated annually in accordance with a process approved by the Board and the results of that evaluation shall be reported to the Committee and to the Board.

10. Committee Reports

(a) Advise the Board, either orally or in writing, of any:

i. accounting, disclosure or finance related matters that the Committee believes have or could have a material effect on the financial condition or affairs of Teck;

ii. matters that the Committee believes have or could have a material effect on the reserves and/or resources and financial condition or affairs of Teck;

iii. pension-related matters that the Committee believes have or could have a material effect on the financial condition or affairs of Teck and/or any of its pension plans; and

make appropriate recommendations to the Board in respect of any matters requiring Board approval.

(b) The Chair of the Committee shall prepare or cause to be prepared an audit committee report to be included in Teck's annual management proxy circular, which report shall be approved by the Committee.

# Schedule B – Report of Management and Directors on Reserves Data and Other Information

Management of Teck Resources Limited (the "Company") is responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data.

Independent qualified reserves evaluators have evaluated the Company's reserves data. The reports of the independent qualified reserves evaluators will be filed with securities regulatory authorities concurrently with this report.

The Audit Committee of the Board of Directors of the Company has:

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluators;

(b) met with the independent qualified reserves evaluators to determine whether any restrictions affected the ability of the independent qualified reserves evaluators to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluators.

The Audit Committee of the Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The Board of Directors has, on the recommendation of the Audit Committee, approved:

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluators on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

*Donald R. Lindsay*
(Signed) Donald R. Lindsay
President and Chief Executive Officer

*Mayank M. Ashar*
(Signed) Mayank M. Ashar
Director

*Ronald A. Millos*
(Signed) Ronald A. Millos
Senior Vice President, Finance and Chief Financial Officer

*Edward C. Dowling*
(Signed) Edward C. Dowling
Director

Date: February 26, 2020

# Schedule C – Report on Reserves Data by Independent Qualified Reserves Evaluator or Auditor

To the Board of Directors of Teck Resources Limited (the "**Company**"):

1. We have evaluated the Company's reserves data as at December 31, 2019. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at December 31, 2019, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

3. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook as amended from time to time (the "**COGE Handbook**") maintained by the Society of Petroleum Evaluation Engineers (Calgary Chapter).

4. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

5. The following table shows the net present value of future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs and calculated using a discount rate of 10 percent, included in the reserves data of the Company evaluated for the year ended December 31, 2019, and identifies the respective portions thereof that we have evaluated and reported on to the Company's Board of Directors:

| Independent Qualified Reserves Evaluator or Auditor | Effective Date of Evaluation Report | Location of Reserves (Country or Foreign Geographic Area) | Net Present Value of Future Net Revenue (before income taxes, 10% discount rate – MM$) | | | |
|---|---|---|---|---|---|---|
| | | | Audited | Evaluated | Reviewed | Total |
| GLJ Petroleum Consultants | December 31, 2019 | Canada | | 958 | | 958 |

6. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data that we reviewed but did not audit or evaluate.

7. We have no responsibility to update our reports referred to in paragraph 5 for events and circumstances occurring after the effective date of our reports.

8. Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

Executed as to our report referred to above:

GLJ Petroleum Consultants Ltd., Calgary, Alberta, Canada, February 21, 2020

*"Originally Signed By"*

Tim R. Freeborn, P. Eng.
Vice President and Chief Financial Officer

# Schedule D – List of Technical Reports

As required by Form 51-102F2 under National Instrument 51-102, the following table sets out the title, date and author(s) of the current National Instrument 43-101 technical report for each of Teck's material properties. Notwithstanding the authorship of the reports noted below, the scientific and technical information included in this Annual Information Form regarding Teck's mining properties is approved by, and prepared under the supervision of, Rodrigo Marinho, P.Geo., who is an employee of Teck Resources Limited, except for (a) the Antamina property, for which the reserve and resource estimates included in this Annual Information Form is approved by, and prepared under the supervision of Fernando Angeles P.Eng, and Lucio Canchis, who is an SME Registered Member, and both of whom are employees of Compañía Minera Antamina S.A., and (b) the Fording River, Elkview and Greenhills properties, for which the scientific and technical information included in this Annual Information Form is approved by, and prepared under the supervision of. Don Mills, P.Geo., and Robin Gold, P.Eng., who are employees of Teck Coal Limited. Other than Messrs. Mills and Marinho, the authors of the reports below have not prepared or approved the disclosure in this Annual Information Form, and the inclusion of their names below is not intended to imply that they have prepared or approved any such disclosure.

| Property | Title, Date and Author of Report |
|---|---|
| Highland Valley Copper Mine | NI 43-101 Technical Report Teck Highland Valley Copper; March 6, 2013; Ronald Graden |
| Antamina | Technical Report, Mineral Reserves and Resources, Antamina Deposit, Peru; January 31, 2011; Luis Lozada and Jhon Espinoza |
| Fording | NI 43-101 Technical Report on Coal Resources and Reserves of the Fording River Operations; December 31, 2011; Eric Jensen, Andrew Knight, Don Mills and Barry Musil |
| Elkview | Technical Report on Coal Resources and Reserves of the Elkview Property; February 28, 2008; Marston Canada Ltd. |
| Greenhills | NI 43-101 Technical Report on Greenhills Coal Operation; February 20, 2020; Andrew Knight, Donald Mills and Alison Seward |
| Red Dog | NI 43-101 Technical Report, Red Dog Mine, Alaska, USA; February 21, 2017; Thomas Krolak, Kevin Palmer, Brigitte Lacouture and Norman Paley |
| Quebrada Blanca | NI 43-101 Technical Report on Quebrada Blanca Phase 2, Región de Tarapacá, Chile; February 25, 2019; Rodrigo Marinho, Paul Kolisnyk, Bryan Rairdan and Eldwin Huls |

EXHIBIT 99.2



# Teck Resources Limited

**Consolidated Financial Statements**
**For the Years Ended December 31, 2019 and 2018**

# Management's Responsibility for Financial Reporting

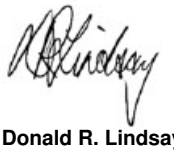
Management is responsible for the integrity and fair presentation of the financial information contained in this annual report. Where appropriate, the financial information, including financial statements, reflects amounts based on the best estimates and judgments of management. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial information presented elsewhere in the annual report is consistent with that disclosed in the financial statements.

Management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. The system of controls is also supported by a professional staff of internal auditors who conduct periodic audits of many aspects of our operations and report their findings to management and the Audit Committee.

Management has a process in place to evaluate internal control over financial reporting based on the criteria established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework.

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee, which is composed entirely of independent directors. The Audit Committee meets periodically with management, our internal auditors and independent auditors to review the scope and results of the annual audit, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders.

PricewaterhouseCoopers LLP, an independent registered public accounting firm, appointed by the shareholders, have audited our financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and have expressed their opinion in the Report of Independent Registered Public Accounting Firm.



**Donald R. Lindsay**
President and Chief Executive Officer



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

February 26, 2020

# Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Teck Resources Limited

**Opinions on the Financial Statements and Internal Control over Financial Reporting**
We have audited the accompanying consolidated balance sheets of Teck Resources Limited and its subsidiaries (together, the Company) as of December 31, 2019 and 2018, and the related consolidated statements of income (loss), comprehensive income (loss), cash flows and changes in equity for the years then ended, including the related notes (collectively referred to as the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS). Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control – Integrated Framework* (2013) issued by the COSO.

*Change in Accounting Principle*
As discussed in Note 33 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

**Basis for Opinions**
The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control Over Financial Reporting, appearing in Management's Discussion and Analysis. Our responsibility is to express opinions on the Company's consolidated financial statements and on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of

internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

**Definition and Limitations of Internal Control over Financial Reporting**
A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Critical Audit Matters**
The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Steelmaking coal goodwill impairment assessment*

As described in Notes 3, 4, 8, and 17 to the consolidated financial statements, management performs its annual impairment assessment of its steelmaking coal goodwill as of October 31 of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. The total carrying value of the steelmaking coal goodwill as of December 31, 2019 was $702 million. An impairment loss exists if the steelmaking coal operations group of cash generating units' (the "CGU") carrying amount, including goodwill, exceeds its recoverable amount. Management applied significant judgment in determining the recoverable amount of the CGU using a discounted cash flow model. The recoverable amount determined by management exceeded the carrying value of the CGU, and as a result no impairment loss was recognized. Significant assumptions are used in the discounted cash flow model, which include: commodity prices, mineral reserves and resources, mine production, operating costs, capital expenditures, discount rates, and foreign exchange rates. The Company's mineral reserves and resources have been prepared by or under the supervision of qualified persons (management's specialists).

The principal considerations for our determination that performing procedures relating to the steelmaking coal goodwill impairment assessment is a critical audit matter are: (i) there was significant judgment by management when determining the recoverable amount of the CGU; (ii) management's specialists were

used to prepare the reserves and resources; and (iii) a high degree of auditor judgment, subjectivity and effort was required in performing procedures to evaluate management's cash flow projections and significant assumptions used in preparing the discounted cash flow model, including: commodity prices, mineral reserves and resources, mine production, operating costs, capital expenditures, discount rates, and foreign exchange rates. In addition, the audit effort involved the use of professionals with specialized skills and knowledge to assist in performing procedures to evaluate the discount rate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's goodwill impairment assessment, including controls over the determination of the recoverable amount of the CGU. These procedures also included, among others, testing management's process for determining the recoverable amount of the CGU, including evaluating the appropriateness of the discounted cash flow model, testing the completeness, accuracy, and relevance of underlying data and evaluating the reasonability of the significant assumptions used in the discounted cash flow model. Evaluating the reasonability of management's assumptions involved considering their consistency with: (i) external market and industry data for commodity prices and foreign exchange rates, and (ii) recent actual mine production, operating costs and capital expenditures incurred, market data and other third party information, when available. Evaluating the reasonability of management's estimates of mineral reserves and resources involved considering the qualifications and objectivity of management's specialists, obtaining an understanding of the work performed, including the methods and assumptions used by these specialists, testing data on a sample basis, and evaluating their findings. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rate.

*Provision for post-mine closure water quality management costs for the steelmaking coal operations*

As described in Notes 3, 4, and 23 to the consolidated financial statements, as of December 31, 2019 management recorded a decommissioning and restoration provision ("DRP"). The DRP represents the present value of estimated costs for required future decommissioning and other site restoration activities. After the end of the life of certain operations, water quality management costs may extend for periods in excess of 100 years. The provision for these expenditures is $745 million, of which $411 million is for its steelmaking coal operations ("Coal water DRP"). Management applied significant judgment in estimating the Coal water DRP, which involved the use of significant estimates and assumptions with respect to the volume and location of water to be treated, the methods used to treat the water, and the related water treatment costs, all of which relate to the required post-mine closure water quality management activities. The estimates of the volume and location of water to be treated have been developed by management's specialists.

The principal considerations for our determination that performing procedures relating to the provision for post-mine closure water quality management costs for the steelmaking coal operations is a critical audit matter are: (i) there is significant judgment made by management when developing the significant estimates and assumptions with respect to the volume and location of water to be treated, the methods used to treat the water and the related water treatment costs necessary to complete the required post-mine closure water quality management activities of its steelmaking coal operations; (ii) management's specialists developed the estimates of the volume and location of water to be treated; and (iii) there was significant complexity in evaluating the audit evidence related to the significant assumptions.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's process of estimating the Coal water DRP. These

procedures also included, among others, evaluating and testing management's process for estimating the Coal water DRP, which included testing the model used by management. The procedures also included testing the reasonability of management's assumptions in estimating the Coal water DRP, which included comparing the estimated future water treatment costs to actual water quality management operating and capital costs incurred by the Company, and understanding the methods used to treat the water. Evaluating management's estimate of volume and location of water to be treated involved considering the qualifications and objectivity of management's specialists, obtain ing an understanding of the work performed, including the methods and assumptions used by management's specialists, testing source data used on a sample basis, and evaluating their findings.

*Recoverable amount of the Fort Hills CGU*
As described in Notes 3, 4, and 8 to the consolidated financial statements, management performed an impairment assessment of its Fort Hills CGU ("Fort Hills CGU") as of December 31, 2019 and noted an impairment indicator as a result of lower market expectations for the future Western Canadian Select heavy oil prices. As a result, the recoverable amount of the Fort Hills CGU was estimated by management to determine the extent of impairment. Management used a discounted cash flow model to determine the recoverable amount of the Fort Hills CGU in the amount of $3.1 billion. The recoverable amount was lower than the carrying value and as a result, a pre-tax impairment loss of $1.2 billion was recorded to property, plant and equipment in the energy operating segment. In determining the recoverable amount, management used significant assumptions such as: commodity prices, oil reserves and resources, mine production, operating costs, capital expenditures, discount rate and foreign exchange rates. Oil reserves and resources were prepared by qualified reserves evaluators (management's specialists).

The principal considerations for our determination that performing procedures relating to the recoverable amount of the Fort Hills CGU is a critical audit matter are: (i) there was significant judgment by management when determining the recoverable amount of the Fort Hills CGU; (ii) the use of management's specialists in the preparation of oil reserves and resources; (iii) the high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate management's discounted cash flows and significant assumptions including: commodity prices, oil reserves and resources, mine production, operating costs, capital expenditures, discount rate and foreign exchange rates, and (iv) the audit effort involved the use of professionals with specialized skill and knowledge to assist in performing procedures to evaluate the discount rate.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to management's impairment assessment, including controls over the determination of the recoverable amount of the Fort Hills CGU. These procedures also included, among others, testing management's process for determining the recoverable amount of the Fort Hills CGU, including evaluating the appropriateness of the discounted cash flow model, testing the completeness, accuracy, and relevance of underlying data used in the model, and evaluating the reasonability of the significant assumptions used in the discounted cash flow model. Evaluating the reasonability of management's assumptions involved considering their consistency with (i) external market and industry data for commodity prices and foreign exchange rates, and (ii) recent actual mine production, operating costs and capital expenditures incurred, market data and other third party information, when available. Evaluating the reasonableness of the oil reserves and resources involved considering the qualifications and objectivity of management's specialists, obtaining an understanding of the work performed, including the methods and assumptions used in estimating the oil reserves and resources, testing the data used by management's specialists on a sample basis and evaluating overall findings. Professionals with specialized skill and knowledge were used to assist in the evaluation of the discount rate.

/s/ PricewaterhouseCoopers LLP
Chartered Professional Accountants

Vancouver, Canada
February 26, 2020

We have served as the Company's auditor since 1964.

# Teck Resources Limited

## Consolidated Statements of Income (Loss)

Years ended December 31

| (CAD$ in millions, except for share data) | | 2019 | | 2018 |
|---|---|---|---|---|
| **Revenues** (Note 6) | **$** | **11,934** | $ | 12,564 |
| **Cost of sales** | | **(8,594)** | | (7,943) |
| **Gross profit** | | **3,340** | | 4,621 |
| **Other operating income (expenses)** | | | | |
| General and administration | | **(161)** | | (142) |
| Exploration | | **(67)** | | (69) |
| Research and innovation | | **(67)** | | (35) |
| Asset impairments (Note 8(a)) | | **(2,690)** | | (41) |
| Other operating income (expense) (Note 9) | | **(505)** | | 450 |
| **Profit (loss) from operations** | | **(150)** | | 4,784 |
| **Finance income** (Note 10) | | **48** | | 33 |
| **Finance expense** (Note 10) | | **(266)** | | (252) |
| **Non-operating expense** (Note 11) | | **(97)** | | (52) |
| **Share of loss of associates and joint ventures** (Note 15) | | **(3)** | | (3) |
| **Profit (loss) before taxes** | | **(468)** | | 4,510 |
| **Provision for income taxes** (Note 21) | | **(120)** | | (1,365) |
| **Profit (loss) for the year** | **$** | **(588)** | $ | 3,145 |
| **Profit (loss) attributable to:** | | | | |
| **Shareholders of the company** | **$** | **(605)** | $ | 3,107 |
| **Non-controlling interests** | | **17** | | 38 |
| **Profit (loss) for the year** | **$** | **(588)** | $ | 3,145 |
| **Earnings (loss) per share** (Note 24(f)) | | | | |
| Basic | **$** | **(1.08)** | $ | 5.41 |
| Diluted | **$** | **(1.08)** | $ | 5.34 |
| **Weighted average shares outstanding** (millions) | | **559.8** | | 573.9 |
| **Weighted average diluted shares outstanding** (millions) | | **559.8** | | 582.1 |
| **Shares outstanding at end of year** (millions) | | **547.3** | | 570.7 |

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

# Teck Resources Limited

## Consolidated Statements of Comprehensive Income (Loss)

Years ended December 31

| (CAD$ in millions) | | 2019 | | 2018 |
|---|---|---|---|---|
| **Profit (loss) for the year** | **$** | **(588)** | $ | 3,145 |
| **Other comprehensive income (loss) in the year** | | | | |
| **Items that may be reclassified to profit (loss)** | | | | |
| Currency translation differences (net of taxes of $(26) and $40) | | **(312)** | | 393 |
| Change in fair value of debt securities (net of taxes of $nil and $nil) | | **1** | | – |
| | | **(311)** | | 393 |
| **Items that will not be reclassified to profit (loss)** | | | | |
| Change in fair value of marketable equity securities (net of taxes of $(1) and $1) | | **6** | | (9) |
| Remeasurements of retirement benefit plans (net of taxes of $(31) and $(2)) | | **74** | | 8 |
| | | **80** | | (1) |
| **Total other comprehensive income (loss) for the year** | | **(231)** | | 392 |
| **Total comprehensive income (loss) for the year** | **$** | **(819)** | $ | 3,537 |
| **Total other comprehensive income (loss) attributable to:** | | | | |
| Shareholders of the company | **$** | **(201)** | $ | 382 |
| Non-controlling interests | | **(30)** | | 10 |
| | **$** | **(231)** | $ | 392 |
| **Total comprehensive income (loss) attributable to:** | | | | |
| Shareholders of the company | **$** | **(806)** | $ | 3,489 |
| Non-controlling interests | | **(13)** | | 48 |
| | **$** | **(819)** | $ | 3,537 |

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

# Teck Resources Limited

## Consolidated Statements of Cash Flows

Years ended December 31

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| **Operating activities** | | |
| Profit (loss) for the year | **$ (588)** | $ 3,145 |
| Depreciation and amortization | **1,619** | 1,483 |
| Provision for income taxes | **120** | 1,365 |
| Asset impairments | **2,690** | 41 |
| Gain on sale of investments and assets | **(17)** | (892) |
| Foreign exchange losses (gains) | **4** | (16) |
| Loss on debt redemption or purchase | **224** | 26 |
| Loss (gain) on debt prepayment options | **(105)** | 42 |
| Net finance expense | **218** | 219 |
| Income taxes paid | **(595)** | (780) |
| Other | **74** | (166) |
| Net change in non-cash working capital items | **(160)** | (29) |
| | **3,484** | 4,438 |
| **Investing activities** | | |
| Expenditures on property, plant and equipment | **(2,788)** | (1,906) |
| Capitalized production stripping costs | **(680)** | (707) |
| Expenditures on investments and other assets | **(178)** | (284) |
| Proceeds from investments and assets | **80** | 1,292 |
| | **(3,566)** | (1,605) |
| **Financing activities** | | |
| Redemption or purchase and repayment of debt | **(835)** | (1,355) |
| Repayment of lease liabilities | **(150)** | (32) |
| QB2[1] advances from SMM/SC[2] | **938** | – |
| QB2 equity contributions by SMM/SC | **797** | – |
| QB2 partnering and financing transaction costs paid | **(113)** | – |
| Interest and finance charges paid | **(386)** | (430) |
| Issuance of Class B subordinate voting shares | **10** | 54 |
| Purchase and cancellation of Class B subordinate voting shares | **(661)** | (189) |
| Dividends paid | **(111)** | (172) |
| Distributions to non-controlling interests | **(26)** | (40) |
| | **(537)** | (2,164) |
| **Effect of exchange rate changes on cash and cash equivalents** | **(89)** | 113 |
| **Increase (decrease) in cash and cash equivalents** | **(708)** | 782 |
| **Cash and cash equivalents at beginning of year** | **1,734** | 952 |
| **Cash and cash equivalents at end of year** | **$ 1,026** | $ 1,734 |

**Supplemental cash flow information** (Note 12)

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

Notes:
1) Quebrada Blanca Phase 2 copper development project.
2) Sumitomo Metal Mining Co., Ltd. (SMM) and Sumitomo Corporation (SC) are referred to together as SMM/SC.

# Teck Resources Limited

## Consolidated Balance Sheets

As at December 31

| (CAD$ in millions) | | 2019 | | 2018 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash and cash equivalents (Note 12) | **$** | **1,026** | $ | 1,734 |
| Current income taxes receivable | | **95** | | 78 |
| Trade and settlement receivables | | **1,062** | | 1,180 |
| Inventories (Note 13) | | **1,981** | | 2,065 |
| Prepaids and other current assets | | **331** | | 260 |
| | | **4,495** | | 5,317 |
| **Financial and other assets** (Note 14) | | **1,109** | | 907 |
| **Investments in associates and joint ventures** (Note 15) | | **1,079** | | 1,071 |
| **Property, plant and equipment** (Note 8, Note 16 and Note 20(a)) | | **31,355** | | 31,050 |
| **Deferred income tax assets** (Note 21) | | **211** | | 160 |
| **Goodwill** (Note 8 and Note 17) | | **1,101** | | 1,121 |
| | **$** | **39,350** | $ | 39,626 |
| **LIABILITIES AND EQUITY** | | | | |
| **Current liabilities** | | | | |
| Trade accounts payable and other liabilities (Note 18) | **$** | **2,498** | $ | 2,333 |
| Current portion of debt (Note 19) | | **29** | | – |
| Current portion of lease liabilities (Note 20(b)) | | **160** | | 32 |
| Current income taxes payable | | **89** | | 151 |
| | | **2,776** | | 2,516 |
| **Debt** (Note 19) | | **4,133** | | 5,181 |
| | | **512** | | 306 |
| **Lease liabilities** (Note 20(b)) | | | | |
| **QB2 advances from SMM/SC** (Note 5(b)) | | **912** | | – |
| **Deferred income tax liabilities** (Note 21) | | **5,902** | | 6,331 |
| **Retirement benefit liabilities** (Note 22) | | **505** | | 482 |
| **Provisions and other liabilities** (Note 23) | | **2,536** | | 1,792 |
| | | **17,276** | | 16,608 |
| **Equity** | | | | |
| Attributable to shareholders of the company | | **21,304** | | 22,884 |
| Attributable to non-controlling interests (Note 25) | | **770** | | 134 |
| | | **22,074** | | 23,018 |
| | **$** | **39,350** | $ | 39,626 |

**Contingencies** (Note 26)
**Commitments** (Note 27)

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

Approved on behalf of the Board of Directors

*Tracey L. McVicar*
**Tracey L. McVicar**
Chair of the Audit Committee

*Una M. Power*
**Una M. Power**
Director

# Teck Resources Limited

## Consolidated Statements of Changes in Equity

Years ended December 31

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| **Class A common shares** (Note 24) | **$ 6** | $ 6 |
| **Class B subordinate voting shares** (Note 24) | | |
| Beginning of year | **6,595** | 6,603 |
| Share repurchases (Note 24(h)) | **(285)** | (77) |
| Issued on exercise of options (Note 24(c)) | **13** | 69 |
| End of year | **6,323** | 6,595 |
| **Retained earnings** | | |
| Beginning of year | **15,495** | 12,796 |
| IFRS 16 transition adjustment on January 1, 2019 (Note 33(a)) | **(43)** | – |
| IFRS 9 transition adjustment on January 1, 2018 | **–** | 34 |
| Profit (loss) for the year attributable to shareholders of the company | **(605)** | 3,107 |
| Dividends paid (Note 24(g)) | **(111)** | (172) |
| Share repurchases (Note 24(h)) | **(367)** | (119) |
| Adjustment from SMM/SC transaction (Note 5(a)) | **4** | – |
| Purchase of non-controlling interests (Note 5(d)) | **–** | (159) |
| Remeasurements of retirement benefit plans | **74** | 8 |
| End of year | **14,447** | 15,495 |
| **Contributed surplus** | | |
| Beginning of year | **204** | 202 |
| Share option compensation expense (Note 24(c)) | **18** | 17 |
| Transfer to Class B subordinate voting shares on exercise of options | **(3)** | (15) |
| End of year | **219** | 204 |
| **Accumulated other comprehensive income attributable to shareholders of the company** (Note 24(e)) | | |
| Beginning of year | **584** | 244 |
| IFRS 9 transition adjustment on January 1, 2018 | **–** | (34) |
| Other comprehensive income (loss) | **(201)** | 382 |
| Less remeasurements of retirement benefit plans recorded in retained earnings | **(74)** | (8) |
| End of year | **309** | 584 |
| **Non-controlling interests** (Note 25) | | |
| Beginning of year | **134** | 142 |
| Profit for the year attributable to non-controlling interests | **17** | 38 |
| Other comprehensive income (loss) attributable to non-controlling interests | **(30)** | 10 |
| Purchase of non-controlling interests | **–** | (16) |
| Adjustments from SMM/SC transaction (Note 5(a)) | **675** | – |
| Dividends or distributions | **(26)** | (40) |
| End of year | **770** | 134 |
| **Total equity** | **$ 22,074** | $ 23,018 |

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

## 1. Nature of Operations

Teck Resources Limited and its subsidiaries (Teck, we, us or our) are engaged in mining and related activities including research, exploration and development, processing, smelting, refining and reclamation. Our major products are steelmaking coal, copper, zinc and blended bitumen. We also produce lead, precious metals, molybdenum, fertilizers and other metals. Metal products are sold as refined metals or concentrates.

Teck is a Canadian corporation and our registered office is at Suite 3300, 550 Burrard Street, Vancouver, British Columbia, Canada, V6C 0B3.

## 2. Basis of Preparation

These annual consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and were approved by the Board of Directors on February 26, 2020.

In 2019, we adopted IFRS 16, Leases (IFRS 16) and IFRIC 23, Uncertainty over Income Tax Treatments (IFRIC 23), which both became effective January 1, 2019. Note 33 discloses the effects of the adoption of these new IFRS pronouncements for all periods presented, including the nature and effect of changes in accounting policies. Certain information has been reclassified to conform with the financial statement presentation adopted for the current year.

## 3. Summary of Significant Accounting Policies

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

### Basis of Presentation

Our consolidated financial statements include the accounts of Teck and all of its subsidiaries. Our significant operating subsidiaries include Teck Metals Ltd. (TML), Teck Alaska Incorporated (TAK), Teck Highland Valley Copper Partnership (Highland Valley Copper), Teck Coal Partnership (Teck Coal), Teck Washington Incorporated (TWI), Compañía Minera Teck Quebrada Blanca S.A. (QBSA or Quebrada Blanca) and Compañía Minera Teck Carmen de Andacollo (Carmen de Andacollo).

All subsidiaries are entities that we control, either directly or indirectly. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. Power over an investee exists when our existing rights give us the ability to direct the activities that significantly affect the investee's returns. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. All of our intra-group balances and transactions, including unrealized profits and losses arising from intra-group transactions, have been eliminated in full. For subsidiaries that we control but do not own 100% of, the net assets and net profit attributable to outside shareholders are presented as amounts attributable to non-controlling interests in the consolidated balance sheet and consolidated statements of income and comprehensive income.

Certain of our business activities are conducted through joint arrangements. Our interests in joint operations include Galore Creek Partnership (Galore Creek, 50% share) and Fort Hills Energy L.P. (Fort Hills, 21.3% share), which operate in Canada, and Compañia Minera Antamina S.A. (Antamina, 22.5% share), which operates in Peru. We account for our interests in these joint operations by recording our share of the respective assets, liabilities, revenue, expenses and cash flows. We also have an interest in a joint venture, NuevaUnión SPA (NuevaUnión, 50% share), in Chile that we account for using the equity method (Note 15).

**3. Summary of Significant Accounting Policies** (continued)

During the year ended December 31, 2018, our share of the Fort Hills oil sands mine increased from 20.89% to 21.3% on resolution of a commercial dispute between the Fort Hills partners. We funded an increased share of the project capital in the amount of $58 million, as consideration for the additional interest in the project.

All dollar amounts are presented in Canadian dollars unless otherwise specified.

**Interests in Joint Arrangements**

A joint arrangement can take the form of a joint venture or joint operation. All joint arrangements involve a contractual arrangement that establishes joint control, which exists only when decisions about the activities that significantly affect the returns of the investee require unanimous consent of the parties sharing control. A joint operation is a joint arrangement in which we have rights to the assets and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement in which we have rights to only the net assets of the arrangement.

Joint ventures are accounted for in accordance with the policy “Investments in Associates and Joint Ventures”. Joint operations are accounted for by recognizing our share of the assets, liabilities, revenue, expenses and cash flows of the joint operation in our consolidated financial statements.

**Investments in Associates and Joint Ventures**

Investments over which we exercise significant influence but do not control or jointly control are associates. Investments in associates are accounted for using the equity method, except when classified as held for sale. Investments in joint ventures as determined in accordance with the policy “Interests in Joint Arrangements” are also accounted for using the equity method.

The equity method involves recording the initial investment at cost and subsequently adjusting the carrying value of the investment for our proportionate share of the profit or loss, other comprehensive income or loss and any other changes in the associate’s or joint venture’s net assets, such as further investments or dividends.

Our proportionate share of the associate’s or joint venture’s profit or loss and other comprehensive income or loss is based on its most recent financial statements. Adjustments are made to align any inconsistencies between our accounting policies and our associate’s or joint venture’s policies before applying the equity method. Adjustments are also made to account for depreciable assets based on their fair values at the acquisition date of the investment and for any impairment losses recognized by the associate or joint venture.

If our share of the associate’s or joint venture’s losses were equal to or exceeded our investment in the associate or joint venture, recognition of further losses would be discontinued. After our interest is reduced to zero, additional losses would be provided for and a liability recognized only to the extent that we have incurred legal or constructive obligations to provide additional funding or make payments on behalf of the associate or joint venture. If the associate or joint venture subsequently reports profits, we resume recognizing our share of those profits only when we have a positive interest in the entity.

At each balance sheet date, we consider whether there is objective evidence of impairment in associates and joint ventures. If there is such evidence, we determine the amount of impairment to record, if any, in relation to the associate or joint venture.

**Foreign Currency Translation**

The functional currency of each of our subsidiaries and our joint operations, joint ventures and associates is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the functional currency of the entity at the exchange rate in existence at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the period end date exchange rates.

The functional currency of Teck, the parent entity, is the Canadian dollar, which is also the presentation currency of our consolidated financial statements.

**3. Summary of Significant Accounting Policies** (continued)

Foreign operations are translated from their functional currencies, generally the U.S. dollar, into Canadian dollars on consolidation. Items in the statements of income and other comprehensive income are translated using weighted average exchange rates that reasonably approximate the exchange rate at the transaction date. Items on the balance sheet are translated at the closing spot exchange rate. Exchange differences on the translation of the net assets of entities with functional currencies other than the Canadian dollar, and any offsetting exchange differences on net debt used to hedge those assets, are recognized in a separate component of equity through other comprehensive income (loss).

Exchange differences that arise relating to long-term intra-group balances that form part of the net investment in a foreign operation are also recognized in this separate component of equity through other comprehensive income (loss).

On disposition or partial disposition of a foreign operation, the cumulative amount of related exchange differences recorded in a separate component of equity is recognized in the statement of income.

**Revenue**

Our revenue consists of sales of steelmaking coal, copper, zinc and lead concentrates, refined zinc, lead and silver, and blended bitumen. We also sell other by-products, including molybdenum concentrates, various refined specialty metals, chemicals and fertilizers. Our performance obligations relate primarily to the delivery of these products to our customers, with each separate shipment representing a separate performance obligation.

Revenue, including revenue from the sale of by-products, is recognized at the point in time when the customer obtains control of the product. Control is achieved when a product is delivered to the customer, we have a present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms and there is no unfulfilled obligation that could affect the customer's acceptance of the product.

*Steelmaking coal*

For steelmaking coal, control of the product generally transfers to the customer when an individual shipment parcel is loaded onto a carrier accepted or directly contracted by the customer. For a majority of steelmaking coal sales we are not responsible for the provision of shipping or product insurance after the transfer of control. For certain sales we arrange shipping on behalf of our customers and are agent to these shipping transactions.

Steelmaking coal is sold under spot or average pricing contracts. For spot price contracts, pricing is final when revenue is recognized. For average pricing contracts, the final pricing is determined based on quoted steelmaking coal price assessments over a specific period. Control of the goods may transfer and revenue may be recognized before, during or subsequent to the period in which final average pricing is determined. For all steelmaking coal sales under average pricing contracts where pricing is not finalized when revenue is recognized, revenue is recorded based on estimated consideration to be received at the date of sale with reference to steelmaking coal price assessments. For average pricing contracts, adjustments are made to settlement receivables in subsequent periods based on published price assessments up to the date of final pricing. This adjustment mechanism is based on the market price of the commodity and accordingly, the changes in value of the settlement receivables are not considered to be revenue from contracts with customers. The changes in fair value of settlement receivables are recorded in other operating income (expense).

Steelmaking coal sales are billed based on final quality and quantity measures upon the passage of control to the customer. If pricing is not finalized when control of the product is transferred, a subsequent invoice is issued when pricing is finalized. The payment terms generally require prompt collection from customers; however, payment terms are customer specific and subject to change based on market conditions and other factors. We generally retain title to these products until we receive the first contracted payment, which is typically received shortly after loading, solely to manage the credit risk of the amounts due to us. This retention of title does not preclude the customer from obtaining control of the product.

**3. Summary of Significant Accounting Policies** (continued)

*Base metal concentrates*

For copper, lead and zinc concentrates, control of the product generally transfers to the customer when an individual shipment parcel is loaded onto a carrier accepted by the customer. We sell a majority of our concentrates on commercial terms where we are responsible for providing freight services after the date at which control of the product passes to the customer. We are the principal to this freight performance obligation. A minority of zinc and lead concentrate sales are made on consignment. For consignment transactions, control of the product transfers to the customer and revenue is recognized at the time the product is consumed in the customers' process.

The majority of our 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. For these sales, revenue is recorded based on the estimated consideration to be received at the date of sale with reference to relevant commodity market prices. Adjustments are made to settlement receivables in subsequent periods based on movements in quoted commodity prices up to the date of final pricing. This adjustment mechanism is based on the market price of the commodity and accordingly, the changes in value of the settlement receivables are not considered to be revenue from contracts with customers. The changes in fair value of settlement receivables are recorded in other operating income (expense).

Metal concentrate sales are billed based on provisional weights and assays upon the passage of control to the customer. The first provisional invoice is billed to the customer at the time of transfer of control. As final prices, weights and assays are received, additional invoices are issued and collected. In general, consideration is promptly collected from customers; however, the payment terms are customer specific and subject to change based on market conditions and other factors. We generally retain title to these products until we receive the first contracted payment, which is typically received shortly after loading, solely to manage the credit risk of the amounts due to us. This retention of title does not preclude the customer from obtaining control of the product.

*Refined metals*

For sales of refined metals, control of the product transfers to the customer when the product is loaded onto a carrier specified by the customer. For these products, loading generally coincides with the transfer of title.

Our refined metals are sold under spot or average pricing contracts. For spot sales contracts, pricing is final when revenue is recognized. For refined metal sales contracts where pricing is not finalized when revenue is recognized, revenue is recorded based on the estimated consideration to be received at the date of sale with reference to commodity market prices. Adjustments are made to settlement receivables in subsequent periods based on movements in quoted commodity prices up to the date of final pricing. This adjustment mechanism is based on the market price of the commodity and accordingly, the changes in value of the settlement receivables are not considered to be revenue from contracts with customers. The changes in fair value of settlement receivables are recorded in other operating income (expense).

We sell a portion of our refined metals on commercial terms where we are responsible for providing freight services after the date at which control of the product passes to the customer. We are the principal to this freight performance obligation.

Refined metal sales are billed based on final specification measures upon the passage of control to the customer. If pricing is not finalized when control of the product is transferred, a subsequent invoice is issued when pricing is finalized.

In general, consideration is promptly collected from customers; however, the payment terms are customer specific and subject to change based on market conditions and other factors.

*Blended bitumen*

For blended bitumen, control of the product generally transfers to the customer when the product passes the delivery point as specified in the contract, which normally coincides with title and risk transfer to the customer. The majority of our blended bitumen is sold under pricing arrangements where final prices are determined based on commodity price indices that are finalized at or near the date of sale. Payments for blended bitumen sales are usually due and settled within 30 days. Our revenue for blended bitumen is net of royalty payments to governments.

**3. Summary of Significant Accounting Policies** (continued)

**Financial Instruments**

We recognize financial assets and liabilities on the balance sheet when we become a party to the contractual provisions of the instrument.

*Cash and cash equivalents*

Cash and cash equivalents include cash on account, demand deposits and money market investments with maturities from the date of acquisition of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant changes in value. Cash is classified as a financial asset that is subsequently measured at amortized cost. Cash equivalents are classified as subsequently measured at amortized cost, except for money market investments, which are classified as subsequently measured at fair value through profit or loss.

*Trade receivables*

Trade receivables relate to amounts received from sales under our spot pricing contracts for steelmaking coal, refined metals, blended bitumen, chemicals and fertilizers. These receivables are non-interest bearing and are recognized at face amount, except when fair value is materially different, and are subsequently measured at amortized cost. Trade receivables recorded are net of lifetime expected credit losses.

*Settlement receivables*

Settlement receivables arise from average pricing steelmaking coal contracts and base metal concentrate sales contracts where amounts receivable vary based on steelmaking coal price assessments or underlying commodity prices. Settlement receivables are classified as fair value through profit or loss and are recorded at fair value at each reporting period based on published price assessments or quoted commodity prices up to the date of final pricing. The changes in fair value are recorded in other operating income (expense).

*Investments in marketable equity securities*

Investments in marketable equity securities are classified, at our election, as subsequently measured at fair value through other comprehensive income. For new investments in marketable equity securities, we can elect the same classification as subsequently measured at fair value through other comprehensive income, or we can elect to classify an investment as at fair value through profit or loss. This election can be made on an investment-by-investment basis and is irrevocable. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the balance sheet date.

When investments in marketable equity securities are disposed of, the cumulative gains and losses recognized in other comprehensive income (loss) are not recycled to profit and remain within equity. Dividends are recognized in profit and these investments are not assessed for impairment.

*Investments in debt securities*

Investments in debt securities are classified as subsequently measured at fair value through other comprehensive income and recorded at fair value. Investment transactions are recognized on the trade date with transaction costs included in the underlying balance. Fair values are determined by reference to quoted market prices at the balance sheet date.

Unrealized gains and losses on debt securities are recognized in other comprehensive income (loss) until investments are disposed of and the cumulative gains and losses recognized in other comprehensive income (loss) are reclassified from equity to profit at that time. Loss allowances and interest income are recognized in profit.

*Trade payables*

Trade payables are non-interest bearing if paid when due and are recognized at face amount, except when fair value is materially different. Trade payables are subsequently measured at amortized cost.

**3. Summary of Significant Accounting Policies** (continued)

*Debt*

Debt is initially recorded at fair value, less transaction costs. Debt is subsequently measured at amortized cost, calculated using the effective interest rate method.

*Derivative instruments*

Derivative instruments, including embedded derivatives in executory contracts or financial liability contracts, are classified as at fair value through profit or loss and, accordingly, are recorded on the balance sheet at fair value. Unrealized gains and losses on derivatives not designated in a hedging relationship are recorded as part of other operating income (expense) or non-operating income (expense) in profit depending on the nature of the derivative. Fair values for derivative instruments are determined using inputs based on market conditions existing at the balance sheet date or settlement date of the derivative. Derivatives embedded in non-derivative contracts are recognized separately unless they are closely related to the host contract.

*Expected credit losses*

For trade receivables, we apply the simplified approach to determining expected credit losses, which requires expected lifetime losses to be recognized upon initial recognition of the receivables.

Loss allowances on investments in debt securities are initially assessed based on the expected 12-month credit losses. At each reporting date, we assess whether the credit risk for our debt securities has increased significantly since initial recognition. If the credit risk has increased significantly since initial recognition, the loss allowance is adjusted to be based on the lifetime expected credit losses.

*Hedging*

Certain derivative investments may qualify for hedge accounting. At inception of hedge relationships, we document the economic relationship between hedging instruments and hedged items and our risk management objective and strategy for undertaking the hedge transactions.

For fair value hedges, any gains or losses on both the hedged item and the hedging instrument are recognized in the same line item in profit.

For cash flow hedges, any unrealized gains or losses on the hedging instrument relating to the effective portion of the hedge are initially recorded in other comprehensive income (loss). Where a cash flow hedge relates to a transaction where a non-financial asset or liability is recognized, accumulated gains or losses are recognized directly in the carrying amount of the non-financial asset or liability. The gains or losses are reclassified to profit in the same period or periods in which the hedged expected future cash flows affect profit or loss, when the hedged item ceases to exist, or when the hedge is determined to be ineffective.

For hedges of net investments in foreign operations, any foreign exchange gains or losses on the hedging instrument relating to the effective portion of the hedge are initially recorded in other comprehensive income (loss). Gains and losses are recognized in profit on the ineffective portion of the hedge, or when there is a disposition or partial disposition of a foreign operation being hedged.

**Inventories**

Finished products, work in process, raw materials and supplies inventories are valued at the lower of weighted average cost and net realizable value. Raw materials include concentrates for use at smelting and refining operations. Work in process inventory includes inventory in the milling, smelting or refining process and stockpiled ore at mining operations. For our oil sands mining and processing operation, raw materials consist of diluent used in blending, work in process inventory consists of raw bitumen and finished products consist of blended bitumen.

For work in process and finished product inventories, cost includes all direct costs incurred in production, including direct labour and materials, freight, depreciation and amortization, and directly attributable overhead costs. Production stripping costs that are not capitalized are included in the cost of inventories as incurred. Depreciation and amortization of capitalized production stripping costs are included in the cost of inventory.

**3. Summary of Significant Accounting Policies** (continued)

When inventories have been written down to net realizable value, we make a new assessment of net realizable value in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down on inventory not yet sold is reversed.

We use both joint-product and by-product costing for work in process and finished product inventories. Joint-product costing is applied to primary products where the profitability of the operations is dependent upon the production of these products. Joint-product costing allocates total production costs based on the relative values of the products. By-product costing is used for products that are not the primary products produced by the operation. The by-products are allocated only the incremental costs of processes that are specific to the production of that product.

Supplies inventory is valued at the lower of weighted average cost and net realizable value. Cost includes acquisition, freight and other directly attributable costs.

**Property, Plant and Equipment**

*Land, buildings, plant and equipment*

Land is recorded at cost and buildings, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and the directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Depreciation of mobile equipment, buildings used for production, and plant and processing equipment at our mining operations are calculated on a units-of-production basis. Depreciation of buildings not used for production, and of plant and equipment at our smelting operations is calculated on a straight-line basis over the assets' estimated useful lives. Where components of an asset have different useful lives, depreciation is calculated on each component separately. Depreciation commences when an asset is ready for its intended use. Estimates of remaining useful lives and residual values are reviewed annually. Changes in estimates are accounted for prospectively.

The expected useful lives are as follows:

- Buildings and equipment (not used for production) 1—47 years
- Plant and equipment (smelting operations) 3—30 years

*Mineral properties and mine development costs*

The cost of acquiring and developing mineral properties or property rights, including pre-production waste rock stripping costs related to mine development and costs incurred during production to increase future output, are capitalized.

Waste rock stripping costs incurred in the production phase of a surface mine are recorded as capitalized production stripping costs within property, plant and equipment when it is probable that the stripping activity will improve access to the orebody, when the component of the orebody or pit to which access has been improved can be identified, and when the costs relating to the stripping activity can be measured reliably. When the actual waste-to-ore stripping ratio in a period is greater than the expected life-of-component waste-to-ore stripping ratio for that component, the excess is recorded as capitalized production stripping costs.

Once available for use, mineral properties and mine development costs are depreciated on a units-of-production basis over the proven and probable reserves to which they relate. Since the stripping activity within a component of a mine improves access to the reserves of the same component, capitalized production stripping costs incurred during the production phase of a mine are depreciated on a units-of-production basis over the proven and probable reserves expected to be mined from the same component.

Underground mine development costs are depreciated using the block depreciation method, where development costs associated with each distinct section of the mine are depreciated over the reserves to which they relate.

**3. Summary of Significant Accounting Policies** (continued)

*Exploration and evaluation costs*

Property acquisition costs are capitalized. Other exploration and evaluation costs are capitalized if they relate to specific properties for which resources, as defined under National Instrument 43-101, *Standards of Disclosure for Mineral Projects*, exist or are near a specific property with a defined resource, and it is expected that the expenditure can be recovered by future exploitation or sale. All other costs are charged to profit in the year in which they are incurred. Capitalized exploration and evaluation costs are considered to be tangible assets. These assets are not depreciated as they are not currently available for use. When proven and probable reserves are determined and development is approved, capitalized exploration and evaluation costs are reclassified to mineral properties within property, plant and equipment.

*Costs of oil sands properties*

The costs of acquiring, exploring, evaluating and developing oil sands properties are capitalized when it is expected that these costs will be recovered through future exploitation or sale of the property. Capitalized development costs of oil sands properties are tangible assets. These assets are not depreciated as they are not currently available for use. When proven and probable reserves are determined and development is approved, capitalized development costs for oil sands properties are reclassified to mineral properties within property, plant and equipment.

*Construction in progress*

Assets in the course of construction are capitalized as construction in progress. On completion, the cost of construction is transferred to the appropriate category of property, plant and equipment, and depreciation commences when the asset is available for its intended use.

*Repairs and maintenance*

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

*Borrowing costs*

We capitalize borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to construct or prepare for its intended use. We begin capitalizing borrowing costs when there are borrowings, expenditures are incurred, and activities are undertaken to prepare the asset for its intended use. The amount of borrowing costs capitalized cannot exceed the actual amount of borrowing costs incurred during the period. All other borrowing costs are expensed as incurred.

We discontinue the capitalization of borrowing costs when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale are complete. In addition, we cease capitalization of borrowing costs when there is suspension of activities to prepare an asset for its intended use or sale. Capitalization recommences when the activities are restarted. Capitalized borrowing costs are amortized over the useful life of the related asset.

*Impairment of non-current assets*

The carrying amounts of assets included in property, plant and equipment and intangible assets are reviewed for impairment whenever facts and circumstances indicate that the carrying amounts are less than the recoverable amounts. If there are indicators of impairment, the recoverable amount of the asset is estimated in order to determine the extent of any impairment. Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit (CGU) to which the asset belongs is determined. The recoverable amount of an asset or CGU is determined as the higher of its fair value less costs of disposal and its value in use. An impairment loss exists if the asset's or CGU's carrying amount exceeds the estimated recoverable amount, and is recorded as an expense immediately.

**3. Summary of Significant Accounting Policies** (continued)

Fair value is the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. Costs of disposal are incremental costs directly attributable to the disposal of an asset. For mining assets, when a binding sale agreement is not readily available, fair value less costs of disposal is usually estimated using a discounted cash flow approach, unless comparable market transactions on which to estimate fair value are available. Estimated future cash flows are calculated using estimated future commodity prices, reserves and resources, and operating and capital costs. All inputs used are those that an independent market participant would consider appropriate. Value in use is determined as the present value of the future cash flows expected to be derived from continuing use of an asset or CGU in its present form. These estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU for which estimates of future cash flows have not been adjusted. A value in use calculation uses a pre-tax discount rate and a fair value less costs of disposal calculation uses a post-tax discount rate.

Indicators of impairment for exploration and evaluation assets are assessed on a project-by-project basis or as part of the mining operation to which they relate.

Tangible or intangible assets that have been impaired in prior periods are tested for possible reversal of impairment whenever events or significant changes in circumstances indicate that the impairment may have reversed. Indicators of a potential reversal of an impairment loss mainly mirror the indicators present when the impairment was originally recorded. If the impairment has reversed, the carrying amount of the asset is increased to its recoverable amount, but not beyond the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss is recognized in profit immediately.

**Intangible Assets**

Intangible assets are recorded at cost less accumulated depreciation and impairment losses. Cost includes the purchase price and the directly attributable costs to bring the assets to the location and condition necessary for them to be capable of operating in the manner intended by management.

Finite life intangible assets are amortized on a straight-line basis over their useful lives. Amortization commences when an asset is ready for its intended use. Estimates of remaining useful lives are reviewed annually. Changes in estimates are accounted for prospectively. The expected useful lives of our finite-life intangible assets are between 7—40 years.

**Goodwill**

We allocate goodwill arising from business combinations to each CGU or group of CGUs that are expected to receive the benefits from the business combination. The carrying amount of the CGU or group of CGUs to which goodwill has been allocated is tested annually for impairment or when there is an indication that the goodwill may be impaired. Any impairment is recognized as an expense immediately. Should there be a recovery in the value of a CGU, any impairment of goodwill previously recorded is not subsequently reversed.

**Leases**

The following leases accounting policies have been applied as of January 1, 2019 on adoption of IFRS 16. For comparative periods prior to 2019, we applied leases policies in accordance with IAS 17, Leases (IAS 17) and IFRIC 4, Determining Whether an Arrangement Contains a Lease (IFRIC 4). Note 33 outlines the effect of adopting IFRS 16 requirements on January 1, 2019, and Note 20 outlines the effect of leases as at and for the year ended December 31, 2019.

At inception of a contract, we assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. We assess whether the contract involves the use of an identified asset, whether we have the right to obtain substantially all of the economic benefits from use of the asset during the term of the arrangement and if we have the right to direct the use of the asset. At inception or on reassessment of a contract that contains a lease component, we allocate the consideration in the contract to each lease component on the basis of their relative standalone prices.

As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease. The right-of-use asset is initially measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

**3. Summary of Significant Accounting Policies** (continued)

The right-of-use asset is subsequently depreciated from the commencement date to the earlier of the end of the lease term, or the end of the useful life of the asset. In addition, the right-of-use asset may be reduced due to impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the interest rate implicit in the lease, or if that rate cannot be readily determined, our incremental borrowing rate. Lease payments included in the measurement of the lease liability are comprised of:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- exercise prices of purchase options if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if there is a change in our estimate or assessment of the expected amount payable under a residual value guarantee, purchase, extension or termination option. Variable lease payments not included in the initial measurement of the lease liability are charged directly to profit.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

**Income Taxes**

Taxes, comprising both income taxes and resource taxes, are accounted for as income taxes under IAS 12, Income Taxes and are recognized in the statement of income, except where they relate to items recognized in other comprehensive income (loss) or directly in equity, in which case the related taxes are recognized in other comprehensive income (loss) or equity.

Current taxes receivable or payable are based on estimated taxable income for the current year at the statutory tax rates enacted or substantively enacted less amounts paid or received on account.

Deferred tax assets and liabilities are recognized based on temporary differences (the difference between the tax and accounting values of assets and liabilities) and are calculated using enacted or substantively enacted tax rates for the periods in which the differences are expected to reverse. The effect of changes in tax legislation, including changes in tax rates, is recognized in the period of substantive enactment.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profits of the relevant entity or group of entities in a particular jurisdiction will be available, against which the assets can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, joint ventures and associates. However, we do not recognize such deferred tax liabilities where the timing of the reversal of the temporary differences can be controlled without affecting our operations or business, and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill or an asset or liability in a transaction, other than in a business combination, which will affect neither accounting profit nor taxable profit.

We are subject to assessments by various taxation authorities, who may interpret tax legislation differently than we do. The final amount of taxes to be paid depends on a number of factors, including the outcomes of audits, appeals or negotiated settlements. We account for such differences based on our best estimate of the probable outcome of these matters.

**3. Summary of Significant Accounting Policies** (continued)

**Employee Benefits**

*Defined benefit pension plans*

Defined benefit pension plan obligations are based on actuarial determinations. The projected unit credit method, which sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation, is used to determine the defined benefit obligations, the related current service costs and, where applicable, the past service costs. Actuarial assumptions used in the determination of defined benefit pension plan assets and liabilities are based upon our best estimates, including discount rates, salary escalation, expected health care costs and retirement dates of employees.

Vested and unvested costs arising from past service following the introduction of changes to a defined benefit plan are recognized immediately as an expense when the changes are made.

Actuarial gains and losses can arise from differences between expected and actual outcomes or changes in actuarial assumptions. Actuarial gains and losses, changes in the effect of asset ceiling and return on plan assets are collectively referred to as remeasurements of retirement benefit plans and are recognized immediately through other comprehensive income (loss) and directly into retained earnings. Measurement of our net defined benefit asset is limited to the lower of the surplus of assets less liabilities in the defined benefit plan and the asset ceiling less liabilities in the defined benefit plan. The asset ceiling is the present value of the expected economic benefit available to us in the form of refunds from the plan or reductions in future contributions to the plan.

We apply one discount rate to the net defined benefit asset or liability for the purposes of determining the interest component of the defined benefit cost. This interest component is recorded as part of finance expense. Depending on the classification of the salary of plan members, current service costs and past service costs are included in either operating expenses or general and administration expenses.

*Defined contribution pension plans*

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

*Non-pension post-retirement plans*

We provide health care benefits for certain employees when they retire. Non-pension post-retirement plan obligations are based on actuarial determinations. The cost of these benefits is expensed over the period in which the employees render services. We fund these non-pension post-retirement benefits as they become due.

*Termination benefits*

We recognize a liability and an expense for termination benefits when we have demonstrably committed to terminate employees. We are demonstrably committed to a termination when, and only when, there is a formal plan for the termination with no realistic possibility of withdrawal. The plan should include, at a minimum, the location, function and approximate number of employees whose services are to be terminated, the termination benefits for each job classification or function, and the time at which the plan will be implemented without significant changes.

**Share-Based Payments**

The fair value method of accounting is used for share-based payment transactions. Under this method, the cost of share options and other equity-settled share-based payment arrangements is recorded based on the estimated fair value at the grant date, including an estimate of the forfeiture rate, and charged to other operating income (expense) over the vesting period. For employees eligible for normal retirement prior to vesting, the expense is charged to other operating income (expense) over the period from the grant date to the date they are eligible for retirement.

**3. Summary of Significant Accounting Policies** (continued)

Share-based payment expense relating to cash-settled awards, including deferred, restricted, performance and performance deferred share units, is accrued over the vesting period of the units based on the quoted market value of Class B subordinate voting shares. Performance share units (PSUs) and performance deferred share units (PDSUs) have two additional vesting factors determined by our total shareholder return in comparison to a group of specified companies and by the ratio of the change in our earnings before interest, taxes, depreciation and amortization (EBITDA) over the vesting period of the share unit to the change in a specified weighted commodity price index. As these awards will be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price as well as changes to the above-noted vesting factors, as applicable.

**Share Repurchases**

Where we repurchase any of our equity share capital, the excess of the consideration paid over book value is deducted from retained earnings.

**Provisions**

*Decommissioning and restoration provisions*

Future obligations to retire an asset and to restore a site, including dismantling, remediation and ongoing treatment and monitoring of the site related to normal operations, are initially recognized and recorded as a provision based on estimated future cash flows discounted at a credit-adjusted risk-free rate. This decommissioning and restoration provision is adjusted at each reporting period for changes to factors including the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the discount rate.

The provisions are also accreted to full value over time through periodic charges to profit. This unwinding of the discount is charged to finance expense in the statement of income.

The amount of the decommissioning and restoration provision initially recognized is capitalized as part of the related asset's carrying value. The method of depreciation follows that of the underlying asset. For a closed site or where the asset that generated a decommissioning and restoration provision no longer exists, there is no longer any future benefit related to the costs, and as such, the amounts are expensed through other operating income (expense). For operating sites, a revision in estimates or a new disturbance will result in an adjustment to the provision with an offsetting adjustment to the capitalized asset retirement cost.

During the operating life of an asset, events such as infractions of environmental laws or regulations may occur. These events are not related to the normal operation of the asset. The costs associated with these provisions are accrued and charged to other operating income (expense) in the period in which the event giving rise to the liability occurs. Changes in the estimated liability resulting in an adjustment to the provision are also charged to other operating income (expense) in the period in which the estimate changes.

*Other provisions*

Provisions are recognized when a present legal or constructive obligation exists as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate credit-adjusted risk-free rate.

**Research and Development**

Research costs are expensed as incurred. Development costs are only capitalized 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 we are committed, and have the resources, to complete the project.

**Earnings per Share**

Earnings per share is calculated based on the weighted average number of shares outstanding during the year. For diluted earnings per share, dilution is calculated based upon the net number of common shares issued should "in-the-money" options and warrants be exercised and the proceeds be used to repurchase common shares at the average market price in the year.

## 4. Areas of Judgment and Estimation Uncertainty

In preparing our consolidated financial statements, we make judgments in applying our accounting policies. The judgments that have the most significant effect on the amounts recognized in our financial statements are outlined below. In addition, we make assumptions about the future in deriving estimates used in preparing our consolidated financial statements. We have outlined below information about assumptions and other sources of estimation uncertainty as at December 31, 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

a) Areas of Judgment

**Assessment of Impairment Indicators**

Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. We consider both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information we consider in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, our market capitalization, reserves and resources, mine plans and operating results.

As at December 31, 2019, as a result of lower market expectations for Western Canadian Select (WCS) heavy oil prices, we reviewed our energy assets for impairment. For our interest in Fort Hills, we determined that the reduction in WCS heavy oil prices was an indicator of impairment under the requirements of IAS 36, Impairment of Assets and accordingly, we performed an impairment test (Note 8(a)).

The remainder of our energy assets are oil sands properties, the most significant of which is our Frontier oil sands project. These assets are considered exploration and evaluation assets and accordingly, our assessment of impairment indicators is performed under the requirements of IFRS 6, Exploration for and Evaluation of Mineral Resources. We determined that our withdrawal of our Frontier oil sands property from the regulatory review process was an indicator of impairment and consequently, we recorded an impairment of Frontier as at December 31, 2019 (Note 8(a)).

**Property, Plant and Equipment and Intangible Assets – Determination of Available for Use Date**

Judgment is required in determining the date that property, plant and equipment or an intangible asset is available for use. An asset is available for use when it is in the location and condition necessary to operate in the manner intended by management. At that time, we commence depreciation of the asset and cease capitalization of borrowing costs. We consider a number of factors in making the determination of when an asset is available for use including, but not limited to, design capacity of the asset, production levels achieved, capital spending remaining and commissioning status. Fort Hills produced first oil in January 2018 and was considered available for use as at June 1, 2018. When concluding that these assets were available for use at June 1, 2018, we considered whether all three secondary extraction trains were running as expected, whether the production and product quality were consistent with expectations, and the status of asset commissioning. We have included the operating results for Fort Hills in our consolidated statements of income from that date forward.

**4. Areas of Judgment and Estimation Uncertainty** (continued)

**Joint Arrangements**

We are a party to a number of arrangements over which we do not have control. Judgment is required in determining whether joint control over these arrangements exists and, if so, which parties have joint control and whether each arrangement is a joint venture or joint operation. In assessing whether we have joint control, we analyze the activities of each arrangement and determine which activities most significantly affect the returns of the arrangement over its life. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, we generally consider decisions about activities such as managing the asset while it is being designed, developed and constructed, during its operating life and during the closure period. We may also consider other activities including the approval of budgets, expansion and disposition of assets, financing, significant operating and capital expenditures, appointment of key management personnel, representation on the board of directors and other items. When circumstances or contractual terms change, we reassess the control group and the relevant activities of the arrangement.

If we have joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether we have rights to the assets, and obligations for the liabilities, relating to the arrangement or whether we have rights to the net assets of the arrangement. In making this determination, we review the legal form of the arrangement, the terms of the contractual arrangement and other facts and circumstances. In a situation where the legal form and the terms of the contractual arrangement do not give us rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. The consideration of other facts and circumstances may result in the conclusion that a joint arrangement is a joint operation. This conclusion requires judgment and is specific to each arrangement. Other facts and circumstances have led us to conclude that Antamina and Fort Hills are joint operations for the purposes of our consolidated financial statements. The other facts and circumstances considered for both of these arrangements include the provision of output to the parties of the joint arrangements and the funding obligations. For both Antamina and Fort Hills, we will take our share of the output from the assets directly over the life of the arrangement. We have concluded that this gives us direct rights to the assets and obligations for the liabilities of these arrangements proportionate to our ownership interests.

**Streaming Transactions**

When we enter into a long-term streaming arrangement linked to production at specific operations, judgment is required in assessing the appropriate accounting treatment for the transaction on the closing date and in future periods. We consider the specific terms of each arrangement to determine whether we have disposed of an interest in the reserves and resources of the respective operation or executed some other form of arrangement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation. These include the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, the commodity price referred to in the ongoing payment and any guarantee relating to the upfront payment if production ceases.

For our silver and gold streaming arrangements at Antamina and Carmen de Andacollo, respectively, there is no guarantee associated with the upfront payment. We have concluded that control of the rights to the silver and gold mineral interests were transferred to the buyers when the contracts came into effect. Therefore, we consider these arrangements a disposition of a mineral interest.

Based on our judgment, control of the interest in the reserves and resources transferred to the buyer when the contracts were executed. At that time, we recognized the amount of the gain related to the disposition of the reserves and resources as we had the right to payment, the customer was entitled to the commodities, the buyer had no recourse in requiring Teck to mine the product, and the buyer had significant risks and rewards of ownership of the reserves and resources.

We recognize the amount of consideration related to refining, mining and delivery services as the work is performed.

**4. Areas of Judgment and Estimation Uncertainty** (continued)

**Deferred Tax Assets and Liabilities**

Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet and what tax rate is expected to be applied in the year when the related temporary differences reverse, particularly in regard to the utilization of tax loss carryforwards. We also evaluate the recoverability of deferred tax assets based on an assessment of our ability to use the underlying future tax deductions before they expire against future taxable income. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Judgment is also required on the application of income tax legislation. These judgments are subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

b) Sources of Estimation Uncertainty

**Impairment Testing**

When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. These models are prepared internally or with assistance from third-party advisors when required. When market transactions for comparable assets are available, these are considered in determining the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include commodity prices, reserves and resources, mine production, operating costs, capital expenditures, discount rates, foreign exchange rates and inflation rates. Note 8 outlines the significant inputs used when performing goodwill and other asset impairment testing. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges or reversals recorded in the statement of income and the resulting carrying values of assets.

**Estimated Recoverable Reserves and Resources**

Mineral and oil reserve and resource estimates are based on various assumptions relating to operating matters as set forth in National Instrument 43-101, *Standards of Disclosure for Mineral Projects* and National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities*. Assumptions used include production costs, mining and processing recoveries, cut-off grades, sales volumes, long-term commodity prices, exchange rates, inflation rates, tax and royalty rates and capital costs. Cost estimates are based on pre-feasibility or feasibility study estimates or operating history. Estimates are prepared by or under the supervision of appropriately qualified persons, or qualified reserves evaluators, but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs, and recoveries, among other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine sites, in accounting for capitalized production stripping costs, in performing impairment testing, and in forecasting the timing of settlement of decommissioning and restoration costs. Therefore, changes in the assumptions used could affect the carrying value of assets, depreciation and impairment charges recorded in the statement of income and the carrying value of the decommissioning and restoration provision.

**Decommissioning and Restoration Provisions**

The decommissioning and restoration provision (DRP) is based on future cost estimates using information available at the balance sheet date that are developed by management's experts (Note 23(a)). The DRP represents the present value of estimated costs of future decommissioning and other site restoration activities including costs associated with the management of water and water quality in and around each closed site. The DRP is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted discount rate. The DRP requires other significant estimates and assumptions, including the requirements of the relevant legal and regulatory framework and the timing, extent and costs of required decommissioning and restoration activities. Our estimates of the cost associated with the management of water and water quality in and around each closed site includes assumptions with respect to the volume and location of water to be treated, the methods used to treat the water and the related water treatment costs. To the extent the actual costs differ from these estimates, adjustments will be recorded and the income statement may be affected.

**4. Areas of Judgment and Estimation Uncertainty** (continued)

**Provision for Income Taxes**

We calculate current and deferred tax provisions for each of the jurisdictions in which we operate. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of our financial statements, and the final determination of actual amounts may not be completed for a number of years. Therefore, profit in subsequent periods will be affected by the amount that estimates differ from the final tax return.

**Deferred Tax Assets and Liabilities**

Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, commodity prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures, dividends and other capital management transactions. These estimates could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

**5. Transactions**

a) SMM/SC Subscription

On March 29, 2019, Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation (together referred to as SMM/SC) subscribed for a 30% indirect interest in QBSA, which owns the Quebrada Blanca Phase 2 (QB2) copper development project located in Northern Chile. Post-transaction, QBSA's effective ownership is 60% Teck, 30% SMM/SC and 10% Empresa Nacional de Minería (ENAMI). ENAMI, a Chilean State agency, holds a preference share interest in QBSA, which does not require ENAMI to make contributions toward QBSA capital spending.

To subscribe for the indirect 30% interest in QBSA, SMM/SC made $900 million (US$673 million) of loan advances, net of financing fees of $7 million (US$6 million), and $797 million (US$600 million) of equity contributions during 2019. Together these loan advances and equity contributions totalled $1.704 billion (US$1.279 billion). This represented US$1.2 billion of contributions agreed to by SMM/SC plus a matching contribution from SMM/SC of 50% of the capital expenditures funded by us from January 1, 2019 to the closing date. SMM/SC made additional contributions of $38 million (US$29 million) for interest on the loan advances during 2019.

SMM/SC have agreed to make a supplemental payment of US$50 million if QB2 mill throughput reaches 154,000 tonnes per day prior to the earlier of the sanctioning of a major expansion or December 31, 2025. We have recorded a financial receivable in the amount of $35 million (US$27 million) for this contingent supplemental payment, which reflects its estimated fair value as at December 31, 2019. SMM/SC have also agreed to make an additional supplemental payment if they elect to participate in the funding of a major expansion project (QB3), if it is sanctioned before December 31, 2031, by contributing an additional amount equal to 8% of the incremental net present value of QB3 at the expansion sanction date in addition to their *pro rata* share of expansion project costs. We will record a financial receivable if and when QB3 is sanctioned and SMM/SC choose to participate.

Based on the provisions of the shareholders agreement, we retain control of QBSA and continue to consolidate its results. This transaction was considered a change in the ownership interest of a subsidiary that we control and accordingly, we accounted for this as an equity transaction. We have correspondingly recorded a non-controlling interest for SMM/SC's interest in QBSA, which was $782 million as at December 31, 2019.

**5. Transactions** (continued)

In conjunction with the process to bring in an additional funding partner for QB2, we amended the terms of the QBSA shareholders agreement with ENAMI. The revised terms clarified shareholders' rights and responsibilities regarding the development and financing of QB2 and any major project expansion. The revised terms provide ENAMI with a preferential dividend stream, which is partly determined by the amount of interest on subordinated loans provided to QBSA by us and SMM/SC. The preferential dividend stream was recorded as a financial liability within provisions and other liabilities in the amount of $118 million, concurrent with the closing of the SMM/SC transaction described above. The initial recognition of the liability was recorded as a reduction to non-controlling interests as it arises from a transaction between shareholders of QBSA. The financial liability was initially measured at fair value using a discounted cash flow model based on the estimated subordinated financing provided by us and SMM/SC. Significant assumptions used in the valuation include the interest rate on the subordinated loans and copper prices, which affect the timing of when QBSA repays the subordinated loans. The liability is subsequently measured at amortized cost. As at December 31, 2019, the liability is $82 million. The decrease in the financial liability of $36 million in the year was primarily due to changes in estimated interest cash flows from changes in interest rates. This change is recorded in non-operating income (expense) (Note 11).

b) Advances from SMM/SC

In conjunction with the subscription arrangement with SMM/SC, QBSA entered into a subordinated loan facility agreement with SMM/SC to advance QBSA up to US$1.3 billion. The advances are due to be repaid in full at maturity on January 15, 2038. Amounts outstanding under the facility bear interest at LIBOR plus an applicable margin. The carrying value of the advances approximates fair value based on prevailing market interest rates in effect at December 31, 2019. This is considered a Level 2 fair value measurement with significant other observable inputs on the fair value hierarchy (Note 30).

| ($ in millions) | | US$ | | CAD$ Equivalent |
|---|---|---|---|---|
| | | 2019 | | 2019 |
| As at January 1 | $ | – | $ | – |
| Cash flows | | | | |
| Advances | | 708 | | 946 |
| Finance fees paid | | (6) | | (8) |
| Non-cash changes | | | | |
| Changes in foreign exchange rates | | – | | (26) |
| **As at December 31** | **$** | **702** | **$** | **912** |

c) QB2 Project Financing

On November 18, 2019, we closed our US$2.5 billion limited recourse project financing facility to fund the development of the QB2 project. As at December 31, 2019, the facility was undrawn. Amounts drawn under the facility will bear interest at LIBOR plus applicable margins that vary over time and will be repaid in 17 semi-annual instalments starting the earlier of six months after project completion or June 2023. These project finance loans are guaranteed pre-completion on a several basis by Teck, SMM and SC *pro rata* to the respective equity interests in the Series A shares of QBSA. The loans are secured by pledges of Teck's and SMM/SC's interests in QBSA and by security over QBSA's assets, which consist primarily of QB2 project assets.

d) Quebrada Blanca – 2018

In 2018, we acquired an additional 13.5% interest in QBSA through the purchase of Inversiones Mineras S.A. (IMSA), a private Chilean company. This acquisition brought our interest in QBSA from 76.5% to 90%, prior to the SMM/SC subscription in QBSA described in Note 5(a).

The purchase price consisted of US$53 million paid in cash on closing, an additional US$60 million paid in 2018 on the issuance of the major approval of the social and environmental impact assessment for QB2 and a further US$50 million payable within 30 days of the commencement of commercial production at QB2. Additional amounts may become payable to the extent that average copper prices exceed US$3.15 per pound in each of the first three years following commencement of commercial production, up to a cumulative maximum of US$100 million if commencement of commercial production occurs prior to January 21, 2024 or up to a lesser maximum in certain circumstances thereafter.

**5. Transactions** (continued)

This transaction was considered a change in the ownership interest of a subsidiary that we control and accordingly, we accounted for this as an equity transaction. At the acquisition date, we recorded a cash payment of $67 million and liabilities for the estimated fair value of amounts due in the future, which are recorded in provisions and other liabilities on the balance sheet. The total fair value of $175 million was recorded as a reduction in non-controlling interests and equity attributable to shareholders of $16 million and $159 million, respectively, as at December 31, 2018.

e) Waneta Dam Sale

During 2018, the transaction for the sale of our two-thirds interest in the Waneta Dam and related transmission assets to BC Hydro closed. As part of the sale, we entered into a 20-year arrangement to purchase power for our Trail Operations, with an option to extend the arrangement for a further 10 years on comparable terms. We recognized this transaction as a disposition of the Waneta Dam and related transmission assets and recorded a pre-tax gain, net of transaction costs, of $888 million (after-tax $812 million) based on proceeds of $1.203 billion. The gain was recorded in other operating income (expense) (Note 9). The power supply arrangement is accounted for as an ongoing cost to operate and is recorded in cost of sales.

**6. Revenues**

a) Total Revenues by Major Product Type and Business Unit

The following table shows our revenue disaggregated by major product type and by business unit. Our business units are reported based on the primary products that they produce and are consistent with our reportable segments (Note 28) that have revenue from contracts with customers. A business unit can have revenue from more than one commodity as it can include an operation that produces more than one product. Intra-segment revenues are accounted for at current market prices as if the sales were made to arm's-length parties and are eliminated on consolidation.

| (CAD$ in millions) | 2019 | | | | |
|---|---|---|---|---|---|
| | **Steelmaking Coal** | **Copper** | **Zinc** | **Energy** | **Total** |
| Steelmaking coal | $ 5,522 | $ – | $ – | $ – | $ 5,522 |
| Copper | – | 2,158 | – | – | 2,158 |
| Zinc | – | 163 | 2,366 | – | 2,529 |
| Blended bitumen | – | – | – | 975 | 975 |
| Silver | – | 24 | 376 | – | 400 |
| Lead | – | 5 | 395 | – | 400 |
| Other | – | 119 | 350 | – | 469 |
| Intra-segment | – | – | (519) | – | (519) |
| | **$ 5,522** | **$ 2,469** | **$ 2,968** | **$ 975** | **$ 11,934** |

**6. Revenues** (continued)

| (CAD$ in millions) | 2018 | | | | |
|---|---|---|---|---|---|
| | **Steelmaking Coal** | **Copper** | **Zinc** | **Energy[1]** | **Total** |
| Steelmaking coal | $ 6,349 | $ – | $ – | $ – | $ 6,349 |
| Copper | – | 2,242 | – | – | 2,242 |
| Zinc | – | 279 | 2,701 | – | 2,980 |
| Blended bitumen | – | – | – | 407 | 407 |
| Silver | – | 18 | 306 | – | 324 |
| Lead | – | – | 419 | – | 419 |
| Other | – | 175 | 318 | – | 493 |
| Intra-segment | – | – | (650) | – | (650) |
| | **$ 6,349** | **$ 2,714** | **$ 3,094** | **$ 407** | **$ 12,564** |

Note:
1) Includes revenue for Fort Hills from June 1, 2018.

b) Total Revenues by Regions

The following table shows our revenue disaggregated by geographical region. Revenues are attributed to regions based on the destination port or delivery location as designated by the customer.

| (CAD$ in millions) | **2019** | **2018** |
|---|---|---|
| **Asia** | | |
| China | **$ 1,983** | $ 2,060 |
| Japan | **1,813** | 1,880 |
| South Korea | **1,174** | 1,515 |
| India | **947** | 981 |
| Other | **1,077** | 1,207 |
| **Americas** | | |
| United States | **1,617** | 1,609 |
| Canada | **1,376** | 932 |
| Latin America | **236** | 297 |
| **Europe** | | |
| Germany | **486** | 561 |
| Finland | **263** | 242 |
| Netherlands | **176** | 240 |
| Other | **786** | 1,040 |
| | **$ 11,934** | $ 12,564 |

## 7. Expenses by Nature

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Employment-related costs: | | |
| Wages and salaries | **$ 1,057** | $ 1,005 |
| Employee benefits and other wage-related costs | **280** | 247 |
| Bonus payments | **207** | 191 |
| Post-employment benefits and pension costs | **105** | 112 |
| | **1,649** | 1,555 |
| Transportation | **1,476** | 1,408 |
| Depreciation and amortization | **1,619** | 1,483 |
| Raw material purchases | **974** | 914 |
| Fuel and energy | **881** | 830 |
| Operating supplies consumed | **743** | 640 |
| Maintenance and repair supplies | **742** | 775 |
| Contractors and consultants | **768** | 738 |
| Overhead costs | **277** | 365 |
| Royalties | **343** | 370 |
| Other operating costs | **45** | 15 |
| | **9,517** | 9,093 |
| Adjusted for: | | |
| Capitalized production stripping costs | **(680)** | (707) |
| Change in inventory | **52** | (197) |
| Total cost of sales, general and administration, exploration and research and innovation expenses | **$ 8,889** | $ 8,189 |

Approximately 24% (2018 – 26%) of our costs are incurred at our foreign operations where the functional currency is the U.S. dollar.

## 8. Asset and Goodwill Impairment Testing

a) Asset Impairments

The following pre-tax asset impairments were recorded in the statement of income:

**Asset Impairments**

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Fort Hills CGU | **$ (1,241)** | $ – |
| Frontier oil sands project | **(1,129)** | – |
| Steelmaking coal CGU | **(289)** | – |
| Other | **(31)** | (41) |
| Total | **$ (2,690)** | $ (41) |

**Fort Hills CGU**

As at December 31, 2019, we recorded a pre-tax impairment of $1.2 billion (after-tax $910 million) related to our interest in Fort Hills. The estimated post-tax recoverable amount of our interest in the Fort Hills CGU of $3.1 billion was lower than our carrying value. This impairment arose as a result of lower market expectations for future Western Canadian Select (WCS) heavy oil prices. The impairment affected the profit (loss) of our energy operating segment (Note 28).

**8. Asset and Goodwill Impairment Testing** (continued)

Cash flow projections used in the 2019 analysis were based on current life of mine plans at the testing date and cash flows covered a period of 40 years.

**Frontier Oil Sands Project**

As at December 31, 2019, we recorded a pre-tax impairment of $1.1 billion (after-tax $944 million) related to our Frontier oil sands project. This impairment arose as a result of our decision to withdraw Frontier from the regulatory review process. We have written down the full carrying value of our interest in the Frontier oil sands project. The impairment affected the profit (loss) of our energy operating segment (Note 28).

**Steelmaking Coal CGU**

As a result of our decision not to proceed with the Mackenzie-Redcap extension and the short remaining mine life, combined with a decrease in short-term steelmaking coal prices, we recorded a pre-tax impairment of $289 million (after-tax $184 million) of our Cardinal River Operations as at December 31, 2019. The impairment affected the profit (loss) of our steelmaking coal operating segment (Note 28). Our Cardinal River Operations has been written down to the residual value of the remaining mobile equipment.

**Other**

During the year ended December 31, 2019, we recorded an asset impairment of $31 million related to our remaining cathode operations at Quebrada Blanca.

During the year ended December 31, 2018, we recorded asset impairments of $41 million, of which $31 million was related to capitalized exploration expenditures that are not expected to be recovered and $10 million related to Quebrada Blanca assets that will not be recovered through use.

**Sensitivity Analysis**

The key inputs used in our determination of recoverable amounts interrelate significantly with each other and with our operating plans. For example, a decrease in long-term commodity prices would result in us making amendments to the mine plans that would partially offset the effect of lower prices through lower operating and capital costs. It is difficult to determine how all of these factors would interrelate, but in estimating the effect of changes in these assumptions on fair values, we believe that all of these factors need to be considered together. A linear extrapolation of these effects becomes less meaningful as the change in assumption increases.

The recoverable amount of our Fort Hills CGU is most sensitive to changes in WCS heavy oil prices, the Canadian/U.S. dollar exchange rates and discount rates. Ignoring the above described interrelationships, in isolation a US$1 decrease in the real long-term WCS heavy oil price would result in a reduction in the recoverable amount of approximately $135 million. A $0.01 strengthening of the Canadian dollar against the U.S. dollar would result in a reduction in the recoverable amount of approximately $50 million. A 25 basis point increase in the discount rate would result in a reduction in the recoverable amount of approximately $110 million.

b) Annual Goodwill Impairment Testing

The allocation of goodwill to CGUs or groups of CGUs reflects how goodwill is monitored for internal management purposes. Our Quebrada Blanca CGU and steelmaking coal CGU have goodwill allocated to them (Note 17). The Quebrada Blanca CGU primarily relates to QB2.

We did not identify any goodwill impairment indicators during 2019. We performed our annual goodwill impairment testing at October 31, 2019, calculating the recoverable amount on a FVLCD basis and did not identify any goodwill impairment losses.

Cash flow projections are based on expected mine life. For our steelmaking coal operations, the cash flows cover periods of 1 to 50 years, with a steady state thereafter until reserves and resources are exhausted. For Quebrada Blanca, the cash flow covers 30 years, with our estimate of cash flows thereafter until reserves and resources are exhausted.

**8. Asset and Goodwill Impairment Testing** (continued)

Given the nature of expected future cash flows used to determine the recoverable amount, a material change could occur over time as the cash flows are significantly affected by the key assumptions described below in Note 8(c).

**Sensitivity Analysis**

Our annual goodwill impairment test carried out at October 31, 2019 resulted in the recoverable amount of our steelmaking coal CGU exceeding its carrying value by approximately $4.8 billion. The recoverable amount of our steelmaking coal CGU is most sensitive to the long-term Canadian dollar steelmaking coal price assumption. In isolation, a 10% decrease in the long-term Canadian dollar steelmaking coal price would result in the recoverable amount of the steelmaking coal CGU being equal to the carrying value.

The recoverable amount of our Quebrada Blanca CGU exceeded its carrying amount by approximately $798 million at the date of our annual goodwill impairment testing. The recoverable amount of our Quebrada Blanca CGU is most sensitive to the long-term copper price assumption. In isolation, a 5% decrease in the long-term copper price would result in the recoverable amount of the Quebrada Blanca CGU being equal to its carrying value.

c) Key Assumptions

The following are the key assumptions used in our impairment testing calculations during the years ended December 31, 2019 and 2018:

| | **2019** | **2018** |
|---|---|---|
| WCS heavy oil prices | **Current price used in initial year, increased to a real long-term price in 2024 of US$50 per barrel** | N/A |
| Steelmaking coal prices | **Current price used in initial year, increased to a real long-term price in 2024 of US$150 per tonne** | Current price used in initial year, decreased to a real long-term price in 2023 of US$150 per tonne |
| Copper prices | **Current price used in initial year, increased to a real long-term price in 2024 of US$3.00 per pound** | Current price used in initial year, increased to a real long-term price in 2023 of US$3.00 per pound |
| Discount rate | **5.4%—6.0%** | 6.0% |
| Long-term foreign exchange rate | **1 U.S. to 1.30 Canadian dollars** | 1 U.S. to 1.25 Canadian dollars |
| Inflation rate | **2%** | 2% |

**Commodity Prices**

Commodity price assumptions are based on a number of factors, including forward curves in the near term, and are benchmarked with external sources of information, including information published by our peers and market transactions, where possible, to ensure they are within the range of values used by market participants.

**Discount Rates**

Discount rates are based on a mining weighted average cost of capital for all mining operations and an oil sands weighted average cost of capital for Fort Hills. For the year ended December 31, 2019, we used a discount rate of 6.0% real, 8.1% nominal post-tax (2018 – 6.0% real, 8.1% nominal post-tax) for mining operations and goodwill. For the year ended December 31, 2019, we used a discount rate of 5.4% real, 7.5% nominal post-tax for oil sands operations.

**Foreign Exchange Rates**

Foreign exchange rates are benchmarked with external sources of information based on a range used by market participants. Long-term foreign exchange assumptions are from year 2024 onwards for analysis performed in the year ended December 31, 2019 and are from year 2023 onwards for analysis performed in the year ended December 31, 2018.

## 8. Asset and Goodwill Impairment Testing (continued)

**Inflation Rates**

Inflation rates are based on average historical inflation for the location of each operation and long-term government targets.

**Reserves and Resources**

Future mineral and oil production is included in projected cash flows based on mineral and oil reserve and resource estimates and on exploration and evaluation work undertaken by appropriately qualified persons or qualified reserves evaluators.

**Operating Costs and Capital Expenditures**

Operating costs and capital expenditures are based on life of mine plans and internal management forecasts. Cost estimates incorporate management experience and expertise, current operating costs, the nature and location of each operation, and the risks associated with each operation. Future capital expenditures are based on management's best estimate of expected future capital requirements, which are generally for the extraction and processing of existing reserves and resources. All committed and anticipated capital expenditures based on future cost estimates have been included in the projected cash flows. Operating cost and capital expenditure assumptions are subject to ongoing optimization and review by management.

**Recoverable Amount Basis**

In the absence of a relevant market transaction, we estimate the recoverable amount of our CGUs on a FVLCD basis using a discounted cash flow methodology, taking into account assumptions likely to be made by market participants unless it is expected that the value-in-use methodology would result in a higher recoverable amount. For the asset impairment and goodwill impairment analyses performed in 2019 and 2018, we have applied the FVLCD basis. These estimates are classified as a Level 3 measurement within the fair value measurement hierarchy (Note 30).

## 9. Other Operating Income (Expense)

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Settlement pricing adjustments (Note 29(b)) | **$ (49)** | $ (117) |
| Share-based compensation | **(4)** | (59) |
| Environmental costs | **(197)** | (20) |
| Care and maintenance costs | **(36)** | (11) |
| Social responsibility and donations | **(18)** | (18) |
| Loss on sale of assets | **(20)** | (3) |
| Commodity derivatives | **17** | (36) |
| Take or pay contract costs | **(123)** | (106) |
| Waneta Dam sale (Note 5(e)) | **–** | 888 |
| Other | **(75)** | (68) |
| | **$ (505)** | $ 450 |

## 10. Finance Income and Finance Expense

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| **Finance income** | | |
| Investment income | **$ 48** | $ 33 |
| **Total finance income** | **$ 48** | $ 33 |
| | | |
| **Finance expense** | | |
| Debt interest | **$ 276** | $ 338 |
| Interest on advances from SMM/SC | **41** | – |
| Interest on lease liabilities (Note 20(c)) | **39** | 24 |
| Letters of credit and standby fees | **51** | 65 |
| Net interest expense on retirement benefit plans | **7** | 6 |
| Accretion on decommissioning and restoration provisions (Note 23(a)) | **112** | 101 |
| Other | **15** | 11 |
| | **541** | 545 |
| Less capitalized borrowing costs (Note 16(b)) | **(275)** | (293) |
| **Total finance expense** | **$ 266** | $ 252 |

## 11. Non-Operating Income (Expense)

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Foreign exchange gains (losses) | **$ (4)** | $ 16 |
| Gain (loss) on debt prepayment option | **105** | (42) |
| Loss on debt redemption or purchase (Note 19(a)) | **(224)** | (26) |
| Other | **26** | – |
| | **$ (97)** | $ (52) |

## 12. Supplemental Cash Flow Information

| (CAD$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | | |
| Cash | **$ 149** | $ 438 |
| Investments with maturities from the date of acquisition of three months or less | **877** | 1,296 |
| | **$ 1,026** | $ 1,734 |

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Net change in non-cash working capital items | | |
| Trade and settlements receivables | **$ 97** | $ 282 |
| Prepaids and other current assets | **(69)** | (26) |
| Inventories | **16** | (338) |
| Trade accounts payable and other liabilities | **(204)** | 53 |
| | **$ (160)** | $ (29) |

## 13. Inventories

| (CAD$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Supplies | **$ 721** | $ 693 |
| Raw materials | **271** | 300 |
| Work in process | **491** | 595 |
| Finished products | **573** | 539 |
| | **2,056** | 2,127 |
| Less long-term portion (Note 14) | **(75)** | (62) |
| | **$ 1,981** | $ 2,065 |

Cost of sales of $8.6 billion (2018 – $7.9 billion) includes $7.9 billion (2018 – $7.3 billion) of inventories recognized as an expense during the year.

Total inventories held at net realizable value amounted to $95 million at December 31, 2019 (December 31, 2018 – $172 million). Total inventory write-downs in 2019 were $60 million (2018 – $82 million) and were included as part of cost of sales.

Long-term inventories consist of ore stockpiles and other in-process materials that are not expected to be processed within one year.

## 14. Financial and Other Assets

| (CAD$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Long-term receivables and deposits | **$ 268** | $ 220 |
| Marketable equity and debt securities carried at fair value | **183** | 167 |
| Debt prepayment option | **–** | 73 |
| Pension plans in a net asset position (Note 22(a)) | **360** | 254 |
| Long-term portion of inventories (Note 13) | **75** | 62 |
| Intangibles | **162** | 80 |
| Other | **61** | 51 |
| | **$ 1,109** | $ 907 |

## 15. Investments in Associates and Joint Ventures

| (CAD$ in millions) | NuevaUnión | Other | Total |
|---|---|---|---|
| At January 1, 2018 | $ 929 | $ 14 | $ 943 |
| Contributions | 48 | – | 48 |
| Changes in foreign exchange rates | 83 | – | 83 |
| Share of loss | (2) | (1) | (3) |
| At December 31, 2018 | $ 1,058 | $ 13 | $ 1,071 |
| Contributions | 67 | 1 | 68 |
| Changes in foreign exchange rates | (52) | – | (52) |
| Share of loss | (2) | (1) | (3) |
| Other | – | (5) | (5) |
| **At December 31, 2019** | **$ 1,071** | **$ 8** | **$ 1,079** |

## 16. Property, Plant and Equipment

| (CAD$ in millions) | Exploration and Evaluation | Mineral Properties | Land, Buildings, Plant and Equipment | Capitalized Production Stripping Costs | Construction In Progress | Total |
|---|---|---|---|---|---|---|
| **At December 31, 2017** | | | | | | |
| Cost | $ 1,774 | $ 19,160 | $ 12,948 | $ 4,561 | $ 5,430 | $ 43,873 |
| Accumulated depreciation | – | (5,359) | (7,206) | (2,263) | – | (14,828) |
| **Net book value** | **$ 1,774** | **$ 13,801** | **$ 5,742** | **$ 2,298** | **$ 5,430** | **$ 29,045** |
| | | | | | | |
| **Year ended December 31, 2018** | | | | | | |
| Opening net book value | $ 1,774 | $ 13,801 | $ 5,742 | $ 2,298 | $ 5,430 | $ 29,045 |
| Additions | 144 | 86 | 710 | 761 | 1,135 | 2,836 |
| Disposals | – | – | (12) | – | – | (12) |
| Asset impairments (Note 8) | (31) | (6) | (4) | – | – | (41) |
| Depreciation and amortization | – | (372) | (595) | (543) | – | (1,510) |
| Transfers between classifications | – | 1,050 | 3,307 | – | (4,357) | – |
| Decommissioning and restoration provision change in estimate | – | (250) | (29) | – | – | (279) |
| Capitalized borrowing costs (Note 10) | – | 108 | – | – | 185 | 293 |
| Other | – | (2) | 56 | – | – | 54 |
| Changes in foreign exchange rates | 21 | 290 | 182 | 50 | 121 | 664 |
| **Closing net book value** | **$ 1,908** | **$ 14,705** | **$ 9,357** | **$ 2,566** | **$ 2,514** | **$ 31,050** |
| **At December 31, 2018** | | | | | | |
| Cost | $ 1,908 | $ 20,444 | $ 17,452 | $ 5,435 | $ 2,514 | $ 47,753 |
| Accumulated depreciation | – | (5,739) | (8,095) | (2,869) | – | (16,703) |
| **Net book value** | **$ 1,908** | **$ 14,705** | **$ 9,357** | **$ 2,566** | **$ 2,514** | **$ 31,050** |
| | | | | | | |
| **Year ended December 31, 2019** | | | | | | |
| Opening net book value | $ 1,908 | $ 14,705 | $ 9,357 | $ 2,566 | $ 2,514 | $ 31,050 |
| IFRS 16 adoption (Note 20 and Note 33) | – | – | 280 | – | – | 280 |
| Additions | 119 | – | 201 | 757 | 3,076 | 4,153 |
| Disposals | – | (2) | (53) | – | – | (55) |
| Asset impairments (Note 8) | (1,129) | (485) | (1,008) | (68) | – | (2,690) |
| Depreciation and amortization | – | (325) | (774) | (592) | – | (1,691) |
| Transfers between classifications | 5 | (112) | 418 | 13 | (324) | – |
| Decommissioning and restoration provision change in estimate | – | 444 | 45 | – | – | 489 |
| Capitalized borrowing costs (Note 10) | – | 115 | – | – | 160 | 275 |
| Changes in foreign exchange rates | (18) | (158) | (114) | (32) | (134) | (456) |
| **Closing net book value** | **$ 885** | **$ 14,182** | **$ 8,352** | **$ 2,644** | **$ 5,292** | **$ 31,355** |
| **At December 31, 2019** | | | | | | |
| Cost | $ 885 | $ 20,155 | $ 16,951 | $ 6,073 | $ 5,292 | $ 49,356 |
| Accumulated depreciation | – | (5,973) | (8,599) | (3,429) | – | (18,001) |
| **Net book value** | **$ 885** | **$ 14,182** | **$ 8,352** | **$ 2,644** | **$ 5,292** | **$ 31,355** |

**16. Property, Plant and Equipment** (continued)

a) Exploration and Evaluation

Significant exploration and evaluation projects in property, plant and equipment include Galore Creek and non-Fort Hills oil sands properties in Alberta.

b) Borrowing Costs

Borrowing costs are capitalized at a rate based on our weighted average cost of borrowing or at the rate on the project-specific debt, as applicable. Capitalized borrowing costs are classified with the asset they relate to within mineral properties, land, buildings, plant and equipment, or construction in progress. Our weighted average borrowing rate used for capitalization of borrowing costs in 2019 was 5.9% (2018 – 5.9%).

**17. Goodwill**

| (CAD$ in millions) | Steelmaking Coal Operations | Quebrada Blanca | Total |
|---|---|---|---|
| January 1, 2018 | $ 702 | $ 385 | $ 1,087 |
| Changes in foreign exchange rates | – | 34 | 34 |
| December 31, 2018 | $ 702 | $ 419 | $ 1,121 |
| Changes in foreign exchange rates | – | (20) | (20) |
| **December 31, 2019** | **$ 702** | **$ 399** | **$ 1,101** |

The results of our annual goodwill impairment analysis and key assumptions used in the analysis are outlined in Notes 8(b) and 8(c).

**18. Trade Accounts Payable and Other Liabilities**

| (CAD$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Trade accounts payable and accruals | **$ 1,307** | $ 1,185 |
| Capital project accruals | **432** | 201 |
| Payroll-related liabilities | **274** | 361 |
| Accrued interest | **96** | 102 |
| Commercial and government royalties | **198** | 211 |
| Customer deposits | **46** | 67 |
| Current portion of provisions (Note 23(a)) | **125** | 155 |
| Settlement payables (Note 29(b)) | **16** | 45 |
| Other | **4** | 6 |
| | **$ 2,498** | $ 2,333 |

**19. Debt**

| ($ in millions) | December 31, 2019 | | | December 31, 2018 | | |
|---|---|---|---|---|---|---|
| | **Face Value (US$)** | **Carrying Value (CAD$)** | **Fair Value (CAD$)** | Face Value (US$) | Carrying Value (CAD$) | Fair Value (CAD$) |
| 4.5% notes due January 2021 (a) | **$ 117** | **$ 152** | **$ 155** | $ 117 | $ 159 | $ 159 |
| 4.75% notes due January 2022 (a) | **202** | **262** | **273** | 202 | 275 | 275 |
| 3.75% notes due February 2023 (a) | **220** | **289** | **298** | 220 | 295 | 286 |
| 8.5% notes due June 2024 (a) | **–** | **–** | **–** | 600 | 819 | 883 |
| 6.125% notes due October 2035 | **609** | **779** | **932** | 609 | 818 | 802 |
| 6.0% notes due August 2040 | **490** | **634** | **712** | 490 | 666 | 621 |
| 6.25% notes due July 2041 | **795** | **1,021** | **1,187** | 795 | 1,072 | 1,031 |
| 5.2% notes due March 2042 | **399** | **512** | **537** | 399 | 537 | 465 |
| 5.4% notes due February 2043 | **377** | **484** | **520** | 377 | 509 | 449 |
| | **3,209** | **4,133** | **4,614** | 3,809 | 5,150 | 4,971 |
| Antamina term loan due April 2020 | **23** | **29** | **29** | 23 | 31 | 31 |
| | **$ 3,232** | **$ 4,162** | **$ 4,643** | $ 3,832 | $ 5,181 | $ 5,002 |
| Less current portion of debt | **(23)** | **(29)** | **(29)** | – | – | – |
| | **$ 3,209** | **$ 4,133** | **$ 4,614** | $ 3,832 | $ 5,181 | $ 5,002 |

The fair values of debt are determined using market values, if available, and discounted cash flows based on our cost of borrowing where market values are not available. The latter are considered Level 2 fair value measurements with significant other observable inputs on the fair value hierarchy (Note 30).

On November 18, 2019, we closed our US$2.5 billion limited recourse project financing facility to fund the development of the QB2 project (Note 5(c)). As at December 31, 2019, the facility was undrawn.

a) Debt Transactions

During the year ended December 31, 2019, we redeemed all of the US$600 million principal amount of our outstanding 8.5% notes due in June 2024. The total cost of the redemption, which was funded from cash on hand, including the premiums, was US$638 million. We recorded a pre-tax expense of $224 million in non-operating income (expense) (Note 11) in connection with this redemption, of which $174 million was non-cash, relating to the derecognition of the embedded prepayment option derivative.

During the year ended December 31, 2018, we purchased US$1 billion aggregate principal amount of certain of our outstanding notes pursuant to cash tender offers. The principal amount of notes purchased was US$103 million of 4.5% notes due 2021, US$471 million of 4.75% notes due 2022, and US$426 million of 3.75% notes due 2023. The total cost of the purchases, which were funded from cash on hand, including the premiums, was US$1.01 billion. We recorded an expense of $26 million in non-operating income (expense) (Note 11) in connection with these purchases.

b) Optional Redemptions

All of our outstanding notes are redeemable at any time by repaying the greater of the principal amount and the present value of the sum of the remaining scheduled principal and interest amounts discounted at a comparable treasury yield plus a stipulated spread, plus, in each case, accrued interest to, but not including, the date of redemption. In addition, all of our outstanding notes, except for note due October 2035, are callable at 100% (plus accrued interest to, but not including, the date of redemption) within three to six months of maturity.

**19. Debt** (continued)

c) Revolving Facilities

Effective November 22, 2019, our US$4.0 billion committed revolving credit facility's maturity was extended to November 2024. The facility remains undrawn at December 31, 2019. Any amounts drawn under the facility can be repaid at any time and are due in full at maturity. Amounts outstanding under the facility bear interest at LIBOR plus an applicable margin based on credit ratings. The facility requires that our total net debt-to-capitalization ratio, which was 0.15 to 1.0 at December 31, 2019, not exceed 0.60 to 1.0.

With our return to investment grade credit ratings, letters of credit aggregating to $1.1 billion were cancelled during the year ended December 31, 2019 and our US$600 million committed revolving credit facility maturing November 2021 was terminated. As a result, we recorded an expense of $6 million relating to the derecognition of financing fees in non-operating income (expense) (Note 11) during the year ended December 31, 2019.

We maintain uncommitted bilateral credit facilities primarily for the issuance of letters of credit to support our future reclamation obligations. As at December 31, 2019, we were party to various uncommitted credit facilities providing for a total of $1.9 billion of capacity, and the aggregate outstanding letters of credit issued thereunder were $1.6 billion. In addition to the letters of credit outstanding under these uncommitted credit facilities, we also had stand-alone letters of credit of $453 million outstanding at December 31, 2019, which were not issued under a credit facility. These uncommitted credit facilities and stand-alone letters of credit are typically renewed on an annual basis.

We also have $450 million in surety bonds outstanding at December 31, 2019 to support current and future reclamation obligations.

d) Scheduled Principal Payments

At December 31, 2019, the scheduled principal payments during the next five years and thereafter are as follows:

| ($ in millions) | | **US$** | | **CAD$ Equivalent** |
|---|---|---|---|---|
| 2020 | $ | 23 | $ | 29 |
| 2021 | | 117 | | 152 |
| 2022 | | 202 | | 262 |
| 2023 | | 220 | | 286 |
| 2024 | | – | | – |
| Thereafter | | 2,670 | | 3,469 |
| | $ | 3,232 | $ | 4,198 |

e) Debt Continuity

| ($ in millions) | **US$** | | **CAD$ Equivalent** | |
|---|---|---|---|---|
| | **2019** | **2018** | **2019** | **2018** |
| As at January 1 | **$ 3,798** | $ 4,827 | **$ 5,181** | $ 6,056 |
| Cash flows | | | | |
| Scheduled debt repayments | **–** | (22) | **–** | (28) |
| Debt redemption or purchase | **(638)** | (1,015) | **(835)** | (1,327) |
| Non-cash changes | | | | |
| Loss on debt redemption or purchase (a) | **38** | 20 | **50** | 26 |
| Changes in foreign exchange rates | **–** | – | **(244)** | 471 |
| Finance fees and discount amortization | **–** | – | **–** | 1 |
| Other | **6** | (12) | **10** | (18) |
| As at December 31 | **$ 3,204** | $ 3,798 | **$ 4,162** | $ 5,181 |

## 20. Leases

Note 33(a) provides disclosure on the effect of the adoption of IFRS 16.

a) Right-of-Use Assets

Our significant lease arrangements include contracts for leasing office premises, mining equipment, rail cars, pipelines and road and port facilities. As at December 31, 2019, $762 million of right-of-use assets are recorded as part of land, buildings, plant and equipment within property, plant and equipment.

| (CAD$ in millions) | | |
|---|---|---|
| Net book value as at December 31, 2018 | $ | 504 |
| IFRS 16 adoption (Note 33(a)) | | 280 |
| Additions | | 155 |
| Depreciation | | (145) |
| Changes in foreign exchange rates and other | | (32) |
| **Closing net book value as at December 31, 2019** | **$** | **762** |

b) Lease Liabilities

Minimum lease payments in respect of lease liabilities and the effect of discounting are as follows:

| (CAD$ in millions) | | **December 31, 2019** |
|---|---|---|
| Undiscounted minimum lease payments: | | |
| Less than one year | **$** | **162** |
| Two to three years | | **193** |
| Four to five years | | **109** |
| Thereafter | | **676** |
| | | **1,140** |
| Effect of discounting | | **(468)** |
| Present value of minimum lease payments – total lease liabilities | | **672** |
| Less current portion | | **(160)** |
| Long-term lease liabilities | **$** | **512** |

Our most significant individual lease arrangements are as follows:

Fort Hills entered into a service agreement in 2017 with TC Energy Corp. for the operation of the Northern Courier Pipeline and associated tanks to transport bitumen between Fort Hills and Fort McMurray, Alberta, for a period of 25 years with an option to renew for four additional five-year periods. We have assumed the extensions will be exercised in our determination of the lease liability. As at December 31, 2019, our share of the related lease liability was $203 million.

TAK leases road and port facilities from the Alaska Industrial Development and Export Authority, through which it ships all concentrates produced at the Red Dog mine. The lease requires TAK to pay a minimum annual user fee of US$18 million for the next two years and US$6 million for the following 19 years. The lease is also subject to variable lease payments based on tonnage shipped and market prices for zinc over the lease term. As at December 31, 2019, the related lease liability was $119 million (US$92 million).

**20. Leases** (continued)

c) Lease Liability Continuity

| (CAD$ in millions) | | |
|---|---|---|
| As at December 31, 2018 | $ | 338 |
| IFRS 16 adoption (Note 33(a)) | | 342 |
| Cash flows | | |
| Principal payments | | (150) |
| Interest payments | | (39) |
| Non-cash changes | | |
| Additions | | 170 |
| Accretion (Note 10) | | 39 |
| Changes in foreign exchange and other | | (28) |
| **As at December 31, 2019** | **$** | **672** |

**21. Income Taxes**

a) Reconciliation of income taxes calculated at the Canadian statutory income tax rate to the actual provision for income taxes is as follows:

| (CAD$ in millions) | | **2019** | | **2018** |
|---|---|---|---|---|
| Tax expense (recovery) at the Canadian statutory income tax rate of 26.94% (2018 – 27%) | **$** | **(126)** | $ | 1,217 |
| | | | | |
| Tax effect of: | | | | |
| Resource taxes | | **226** | | 360 |
| Resource and depletion allowances | | **(85)** | | (80) |
| Non-deductible expenses (non-taxable income) | | **(6)** | | (157) |
| Impact of initial recognition exemption related to the Frontier oil sands project | | **117** | | – |
| Tax pools not recognized (recognition of previously unrecognized tax pools) | | **(2)** | | 4 |
| Effect due to tax legislative changes | | **(39)** | | – |
| Withholding taxes on foreign earnings | | **39** | | 47 |
| Difference in tax rates in foreign jurisdictions | | **(2)** | | 2 |
| Revisions to prior year estimates | | **2** | | (21) |
| Other | | **(4)** | | (7) |
| Total income taxes | **$** | **120** | $ | 1,365 |
| | | | | |
| Represented by: | | | | |
| Current income taxes | **$** | **576** | $ | 691 |
| Deferred income taxes | | **(456)** | | 674 |
| Total income taxes | **$** | **120** | $ | 1,365 |

**21. Income Taxes** (continued)

b) The continuity related to deferred tax assets and liabilities is as follows:

| (CAD$ in millions) | January 1, 2019[1] | Through Profit or Loss | Through OCI | Through Equity | December 31, 2019 |
|---|---|---|---|---|---|
| Net operating loss carryforwards | $ 139 | $ 54 | $ (3) | $ – | $ 190 |
| Property, plant and equipment | (130) | (13) | (1) | – | (144) |
| Decommissioning and restoration provisions | 94 | 29 | – | – | 123 |
| Other temporary differences | 57 | 20 | (26) | (9) | 42 |
| **Deferred income tax assets** | **$ 160** | **$ 90** | **$ (30)** | **$ (9)** | **$ 211** |
| Net operating loss carryforwards | $ (750) | $ 111 | $ 3 | $ (6) | $ (642) |
| Property, plant and equipment | 7,402 | (232) | (69) | – | 7,101 |
| Decommissioning and restoration provisions | (474) | (170) | 7 | – | (637) |
| U.S. alternative minimum tax credits | (38) | 37 | 1 | – | – |
| Unrealized foreign exchange | (146) | 4 | 26 | – | (116) |
| Withholding taxes | 104 | (8) | (5) | – | 91 |
| Inventories | 97 | (5) | (1) | – | 91 |
| Other temporary differences | 116 | (103) | 1 | – | 14 |
| **Deferred income tax liabilities** | **$ 6,311** | **$ (366)** | **$ (37)** | **$ (6)** | **$ 5,902** |

| (CAD$ in millions) | January 1, 2018 | Through Profit or Loss | Through OCI | Through Equity | December 31, 2018 |
|---|---|---|---|---|---|
| Net operating loss carryforwards | $ 58 | $ 80 | $ 1 | $ – | $ 139 |
| Property, plant and equipment | (189) | 58 | 1 | – | (130) |
| Decommissioning and restoration provisions | 78 | 16 | – | – | 94 |
| U.S. alternative minimum tax credits | 143 | (148) | 5 | – | – |
| Other temporary differences | 64 | (17) | 10 | – | 57 |
| **Deferred income tax assets** | **$ 154** | **$ (11)** | **$ 17** | **$ –** | **$ 160** |
| Net operating loss carryforwards | $ (1,065) | $ 312 | $ 3 | $ – | $ (750) |
| Property, plant and equipment | 7,390 | (94) | 126 | – | 7,422 |
| Decommissioning and restoration provisions | (754) | 287 | (7) | – | (474) |
| U.S. alternative minimum tax credits | – | (38) | – | – | (38) |
| Unrealized foreign exchange | (135) | 29 | (40) | – | (146) |
| Withholding taxes | 79 | 18 | 7 | – | 104 |
| Inventories | 65 | 32 | – | – | 97 |
| Other temporary differences | (1) | 117 | – | – | 116 |
| **Deferred income tax liabilities** | **$ 5,579** | **$ 663** | **$ 89** | **$ –** | **$ 6,331** |

Note:
1. The January 1, 2019 balance for deferred income tax liabilities related to property, plant and equipment has been adjusted by $20 million for the adoption of IFRS 16 (Note 33).

**21. Income Taxes** (continued)

c) Deferred Tax Assets and Liabilities Not Recognized

We have not recognized $293 million (2018 – $300 million) of deferred tax assets associated with unused tax credits and tax pools in entities and jurisdictions that do not have established sources of taxable income. The majority of these unused tax credits and tax pools do not expire.

Deferred tax liabilities of approximately $759 million (2018 – $745 million) have not been recognized on the unremitted foreign earnings associated with investments in subsidiaries and interests in joint arrangements where we control the timing of the reversal of the temporary differences, and it is probable that such differences will not reverse in the foreseeable future.

d) Loss Carryforwards

At December 31, 2019, we had $2.56 billion of Canadian federal net operating loss carryforwards (2018 – $2.91 billion). These loss carryforwards expire at various dates between 2029 and 2039. The deferred tax benefit of this pool has been recognized.

e) Alberta Tax Rate Reform

During the year ended December 31, 2019, legislation was enacted to reduce the Alberta corporate tax rate from 12% to 8% over the next two and a half years. As a result, we recognized a deferred tax recovery of $39 million in 2019 and our current Canadian statutory income tax rate was reduced from 27% to 26.94%.

f) Scope of Antamina's Peruvian Tax Stability Agreement

In the first quarter of 2019, the Peruvian tax authority, La Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT), issued an income tax assessment for the 2013 taxation year to Antamina (our joint operation in which we own a 22.5% share), denying accelerated depreciation claimed by Antamina in respect of a mill expansion and other assets, on the basis that the expansion was not covered by Antamina's tax stability agreement.

Antamina objected to the 2013 assessment, but lost its appeal with SUNAT during the year. In the fourth quarter, SUNAT raised similar assessments for the 2014 year. The issue also affects the 2015 to 2017 taxation years and we expect that it will be raised by SUNAT in those years as well.

Antamina intends to pursue the issue in the Peruvian courts. However, based on opinions of counsel, we have provided for the tax on this issue for all years possibly affected. The denial of accelerated depreciation claimed is a timing issue in our tax provision. Accordingly, we have recorded a current tax expense, offset by a deferred tax recovery that resulted in a net $2 million total tax expense adjustment.

Further, based on opinions of counsel, we believe that Antamina's position that interest and penalties are not owing in relation to this matter will more likely than not prevail for all taxation years in question. As a result, we have not provided for our share of interest and penalties for any years as at December 31, 2019.

**22. Retirement Benefit Plans**

We have defined contribution pension plans for certain groups of employees. Our share of contributions to these plans is expensed in the year earned by employees.

We have multiple defined benefit pension plans registered in various jurisdictions that provide benefits based principally on employees' years of service and average annual remuneration. These plans are only available to certain qualifying employees, and some are now closed to additional members. The plans are "flat-benefit" or "final-pay" plans and may provide for inflationary increases in accordance with certain plan provisions. All of our registered defined benefit pension plans are governed and administered in accordance with applicable pension legislation in either Canada or the United States. Actuarial valuations are performed at least every three years to determine minimum annual contribution requirements as prescribed by applicable legislation. For the majority of our plans, current service costs are funded based on a percentage of pensionable earnings or as a flat dollar amount per active member depending on the provisions of the pension plans. Actuarial deficits are funded in accordance with minimum funding regulations in each applicable jurisdiction. All of our defined benefit pension plans were actuarially valued within the past three years. While the majority of benefit payments are made from registered held-in-trust funds, there are also several unregistered and unfunded plans where benefit payment obligations are met as they fall due.

We also have several post-retirement benefit plans that provide post-retirement medical, dental and life insurance benefits to certain qualifying employees and surviving spouses. These plans are unfunded, and we meet benefit obligations as they come due.

**22. Retirement Benefit Plans** (continued)

a) Actuarial Valuation of Plans

| (CAD$ in millions) | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Defined Benefit Pension Plans** | **Non-Pension Post-Retirement Benefit Plans** | **Defined Benefit Pension Plans** | **Non-Pension Post-Retirement Benefit Plans** |
| Defined benefit obligation | | | | |
| Balance at beginning of year | **$ 2,125** | **$ 392** | $ 2,224 | $ 455 |
| Current service cost | **47** | **17** | 50 | 19 |
| Benefits paid | **(137)** | **(19)** | (139) | (19) |
| Interest expense | **78** | **16** | 73 | 17 |
| Obligation experience adjustments | **5** | **4** | 26 | (30) |
| Effect from change in financial assumptions | **220** | **45** | (127) | (35) |
| Effect from change in demographic assumptions | **5** | **(43)** | 4 | (20) |
| Changes in foreign exchange rates | **(6)** | **(8)** | 14 | 5 |
| Balance at end of year | **2,337** | **404** | 2,125 | 392 |
| | | | | |
| Fair value of plan assets | | | | |
| Fair value at beginning of year | **2,423** | **–** | 2,510 | – |
| Interest income | **90** | **–** | 82 | – |
| Return on plan assets, excluding amounts included in interest income | **265** | **–** | (84) | – |
| Benefits paid | **(137)** | **(19)** | (139) | (19) |
| Contributions by the employer | **23** | **19** | 42 | 19 |
| Changes in foreign exchange rates | **(5)** | **–** | 12 | – |
| Fair value at end of year | **2,659** | **–** | 2,423 | – |
| Funding surplus (deficit) | **322** | **(404)** | 298 | (392) |
| Less effect of the asset ceiling | | | | |
| Balance at beginning of year | **134** | **–** | 44 | – |
| Interest on asset ceiling | **5** | **–** | 1 | – |
| Change in asset ceiling | **(76)** | **–** | 89 | – |
| Balance at end of year | **63** | **–** | 134 | – |
| Net accrued retirement benefit asset (liability) | **$ 259** | **$ (404)** | $ 164 | $ (392) |
| | | | | |
| Represented by: | | | | |
| Pension assets (Note 14) | **$ 360** | **$ –** | $ 254 | $ – |
| Accrued retirement benefit liability | **(101)** | **(404)** | (90) | (392) |
| Net accrued retirement benefit asset (liability) | **$ 259** | **$ (404)** | $ 164 | $ (392) |

A number of the plans have a surplus totalling $63 million at December 31, 2019 (December 31, 2018 – $134 million), which is not recognized on the basis that future economic benefits are not available to us in the form of a reduction in future contributions or a cash refund.

In 2019, we recorded a $43 million gain (2018 – $19 million) through other comprehensive income (loss) as a result of changes in assumptions related to a reduction in future Medical Services Plan premiums required for post-retirement benefit plan members in the province of British Columbia.

**22. Retirement Benefit Plans** (continued)

We expect to contribute $24 million to our defined benefit pension plans in 2020 based on minimum funding requirements. The weighted average duration of the defined benefit pension obligation is 14 years and the weighted average duration of the non-pension post-retirement benefit obligation is 15 years.

Defined contribution expense for 2019 was $50 million (2018 – $47 million).

b) Significant Assumptions

The discount rate used to determine the defined benefit obligations and the net interest cost was determined by reference to the market yields on high-quality debt instruments at the measurement date with durations similar to the duration of the expected cash flows of the plans.

Weighted average assumptions used to calculate the defined benefit obligation at the end of each year are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Defined Benefit Pension Plans** | **Non-Pension Post-Retirement Benefit Plans** | **Defined Benefit Pension Plans** | **Non-Pension Post-Retirement Benefit Plans** |
| Discount rate | **3.04%** | **3.10%** | 3.78% | 3.88% |
| Rate of increase in future compensation | **3.25%** | **3.25%** | 3.25% | 3.25% |
| Medical trend rate | **–** | **5.00%** | – | 5.00% |

c) Sensitivity of the defined benefit obligation to changes in the weighted average assumptions:

| | **2019** | | |
|---|---|---|---|
| | **Effect on Defined Benefit Obligation** | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| Discount rate | **1.0%** | **Decrease by 12%** | **Increase by 14%** |
| Rate of increase in future compensation | **1.0%** | **Increase by 1%** | **Decrease by 1%** |
| Medical cost claim trend rate | **1.0%** | **Increase by 1%** | **Decrease by 1%** |

| | **2018** | | |
|---|---|---|---|
| | **Effect on Defined Benefit Obligation** | | |
| | Change in Assumption | Increase in Assumption | Decrease in Assumption |
| Discount rate | 1.0% | Decrease by 12% | Increase by 14% |
| Rate of increase in future compensation | 1.0% | Increase by 1% | Decrease by 1% |
| Medical cost claim trend rate | 1.0% | Increase by 1% | Decrease by 1% |

The above sensitivity analyses are based on a change in each actuarial assumption while holding all other assumptions constant. The sensitivity analyses on our defined benefit obligation are calculated using the same methods as those used for calculating the defined benefit obligation recognized on our balance sheet. The methods and types of assumptions used in preparing the sensitivity analyses did not change from the prior period.

**22. Retirement Benefit Plans** (continued)

d) Mortality Assumptions

Assumptions regarding future mortality are set based on management's best estimate in accordance with published mortality tables and expected experience. These assumptions translate into the following average life expectancies for an employee retiring at age 65:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Male** | **Female** | **Male** | **Female** |
| Retiring at the end of the reporting period | **85.3 years** | **87.7 years** | 85.2 years | 87.7 years |
| Retiring 20 years after the end of the reporting period | **86.3 years** | **88.6 years** | 86.3 years | 88.6 years |

e) Significant Risks

The defined benefit pension plans and post-retirement benefit plans expose us to a number of risks, the most significant of which include asset volatility risk, changes in bond yields, and an increase in life expectancy.

*Asset volatility risk*

The discount rate used to determine the defined benefit obligations is based on AA-rated corporate bond yields. If our plan assets underperform this yield, the deficit will increase. Our strategic asset allocation includes a significant proportion of equities that increases volatility in the value of our assets, particularly in the short term. We expect equities to outperform corporate bonds in the long term.

*Changes in bond yields*

A decrease in bond yields increases plan liabilities, which are partially offset by an increase in the value of the plans' bond holdings.

*Life expectancy*

The majority of the plans' obligations are to provide benefits for the life of the member. Increases in life expectancy will result in an increase in the plans' liabilities.

f) Investment of Plan Assets

The assets of our defined benefit pension plans are managed by external asset managers under the oversight of the Teck Resources Limited Executive Pension Committee.

Our pension plan investment strategies support the objectives of each defined benefit plan and are related to each plan's demographics and timing of expected benefit payments to plan members. The objective for the plan asset portfolios is to achieve annualized portfolio returns over five-year periods in excess of the annualized percentage change in the Consumer Price Index plus a certain premium.

Strategic asset allocation policies have been developed for each defined benefit plan to achieve this objective. The policies also reflect an asset/liability matching framework that seeks to reduce the effect of interest rate changes on each plan's funded status by matching the duration of the bond investments with the duration of the pension liabilities. We do not use derivatives to manage interest risk. Asset allocation is monitored at least quarterly and rebalanced if the allocation to any asset class exceeds its allowable allocation range. Portfolio and investment manager performance is monitored quarterly and the investment guidelines for each plan are reviewed at least annually.

**22. Retirement Benefit Plans** (continued)

The defined benefit pension plan assets at December 31, 2019 and 2018 are as follows:

| (CAD$ in millions) | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | **Quoted** | **Unquoted** | **Total %** | **Quoted** | **Unquoted** | **Total %** |
| Equity securities | **$ 957** | **$ –** | **36%** | $ 850 | $ – | 35% |
| Debt securities | **$ 1,322** | **$ –** | **50%** | $ 1,225 | $ – | 51% |
| Real estate and other | **$ 63** | **$ 317** | **14%** | $ 91 | $ 257 | 14% |

**23. Provisions and Other Liabilities**

| (CAD$ in millions) | **December 31, 2019** | **December 31, 2018** |
|---|---|---|
| Provisions (a) | **$ 2,345** | $ 1,653 |
| Derivative liabilities (net of current portion of $ 2 (2018 – $6)) | **31** | 39 |
| ENAMI preferential dividend (Note 5(a)) | **82** | – |
| IMSA payable (Note 5(d)) | **58** | 58 |
| Other | **20** | 42 |
| | **$ 2,536** | $ 1,792 |

a) Provisions

The following table summarizes the movements in provisions for the year ended December 31, 2019:

| (CAD$ in millions) | **Decommissioning and Restoration Provisions** | **Other** | **Total** |
|---|---|---|---|
| As at January 1, 2019 | $ 1,614 | $ 194 | $ 1,808 |
| Settled during the year | (67) | (45) | (112) |
| Change in discount rate | 527 | – | 527 |
| Change in amount and timing of cash flows | 69 | 91 | 160 |
| Accretion | 112 | 2 | 114 |
| Other | 5 | – | 5 |
| Changes in foreign exchange rates | (26) | (6) | (32) |
| As at December 31, 2019 | 2,234 | 236 | 2,470 |
| Less current portion of provisions (Note 18) | (90) | (35) | (125) |
| Long-term provisions | **$ 2,144** | **$ 201** | **$ 2,345** |

During the year ended December 31, 2019, we recorded $ 78 million (2018 – $33 million) of additional study and environmental costs arising from legal obligations through other provisions.

**23. Provisions and Other Liabilities** (continued)

**Decommissioning and Restoration Provisions**

The decommissioning and restoration provisions represent the present value of estimated costs for required future decommissioning and other site restoration activities. These activities include removal of site structures and infrastructure, recontouring and revegetation of previously mined areas and the management of water and water quality in and around each closed site. The majority of the decommissioning and site restoration expenditures occur near the end of, or after, the life of the related operation.

After the end of the life of certain operations, water quality management costs may extend for periods in excess of 100 years. Of the total, our provision for these expenditures was $745 million as at December 31, 2019, of which $411 million relates to our steelmaking coal business unit. For our steelmaking coal operations, the current and future requirements for water quality management are established under a regional permit issued by the provincial government of British Columbia.

In 2019, the decommissioning and restoration provision was calculated using nominal discount rates between 5.03% and 6.69%. We also used an inflation rate of 2.00% (2018 – 2.00%) in our cash flow estimates. The total decommissioning and restoration provision includes $396 million (2018 – $249 million) in respect of closed operations.

**24. Equity**

a) Authorized Share Capital

Our authorized share capital consists of an unlimited number of Class A common 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.

Class A common shares carry the right to 100 votes per share. Class B subordinate voting shares carry the right to one vote per share. Each Class A common share is convertible, at the option of the holder, into one Class B subordinate voting share. In all other respects, the Class A common shares and Class B subordinate voting shares rank equally.

The attributes of the Class B subordinate voting shares contain so-called “coattail provisions,” which provide that, in the event that an offer (an “Exclusionary Offer”) to purchase Class A common shares, which is required to be made to all or substantially all holders thereof, is not made concurrently with an offer to purchase Class B subordinate voting shares on identical terms, then each Class B subordinate voting share will be convertible into one Class A common share at the option of the holder during a certain period provided that any Class A common shares received upon such conversion are deposited to the Exclusionary Offer. Any Class B subordinate voting shares converted into Class A common shares pursuant to such conversion right will automatically convert back to Class B subordinate voting shares in the event that any such shares are withdrawn from the Exclusionary Offer or not otherwise ultimately taken up and paid for under the Exclusionary Offer.

The Class B subordinate voting shares will not be convertible in the event that holders of a majority of the Class A common shares (excluding those shares held by the offeror making the Exclusionary Offer) certify to Teck that they will not, among other things, tender their Class A common shares to the Exclusionary Offer.

If an offer to purchase Class A common shares does not, under applicable securities legislation or the requirements of any stock exchange having jurisdiction, constitute a “take-over bid” or is otherwise exempt from any requirement that such offer be made to all or substantially all holders of Class A common shares, the coattail provisions will not apply.

**24. Equity** (continued)

b) Class A Common Shares and Class B Subordinate Voting Shares Issued and Outstanding

| Shares (in 000's) | Class A Common Shares | Class B Subordinate Voting Shares |
|---|---|---|
| As at January 1, 2018 | 7,777 | 565,506 |
| Class A common shares conversion | (9) | 9 |
| Options exercised (c) | – | 3,710 |
| Acquired and cancelled pursuant to normal course issuer bid (h) | – | (6,300) |
| As at December 31, 2018 | 7,768 | 562,925 |
| Class A common shares conversion | (3) | 3 |
| Options exercised (c) | – | 1,239 |
| Acquired and cancelled pursuant to normal course issuer bid (h) | – | (24,639) |
| **As at December 31, 2019** | **7,765** | **539,528** |

c) Share Options

The maximum number of Class B subordinate voting shares issuable to full-time employees pursuant to options granted under our current stock option plan is 28 million. As at December 31, 2019, 1,759,503 share options remain available for grant. The exercise price for each option is the closing price for our Class B subordinate voting shares on the last trading day before the date of grant. Our share options are settled through the issuance of Class B subordinate voting shares.

During the year ended December 31, 2019, we granted 1,940,210 share options to employees. These share options have a weighted average exercise price of $28.62, vest in equal amounts over three years, and have a term of 10 years.

The weighted average fair value of share options granted in the year was estimated at $10.73 per option (2018 – $11.10) at the grant date based on the Black-Scholes option-pricing model using the following assumptions:

| | 2019 | 2018 |
|---|---|---|
| Weighted average exercise price | **$ 28.62** | $ 37.44 |
| Dividend yield | **1.05%** | 2.67% |
| Risk-free interest rate | **1.81%** | 2.06% |
| Expected option life | **5.9 years** | 4.2 years |
| Expected volatility | **41%** | 41% |
| Forfeiture rate | **0.55%** | 0.54% |

The expected volatility is based on a statistical analysis of historical daily share prices over a period equal to the expected option life.

**24. Equity** (continued)

Outstanding share options are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Share Options (in 000's)** | **Weighted Average Exercise Price** | **Share Options (in 000's)** | **Weighted Average Exercise Price** |
| Outstanding at beginning of year | **19,775** | **$ 21.75** | 22,068 | $ 19.52 |
| Granted | **1,940** | **28.62** | 1,575 | 37.44 |
| Exercised | **(1,239)** | **8.17** | (3,710) | 14.58 |
| Forfeited | **(110)** | **32.52** | (107) | 32.92 |
| Expired | **(214)** | **38.24** | (51) | 37.56 |
| Outstanding at end of year | **20,152** | **$ 23.02** | 19,775 | $ 21.75 |
| Vested and exercisable at end of year | **16,617** | **$ 21.32** | 14,036 | $ 22.83 |

The average share price during the year was $26.58 (2018 – $32.55).

Information relating to share options outstanding at December 31, 2019, is as follows:

| Outstanding Share Options (in 000's) | Exercise Price Range | Weighted Average Remaining Life of Outstanding Options (months) |
|---|---|---|
| 5,400 | $ 5.34 — $ 15.35 | 70 |
| 3,471 | $ 15.36 — $ 24.97 | 60 |
| 2,155 | $ 24.98 — $ 26.79 | 47 |
| 6,123 | $ 26.80 — $ 36.85 | 70 |
| 3,003 | $ 36.86 — $ 58.80 | 58 |
| **20,152** | **$ 5.34 — $ 58.80** | **64** |

Total share option compensation expense recognized for the year was $18 million (2018 – $17 million).

d) Deferred Share Units, Restricted Share Units, Performance Share Units and Performance Deferred Share Units

We have issued and outstanding deferred share units (DSUs), restricted share units (RSUs), performance share units (PSUs) and performance deferred share units (PDSUs) (collectively, Units).

As of 2017, DSUs are granted to directors only. RSUs may be granted to both employees and directors. PSUs and PDSUs are granted to certain officers only. DSUs entitle the holder to a cash payment equal to the closing price of one Class B subordinate voting share on the Toronto Stock Exchange on the day prior to redemption. RSUs entitle the holder to a cash payment equal to the weighted average trading price of one Class B subordinate voting share on the Toronto Stock Exchange over 20 consecutive trading days prior to the payout date. PSUs and PDSUs issued in 2017 and later vest in a percentage from 0% to 200% based on both relative total shareholder return as compared to our compensation peer group and a calculation based on the change in EBITDA over the vesting period divided by the change in a weighted commodity price index. Once vested, PSUs and PDSUs entitle the holder to a cash payment equal to the weighted average trading price of one Class B subordinate voting share on the Toronto Stock Exchange over 20 consecutive trading days prior to the payout date. Officers granted PSUs in 2017 and later can elect to receive up to 50% of their Units as PDSUs, which pay out following termination of employment as described below.

RSUs, PSUs, and PDSUs vest on December 20 in the year prior to the third anniversary of the grant date. DSUs granted to directors vest immediately. Units vest on a *pro rata* basis if employees retire or are terminated without cause, and unvested units are forfeited if employees resign or are terminated with cause.

**24. Equity** (continued)

DSUs and PDSUs may be redeemed on or before December 15 of the first calendar year commencing after the date on which the participant ceases to be a director or employee. RSUs and PSUs pay out on the vesting date.

Additional Units are issued to Unit holders to reflect dividends paid and other adjustments to Class B subordinate voting shares.

In 2019, we recognized compensation recovery of $14 million for Units (2018 – $42 million expense). The total liability and intrinsic value for vested Units as at December 31, 2019 was $71 million (2018 – $103 million).

The outstanding Units are summarized in the following table:

| (in 000's) | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Outstanding** | **Vested** | **Outstanding** | **Vested** |
| DSUs | **2,463** | **2,463** | 2,644 | 2,644 |
| RSUs | **892** | **–** | 821 | 381 |
| PSUs | **741** | **–** | 667 | 312 |
| PDSUs | **177** | **65** | 123 | 61 |
| | **4,273** | **2,528** | 4,255 | 3,398 |

e) Accumulated Other Comprehensive Income

| (CAD$ in millions) | | 2019 | | 2018 |
|---|---|---|---|---|
| Accumulated other comprehensive income – beginning of year | **$** | **584** | $ | 244 |
| IFRS 9 transition adjustment on January 1, 2018 | | **–** | | (34) |
| Currency translation differences: | | | | |
| Unrealized gains (losses) on translation of foreign subsidiaries | | **(449)** | | 638 |
| Foreign exchange differences on debt designated as a hedge of our investment in foreign subsidiaries (net of taxes of $ (26) and $40) | | **167** | | (255) |
| | | **(282)** | | 383 |
| Gain (loss) on marketable equity and debt securities (net of taxes of $(1) and $1) | | **7** | | (9) |
| Remeasurements of retirement benefit plans (net of taxes of $(31) and $(2)) | | **74** | | 8 |
| Total other comprehensive income (loss) | | **(201)** | | 382 |
| | | | | |
| Less remeasurements of retirement benefit plans recorded in retained earnings | | **(74)** | | (8) |
| Accumulated other comprehensive income – end of year | **$** | **309** | $ | 584 |

**24. Equity** (continued)

f) Earnings (Loss) Per Share

The following table reconciles our basic and diluted earnings (loss) per share:

| (CAD$ in millions, except per share data) | | 2019 | | 2018 |
|---|---|---|---|---|
| Net basic and diluted profit (loss) attributable to shareholders of the company | **$** | **(605)** | $ | 3,107 |
| Weighted average shares outstanding (000's) | | **559,765** | | 573,905 |
| Dilutive effect of share options | | **–** | | 8,233 |
| Weighted average diluted shares outstanding (000's) | | **559,765** | | 582,138 |
| Basic earnings (loss) per share | **$** | **(1.08)** | $ | 5.41 |
| Diluted earnings (loss) per share | **$** | **(1.08)** | $ | 5.34 |

At December 31, 2019, there is a net loss attributable to shareholders of the company and, accordingly, all share options would be considered anti-dilutive and have been excluded from the calculation of diluted earnings (loss) per share. At December 31, 2018, 5,458,816 potentially dilutive shares were not included in the diluted earnings per share calculation because their effect was anti-dilutive.

g) Dividends

We declared and paid dividends on our Class A common and Class B subordinate voting shares of $0.05 per share in each quarter of 2019, $0.05 per share in each of the first three quarters of 2018 and $0.15 per share in the fourth quarter of 2018.

h) Normal Course Issuer Bid

On occasion, we purchase and cancel Class B subordinate voting shares pursuant to normal course issuer bids that allow us to purchase up to a specified maximum number of shares over a one-year period.

In 2019, we purchased 24,399,468 (2018 – 6,539,558) Class B subordinate voting shares under our normal course issuer bid for $654 million. During 2019, we cancelled 24,639,468 (2018 – 6,299,558) Class B subordinate voting shares, of which 240,000 were purchased in 2018 for $7 million.

**25. Non-Controlling Interests**

Set out below is information about our subsidiaries with non-controlling interests and the non-controlling interest balances included in equity.

| (CAD$ in millions) | **Principal Place of Business** | **Percentage of Ownership Interest and Voting Rights Held by Non-Controlling Interest** | | **December 31, 2019** | | **December 31, 2018** |
|---|---|---|---|---|---|---|
| Carmen de Andacollo | Region IV, Chile | 10% | **$** | **29** | $ | 32 |
| Quebrada Blanca (a)(b) | Region I, Chile | 40% | | **634** | | 10 |
| Elkview Mine Limited Partnership | British Columbia, Canada | 5% | | **67** | | 59 |
| Compañía Minera Zafranal S.A.C. | Arequipa Region, Peru | 20% | | **40** | | 33 |
| | | | **$** | **770** | $ | 134 |

a) During the year ended December 31, 2019, SMM/SC subscribed for a 30% indirect interest in QBSA (Note 5(a)). As a result, we recorded a non-controlling interest for SMM/SC's interest in QBSA of $793 million on the date of the transaction.

**25. Non-Controlling Interests** (continued)

b) Quebrada Blanca

The following is the summarized financial information for Quebrada Blanca before intra-group eliminations. Quebrada Blanca has non-controlling interests that are considered material to our consolidated financial statements.

| (CAD$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| **Summarized balance sheet** | | |
| Current assets | **$ 653** | $ 153 |
| Current liabilities | **512** | 204 |
| Current net assets | **141** | (51) |
| Non-current assets | **6,628** | 4,952 |
| Non-current liabilities | **3,448** | 2,217 |
| Non-current net assets | **3,180** | 2,735 |
| **Net assets** | **$ 3,321** | $ 2,684 |
| **Accumulated non-controlling interests** | **$ 634** | $ 10 |
| **Summarized statement of comprehensive income (loss)** | | |
| Revenue | **$ 170** | $ 224 |
| Loss for the period | **(120)** | (97) |
| Other comprehensive income (loss) | **(138)** | 202 |
| **Total comprehensive income (loss)** | **$ (258)** | $ 105 |
| **Loss allocated to non-controlling interests** | **$ (24)** | $ (12) |
| **Summarized cash flows** | | |
| Cash flows from operating activities | **$ (298)** | $ (33) |
| Cash flows from investing activities | **(1,255)** | (429) |
| Cash flows from financing activities | **2,076** | 464 |
| Effect of exchange rates on cash and cash equivalents | **(22)** | – |
| **Net increase in cash and cash equivalents** | **$ 501** | $ 2 |

## 26. Contingencies

We consider provisions for all of our outstanding and pending legal claims to be adequate. The final outcome with respect to actions outstanding or pending as at December 31, 2019, or with respect to future claims, cannot be predicted with certainty. Significant contingencies not disclosed elsewhere in the notes to our financial statements are as follows:

**Upper Columbia River Basin**

Teck American Inc. (TAI) continues studies under the 2006 settlement agreement with the U.S. Environmental Protection Agency (EPA) to conduct a remedial investigation on the Upper Columbia River in Washington State.

The Lake Roosevelt litigation involving TML in the Federal District Court for the Eastern District of Washington continues. In December 2012 on the basis of stipulated facts agreed between TML and the plaintiffs, the Court found in favour of the plaintiffs in phase one of the case, issuing a declaratory judgment that TML is liable under the *Comprehensive Environmental Response, Compensation, and Liability Act* (CERCLA) for response costs, the amount of which will be determined in later phases of the case. TML has exhausted its appeal rights in respect of that decision. As a consequence of a ruling of the Ninth Circuit Court of Appeals, alleged damages associated with air emissions are no longer part of the case.

A hearing with respect to natural resource damages and assessment costs is expected to follow completion of the remedial investigation and feasibility study being undertaken by TAI.

Until the studies contemplated by the EPA settlement agreement and additional damage assessments are completed, it is not possible to estimate the extent and cost, if any, of any additional remediation or restoration that may be required or to assess the extent of our potential liability for damages. The studies may conclude, on the basis of risk, cost, technical feasibility or other grounds, that no remediation other than some residential soil removal should be undertaken. If other remediation is required and damage to resources found, the cost of that remediation may be material.

**Elk Valley Water Quality**

During the year ended December 31, 2018, Teck Coal Limited (TCL) received notice from Canadian federal prosecutors of potential charges under the Fisheries Act in connection with discharges of selenium and calcite from coal mines in the Elk Valley. Since 2014, compliance limits and site performance objectives for selenium and other constituents, as well as requirements to address calcite, in surface water throughout the Elk Valley and in the Koocanusa Reservoir have been established under a regional permit issued by the provincial government in British Columbia. This permit references the Elk Valley Water Quality Plan, an area-based management plan developed by Teck in accordance with a 2013 Order of the British Columbia Minister of Environment. If federal charges are laid, potential penalties may include fines as well as orders with respect to operational matters. It is not possible at this time to fully assess the viability of TCL's potential defences to any charges, or to estimate the potential financial impact on TCL of any conviction. Nonetheless, that impact may be material.

## 27. Commitments

a) Capital Commitments

As at December 31, 2019, we had contracted for $2.86 billion of capital expenditures that have not yet been incurred for the purchase and construction of property, plant and equipment. This amount includes $2.54 billion for QB2, $224 million for our steelmaking coal operations and $93 million for our 22.5% share of Antamina. The amount includes $2.4 billion that is expected to be incurred within one year and $460 million within two to five years.

b) Red Dog Royalty

In accordance with the operating agreement governing the Red Dog mine, TAK pays a royalty to NANA Regional Corporation, Inc. (NANA) on the net proceeds of production. A 25% royalty became payable in the third quarter of 2007 after we had recovered cumulative advance royalties previously paid to NANA. The net proceeds of production royalty rate will increase by 5% every fifth year to a maximum of 50%. The increase to 35% of net proceeds of production occurred in the fourth quarter of 2017. An expense of US$231 million was recorded in 2019 (2018 – US$252 million) in respect of this royalty.

c) Antamina Royalty

Our interest in the Antamina mine is subject to a net profits royalty equivalent to 7.4% of our share of the mine's free cash flow. An expense of $16 million was recorded in 2019 (2018 – $25 million) in respect of this royalty.

d) Purchase Commitments

We have a number of forward purchase commitments for the purchase of concentrates and other process inputs, and for shipping and distribution of products, which are incurred in the normal course of business. The majority of these contracts are subject to *force majeure* provisions.

We have contractual arrangements for the purchase of power for the expansion of our Quebrada Blanca Operations. These contracts contain monthly fixed prices and variable prices per hour and were effective from dates between November 2016 and January 2019. In 2018, we entered into a 20-year contractual arrangement to purchase power for our Trail Operations, with an option to extend for a further 10 years. This arrangement requires a payment of $75 million per year, escalating at 2% per year.

## 28. Segmented Information

Based on the primary products we produce and our development projects, we have five reportable segments which we report to our Chief Executive Officer — steelmaking coal, copper, zinc, energy and corporate. The corporate segment includes all of our initiatives in other commodities, our corporate growth activities, and groups that provide administrative, technical, financial and other support to all of our business units. Other operating income (expenses) include general and administration, exploration, research and innovation, and other operating income (expense). Sales between segments are carried out on terms that arm's-length parties would use. Total assets does not include intra-group receivables between segments. Deferred tax assets have been allocated amongst segments.

| (CAD$ in millions) | December 31, 2019 | | | | | |
|---|---|---|---|---|---|---|
| | **Steelmaking Coal** | **Copper** | **Zinc** | **Energy** | **Corporate** | **Total** |
| Segment revenues | **$ 5,522** | **$ 2,469** | **$ 3,487** | **$ 975** | **$ –** | **$ 12,453** |
| Less: Intra-segment revenues | **–** | **–** | **(519)** | **–** | **–** | **(519)** |
| Revenues | **5,522** | **2,469** | **2,968** | **975** | **–** | **11,934** |
| Cost of sales | **(3,410)** | **(1,852)** | **(2,367)** | **(965)** | **–** | **(8,594)** |
| Gross profit | **2,112** | **617** | **601** | **10** | **–** | **3,340** |
| Asset impairments | **(289)** | **(31)** | **–** | **(2,370)** | **–** | **(2,690)** |
| Other operating expenses | **(136)** | **(183)** | **(63)** | **(26)** | **(392)** | **(800)** |
| Profit (loss) from operations | **1,687** | **403** | **538** | **(2,386)** | **(392)** | **(150)** |
| Net finance income (expense) | **(60)** | **(119)** | **(47)** | **(27)** | **35** | **(218)** |
| Non-operating income (expense) | **(15)** | **50** | **(9)** | **(2)** | **(121)** | **(97)** |
| Share of loss of associates and joint ventures | **–** | **(2)** | **–** | **–** | **(1)** | **(3)** |
| Profit (loss) before taxes | **1,612** | **332** | **482** | **(2,415)** | **(479)** | **(468)** |
| | | | | | | |
| Capital expenditures | **1,197** | **1,757** | **307** | **191** | **16** | **3,468** |
| Goodwill | **702** | **399** | **–** | **–** | **–** | **1,101** |
| Total assets | **16,032** | **12,740** | **3,904** | **3,916** | **2,758** | **39,350** |

**28. Segmented Information** (continued)

| (CAD$ in millions) | December 31, 2018 | | | | | |
|---|---|---|---|---|---|---|
| | **Steelmaking Coal** | **Copper** | **Zinc** | **Energy** | **Corporate** | **Total** |
| Segment revenues | $ 6,349 | $ 2,714 | $ 3,744 | $ 407 | $ – | $ 13,214 |
| Less: Intra-segment revenues | – | – | (650) | – | – | (650) |
| Revenues | 6,349 | 2,714 | 3,094 | 407 | – | 12,564 |
| Cost of sales | (3,309) | (1,837) | (2,225) | (572) | – | (7,943) |
| Gross profit (loss) | 3,040 | 877 | 869 | (165) | – | 4,621 |
| Asset impairments | – | (10) | (31) | – | – | (41) |
| Other operating income (expenses) | (79) | (247) | 820 | 1 | (291) | 204 |
| Profit (loss) from operations | 2,961 | 620 | 1,658 | (164) | (291) | 4,784 |
| Net finance expense | (47) | (47) | (37) | (16) | (72) | (219) |
| Non-operating income (expense) | 37 | 4 | 11 | – | (104) | (52) |
| Share of loss of associates and joint ventures | – | (2) | – | – | (1) | (3) |
| Profit (loss) before taxes | 2,951 | 575 | 1,632 | (180) | (468) | 4,510 |
| | | | | | | |
| Capital expenditures | 969 | 850 | 411 | 375 | 8 | 2,613 |
| Goodwill | 702 | 419 | – | – | – | 1,121 |
| Total assets | 15,491 | 10,400 | 3,754 | 6,131 | 3,850 | 39,626 |

The geographical distribution of our non-current assets, excluding deferred income tax assets and financial and other assets, is as follows:

| (CAD$ in millions) | **December 31, 2019** | **December 31, 2018** |
|---|---|---|
| Canada | **$ 21,685** | $ 23,238 |
| Chile | **8,696** | 7,146 |
| United States | **1,511** | 1,282 |
| Peru | **1,497** | 1,477 |
| Other | **146** | 99 |
| | **$ 33,535** | $ 33,242 |

**29. Financial Instruments and Financial Risk Management**

a) Financial Risk Management

Our activities expose us to a variety of financial risks, which include liquidity risk, foreign exchange risk, interest rate risk, commodity price risk, credit risk and other risks associated with capital markets. From time to time, we may use foreign exchange, commodity price and interest rate contracts to manage exposure to fluctuations in these variables. Our use of derivatives is based on established practices and parameters to mitigate risk and is subject to the oversight of our Hedging Committee and our Board of Directors.

**29. Financial Instruments and Financial Risk Management** (continued)

**Foreign Exchange Risk**

We operate on an international basis, and therefore, foreign exchange risk exposures arise from transactions denominated in a currency other than the functional currency of the entity. Our foreign exchange risk arises primarily with respect to the U.S. dollar, Chilean peso and Peruvian sol. Our cash flows from Canadian, Chilean and Peruvian operations are exposed to foreign exchange risk, as commodity sales are denominated in U.S. dollars and a substantial portion of operating expenses are denominated in local currencies.

We also have various investments in U.S. dollar foreign operations, whose net assets are exposed to foreign currency translation risk. This currency exposure is managed in part through our U.S. dollar denominated debt as a hedge against net investments in foreign operations.

U.S. dollar financial instruments subject to foreign exchange risk consist of U.S. dollar denominated items held in Canada and are summarized below. This risk is reduced by our policy to apply a hedge against our U.S. dollar net investments using our U.S. dollar debt.

| (US$ in millions) | December 31, 2019 | December 31, 2018 |
|---|---|---|
| Cash and cash equivalents | **$ 85** | $ 907 |
| Trade and settlement receivables | **505** | 640 |
| Trade accounts payable and other liabilities | **(459)** | (421) |
| Debt | **(3,209)** | (3,809) |
| | **(3,078)** | (2,683) |
| Net investment in foreign operations hedged | **2,969** | 2,628 |
| Net U.S. dollar exposure | **$ (109)** | $ (55) |

As at December 31, 2019, with other variables unchanged, a $0.10 strengthening of the Canadian dollar against the U.S. dollar would result in a $1 million pre-tax loss (2018 – $8 million) from our financial instruments. There would also be a $464 million pre-tax loss (2018 – $408 million) in other comprehensive income from the translation of our foreign operations. The inverse effect would result if the Canadian dollar weakened by $0.10 against the U.S. dollar.

**Liquidity Risk**

Liquidity risk arises from our general and capital funding requirements. We have planning, budgeting and forecasting processes to help determine our funding requirements to meet various contractual and other obligations. Note 19(c) details our available credit facilities as at December 31, 2019.

Contractual undiscounted cash flow requirements for financial liabilities as at December 31, 2019 are as follows:

| (CAD$ in millions) | Less Than 1 Year | 2—3 Years | 4—5 Years | More Than 5 Years | Total |
|---|---|---|---|---|---|
| Trade accounts payable and other liabilities (Note 18) | $ 2,498 | $ – | $ – | $ – | **$ 2,498** |
| Debt (Note 19(d)) | 29 | 414 | 286 | 3,469 | **4,198** |
| Lease liabilities (Note 20(b)) | 162 | 193 | 109 | 676 | **1,140** |
| Estimated interest payments on debt | 235 | 444 | 410 | 3,126 | **4,215** |
| Estimated interest payments on lease liabilities | 9 | 11 | 6 | 39 | **65** |

**29. Financial Instruments and Financial Risk Management** (continued)

**Interest Rate Risk**

Our interest rate risk arises in respect of our holdings of cash and cash equivalents. Our interest rate management policy is generally to borrow at fixed rates, however we can also borrow at floating rates or use fixed to floating swaps to offset financial risks.

Cash and cash equivalents have short terms to maturity and receive interest based on market interest rates.

A 1% increase in the short-term interest rate at the beginning of the year, with other variables unchanged, would have resulted in a $17 million pre-tax increase in our profit (2018 – $15 million). There would be no effect on other comprehensive income. The inverse effect would result if the short-term interest rate decreased by 1%.

**Commodity Price Risk**

We are subject to price risk from fluctuations in market prices of the commodities that we produce. From time to time, we may use commodity price contracts to manage our exposure to fluctuations in commodity prices. At the balance sheet date, we had zinc and lead derivative contracts outstanding as described in (b) below.

Our commodity price risk associated with financial instruments primarily relates to changes in fair value caused by final settlement pricing adjustments to receivables and payables, derivative contracts for zinc and lead, embedded derivatives in one of our road and port contracts, and in the ongoing payments under our silver stream and gold stream arrangements.

The following represents the effect on profit attributable to shareholders from a 10% change in commodity prices, based on outstanding receivables and payables subject to final pricing adjustments at December 31, 2019. There is no effect on other comprehensive income.

| | Price on December 31, | | Change in Profit Attributable to Shareholders | |
|---|---|---|---|---|
| (CAD$ in millions, except for US$/lb. data) | **2019** | **2018** | **2019** | **2018** |
| Copper | **US$2.80/lb.** | US$2.70/lb. | **$ 14** | $ 21 |
| Zinc | **US$1.04/lb.** | US$1.12/lb. | **$ 7** | $ 7 |

A 10% change in the price of zinc, lead, silver and gold, respectively, with other variables unchanged, would change our net liability relating to derivatives and embedded derivatives, excluding receivables and payables subject to final pricing adjustments, and change our pre-tax profit attributable to shareholders by $17 million (2018 – $16 million). There would be no effect on other comprehensive income.

**Credit Risk**

Credit risk arises from cash, cash equivalents, derivative contracts, debt securities and trade receivables. While we are exposed to credit losses due to the non-performance of our counterparties, there are no significant concentrations of credit risk and we do not consider this to be a material risk.

Our primary counterparties related to our cash, cash equivalents, derivative contracts and debt securities carry investment grade ratings as assessed by external rating agencies, which are monitored on an ongoing basis. All of our commercial customers are assessed for credit quality at least once a year or more frequently if business or customer specific conditions change based on an extensive credit rating scorecard developed internally using key credit metrics and measurements that were adapted from S&P's and Moody's rating methodologies. Sales to customers that do not meet the credit quality criteria are secured either by a parental guarantee, letter of credit or prepayment.

**29. Financial Instruments and Financial Risk Management** (continued)

For our trade receivables, we apply the simplified approach for determining expected credit losses, which requires us to determine the lifetime expected losses for all our trade receivables. The expected lifetime credit loss provision for our trade receivables is based on historical counterparty default rates and adjusted for relevant forward-looking information, as required. Since the majority of our customers are considered to have low default risk and our historical default rate and frequency of losses are low, the lifetime expected credit loss allowance for trade receivables is nominal as at December 31, 2019.

Our investments in debt securities carried at fair value through other comprehensive income are considered to have low credit risk as our counterparties have investment grade credit ratings. The credit risk of our investments in debt securities has not increased significantly since initial recognition of these investments and accordingly, the loss allowance for investments in debt securities is determined based on the 12-month expected credit losses. The 12-month expected credit loss allowance is based on historical and forward-looking default rates for investment grade entities, which are low and accordingly, the 12-month expected credit loss allowance for our investments in debt securities is nominal as at December 31, 2019.

b) Derivative Financial Instruments and Hedges

**Sale and Purchase Contracts**

We record adjustments to our settlement receivables and payables for provisionally priced sales and purchases, respectively, in periods up to the date of final pricing based on movements in quoted market prices or published price assessments (for steelmaking coal). These arrangements are based on the market price of the commodity and the value of our settlement receivables and payables will vary as prices for the underlying commodities vary in the metal markets. These final pricing adjustments result in gains (losses from purchases) in a rising price environment and losses (gains from purchases) in a declining price environment and are recorded in other operating income (expense).

The table below outlines our outstanding settlement receivables and payables, which were provisionally valued at December 31, 2019, and December 31, 2018.

| | **Outstanding at December 31, 2019** | | | **Outstanding at December 31, 2018** | | |
|---|---|---|---|---|---|---|
| (Pounds in millions) | Pounds | | US$/lb. | Pounds | | US$/lb. |
| **Receivable positions** | | | | | | |
| Copper | **65** | **$** | **2.80** | 93 | $ | 2.70 |
| Zinc | **239** | **$** | **1.04** | 208 | $ | 1.12 |
| Lead | **74** | **$** | **0.87** | 24 | $ | 0.91 |
| **Payable positions** | | | | | | |
| Zinc payable | **79** | **$** | **1.04** | 77 | $ | 1.12 |
| Lead payable | **10** | **$** | **0.87** | 16 | $ | 0.91 |

At December 31, 2019, total outstanding settlement receivables were $465 million (2018 – $557 million), and total outstanding settlement payables were $16 million (2018 – $45 million). These amounts are included in trade and settlement receivables and trade accounts payable and other liabilities, respectively, on the consolidated balance sheet.

**Zinc and Lead Swaps**

Due to ice conditions, the port serving our Red Dog mine is normally only able to ship concentrates from July to October each year. As a result, zinc and lead concentrate sales volumes are generally higher in the third and fourth quarter of each year than in the first and second quarter. During 2019 and 2018, we purchased and sold zinc and lead swaps to match our economic exposure to the average zinc and lead prices over our shipping year, which is from July of one year to June of the following year. We do not apply hedge accounting to the zinc or lead swaps.

**29. Financial Instruments and Financial Risk Management** (continued)

The fair value of our commodity swaps is calculated using a discounted cash flow method based on forward metal prices. A summary of these derivative contracts and related fair values as at December 31, 2019 is as follows:

| Derivatives not designated as hedging instruments | Quantity | Average Price of Purchase Commitments | Average Price of Sale Commitments | Fair Value Asset (Liability) (CAD$ in millions) |
|---|---|---|---|---|
| Zinc swaps | 77 million lbs. | US$1.04/lb. | US$1.02/lb. | $ (2) |
| Lead swaps | 50 million lbs. | US$0.89/lb. | US$0.88/lb. | (1) |
| | | | | $ (3) |

All free-standing derivative contracts mature in 2020 and 2021.

Free-standing derivatives, not designated as hedging instruments, are recorded in trade accounts payable and other liabilities in the amount of $3 million on the consolidated balance sheet.

**Derivatives Not Designated as Hedging Instruments and Embedded Derivatives**

| (CAD$ in millions) | Amount of Gain (Loss) Recognized in Other Operating Income (Expense) (Note 9) | |
|---|---|---|
| | **2019** | **2018** |
| Zinc derivatives | **$ (4)** | $ (40) |
| Lead derivatives | **(2)** | (4) |
| Settlement receivables and payables | **(49)** | (117) |
| Contingent zinc escalation payment embedded derivative (c) | **1** | 13 |
| Gold stream embedded derivative (c) | **15** | (1) |
| Silver stream embedded derivative (c) | **7** | (4) |
| | **$ (32)** | $ (153) |

During the year ended December 31, 2019, we recorded a $105 million gain (2018 – $42 million loss) in non-operating income (expense) (Note 11) related to an increase in the value of the debt prepayment option in our 8.5% notes due in June 2024, up to the date of redemption of the notes during 2019 (Note 19(a)).

**Accounting Hedges**

*Net investment hedge*

We manage the foreign currency translation risk of our various investments in U.S. dollar foreign operations in part through the designation of our U.S. dollar denominated debt as a hedge against net investments in foreign operations (Note 29(a)). We designate the spot element of the U.S. dollar debt as the hedging instrument. As only the spot rate element of the debt is designated in the hedging relationship, no ineffectiveness is expected and no ineffectiveness was recognized in profit for the years ended December 31, 2019 and 2018. The hedged foreign currency risk component is the change in the carrying amount of the net assets of the foreign operation arising from spot U.S. dollar to Canadian dollar exchange rate movements. At December 31, 2019, US$3.0 billion of our debt (2018 – US$2.6 billion) and U.S. dollar investment in foreign operations was designated in a net investment hedging relationship. During the year ended December 31, 2019, $193 million (2018 – $295 million) of foreign exchange translation on our U.S. dollar investment in foreign operations was hedged by an offsetting amount of foreign exchange translation on our U.S. dollar denominated debt. Refer to Note 24(e) for the effect of our net investment hedges on other comprehensive income (loss).

**29. Financial Instruments and Financial Risk Management** (continued)

c) Embedded Derivatives

The TAK road and port contract contains a contingent zinc escalation payment that is considered to be an embedded derivative. The fair value of this embedded derivative was $31 million at December 31, 2019 (2018 – $34 million) and is included in provisions and other liabilities on the consolidated balance sheet.

The gold stream and silver stream agreements entered into in 2015 each contain an embedded derivative in the ongoing future payments due to Teck. The gold stream's 15% ongoing payment contains an embedded derivative relating to the gold price. The fair value of this embedded derivative was $25 million at December 31, 2019 (2018 – $11 million) and is included in financial and other assets on the consolidated balance sheet. The silver stream's 5% ongoing payment contains an embedded derivative relating to the silver price. The fair value of this embedded derivative was $6 million at December 31, 2019 (2018 – $1 million) and is included in financial and other assets (2018 – provisions and other liabilities) on the consolidated balance sheet.

**30. Fair Value Measurements**

Certain of our financial assets and liabilities are measured at fair value on a recurring basis and classified in their entirety based on the lowest level of input that is significant to the fair value measurement. Certain non-financial assets and liabilities may also be measured at fair value on a non-recurring basis. There are three levels of the fair value hierarchy that prioritize the inputs to valuation techniques used to measure fair value, with Level 1 inputs having the highest priority. The levels and the valuation techniques used to value our financial assets and liabilities are described below:

Level 1 – Quoted Prices in Active Markets for Identical Assets

Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Certain cash equivalents, certain marketable equity securities and certain debt securities are valued using quoted market prices in active markets. Accordingly, these items are included in Level 1 of the fair value hierarchy.

Level 2 – Significant Observable Inputs Other than Quoted Prices

Quoted prices in markets that are not active, quoted prices for similar assets or liabilities in active markets, or inputs that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Derivative instruments and embedded derivatives are included in Level 2 of the fair value hierarchy as they are valued using pricing models or discounted cash flow models. These models require a variety of inputs, including, but not limited to, market prices, forward price curves, yield curves and credit spreads. These inputs are obtained from or corroborated with the market. Also included in Level 2 are settlement receivables and settlement payables from provisional pricing on concentrate sales and purchases, certain refined metal sales and steelmaking coal sales because they are valued using quoted market prices derived based on forward curves for the respective commodities and published price assessments for steelmaking coal sales.

Level 3 – Significant Unobservable Inputs

Unobservable (supported by little or no market activity) prices.

We include investments in certain debt securities and certain equity securities in non-public companies in Level 3 of the fair value hierarchy because they trade infrequently and have little price transparency.

**30. Fair Value Measurements** (continued)

The fair values of our financial assets and liabilities measured at fair value on a recurring basis at December 31, 2019 and 2018, are summarized in the following table:

| (CAD$ in millions) | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | **Total** | Level 1 | Level 2 | Level 3 | Total |
| Financial assets | | | | | | | | |
| Cash equivalents | $ 877 | $ – | $ – | **$ 877** | $ 1,296 | $ – | $ – | $ 1,296 |
| Marketable equity securities | 53 | – | 36 | **89** | 44 | – | 36 | 80 |
| Debt securities | 104 | – | 2 | **106** | 90 | – | 3 | 93 |
| Settlement receivables | – | 465 | – | **465** | – | 557 | – | 557 |
| Derivative instruments and embedded derivatives | – | 29 | – | **29** | – | 86 | – | 86 |
| | $ 1,034 | $ 494 | $ 38 | **$ 1,566** | $ 1,430 | $ 643 | $ 39 | $ 2,112 |
| Financial liabilities | | | | | | | | |
| Derivative instruments and embedded derivatives | $ – | $ 33 | $ – | **$ 33** | $ – | $ 45 | $ – | $ 45 |
| Settlement payables | – | 16 | – | **16** | – | 45 | – | 45 |
| | $ – | $ 49 | $ – | **$ 49** | $ – | $ 90 | $ – | $ 90 |

As at December 31, 2019, we measured certain non-financial assets at their recoverable amounts using a FVLCD basis, which is classified as a Level 3 measurement. Refer to Note 8 for information about these fair value measurements.

Unless disclosed elsewhere in our financial statements, the fair value of the remaining financial assets and financial liabilities approximate their carrying value.

**31. Capital Management**

The capital we manage is the total of equity and debt on our balance sheet. Our capital management objectives are to maintain access to the capital we require to operate and grow our business while minimizing the cost of such capital and providing for returns to our investors. Our financial policies are to maintain, on average over time, a target debt-to-EBITDA ratio of approximately 2.0x. This ratio is expected to vary from its target level from time to time, reflecting commodity price cycles and corporate activity, including the development of major projects. We may also review and amend such policy targets from time to time. We maintain a US$4.0 billion committed revolving credit facility, which is undrawn at December 31, 2019. The credit facility includes a financial covenant that requires us to maintain a net debt-to-capitalization ratio that does not exceed 0.60 to 1.0 (Note 19(c)).

As at December 31, 2019, our debt-to-EBITDA ratio was 3.6 (2018 – 0.9) and our net debt-to-capitalization ratio was 0.15 to 1.0 (2018 – 0.13 to 1.0). We manage the risk of not meeting our financial targets through the issuance and repayment of debt, our distribution policy, the issuance of equity capital, asset sales as well as through the ongoing management of operations, investments and capital expenditures.

## 32. Key Management Compensation

The compensation for key management recognized in total comprehensive income in respect of employee services is summarized in the table below. Key management includes our directors, President and Chief Executive Officer, and senior vice presidents.

| (CAD$ in millions) | 2019 | 2018 |
|---|---|---|
| Salaries, bonuses, director fees and other short-term benefits | **$ 17** | $ 16 |
| Post-employment benefits | **9** | 1 |
| Share option compensation expense (Note 24(c)) | **7** | 6 |
| Compensation expense (recovery) related to Units (Note 24(d)) | **(1)** | 7 |
| | **$ 32** | $ 30 |

## 33. Adoption of New IFRS Pronouncements

a) Leases

We adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where we recorded leases from that date forward and did not restate comparative information. We recorded right-of-use assets of $280 million within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. We recorded lease liabilities of $342 million as at January 1, 2019 and reclassified $338 million of lease liabilities that were previously presented with debt on the balance sheet. The net of tax difference between right-of-use assets and lease liabilities recognized on transition of $43 million was recorded as a retained earnings adjustment on January 1, 2019.

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee, and all leases will be recorded on the balance sheet for the lessee.

As part of the initial application of IFRS 16 we elected to apply the following practical expedients:

- the previous determination of whether a contract is, or contains, a lease pursuant to IAS 17 and IFRIC 4 has been maintained for existing contracts;
- not recognize a right-of-use asset or lease liability for leases where the lease term ends within 12 months of the date of initial application, with the exception of a portfolio of equipment leases in our steelmaking coal business unit;
- rely on our assessment of whether leases are onerous contracts as an alternative to an impairment review;
- exclude initial direct costs from the right-of-use asset; and
- use hindsight when assessing the lease term.

**Reconciliation of lease liabilities as at January 1, 2019**

| (CAD$ in millions) | |
|---|---|
| Future aggregate minimum lease payments under operating leases as at December 31, 2018 | $ 439 |
| Recognition exemptions and other | (2) |
| | $ 437 |
| Effect of discounting at the incremental borrowing rate | (95) |
| Lease liabilities arising on initial application of IFRS 16 | 342 |
| Lease liabilities from finance leases previously recorded in debt | 338 |
| Total lease liabilities as at January 1, 2019 | $ 680 |

The weighted average incremental borrowing rate for lease liabilities initially recognized as at January 1, 2019 was 4.97%.

**33. Adoption of New IFRS Pronouncements** (continued)

b) Uncertainty Over Income Tax Treatments

We adopted IFRIC 23 on January 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 did not affect our financial results or disclosures.

EXHIBIT 99.3

# Management's Discussion and Analysis

**February 26, 2020**



# Management's Discussion and Analysis

Our business is exploring for, acquiring, developing and producing natural resources. We are organized into business units focused on steelmaking coal, copper, zinc and energy. These are supported by our corporate offices, which manage our corporate growth initiatives and provide marketing, administrative, technical, health, safety, environment, community, financial and other services.

Through our interests in mining and processing operations in Canada, the United States (U.S.), Chile and Peru, we are the world's second-largest seaborne exporter of steelmaking coal, an important producer of copper, one of the world's largest producers of mined zinc, and we have an interest in a large producing oil sands mine. We also produce lead, silver, molybdenum and various specialty and other metals, chemicals and fertilizers. We actively explore for copper, zinc and gold, and we hold interests in oil sands assets in the Athabasca region of Alberta.

This Management's Discussion and Analysis of our results of operations is prepared as at February 26, 2020 and should be read in conjunction with our audited annual consolidated financial statements for the year ended December 31, 2019. Unless the context otherwise dictates, a reference to Teck, Teck Resources, the Company, us, we or our refers to Teck Resources Limited and its subsidiaries, including Teck Metals Ltd. and Teck Coal Partnership. All dollar amounts are in Canadian dollars, unless otherwise stated, and are based on our 2019 audited annual consolidated financial statements that are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. In addition, we use certain financial measures, which are identified throughout the Management's Discussion and Analysis in this report, that are not measures recognized under IFRS and do not have a standardized meaning prescribed by IFRS. See "Use of Non-GAAP Financial Measures" on page 60 for an explanation of these financial measures and reconciliation to the most directly comparable financial measures under IFRS.

This Management's Discussion and Analysis contains certain forward-looking information and forward-looking statements. You should review the cautionary statement on forward-looking statements under the heading "Cautionary Statement on Forward-Looking Statements" on page 70, which forms part of this Management's Discussion and Analysis, as well as the risk factors discussed in our most recent Annual Information Form.

Additional information about us, including our most recent Annual Information Form, is available on our website at www.teck.com, under Teck's profile at www.sedar.com (SEDAR), and on the EDGAR section of the United States Securities and Exchange Commission (SEC) website at www.sec.gov.

**Business Unit Results**

The following table shows a summary of our production of our major commodities for the last five years and estimated production for 2020.

**Five-Year Production Record and Our Estimated Production in 2020**

| Principal Products | | 2015 | 2016 | 2017 | 2018 | **2019** | 2020 estimate(3) |
|---|---|---|---|---|---|---|---|
| Steelmaking coal | million tonnes | 25.3 | 27.6 | 26.6 | 26.2 | **25.7** | 24.0 |
| Copper(1) | thousand tonnes | 358 | 324 | 287 | 294 | **297** | 293 |
| Zinc | | | | | | | |
| Contained in concentrate(1) | thousand tonnes | 658 | 662 | 659 | 705 | **640** | 620 |
| Refined | thousand tonnes | 307 | 312 | 310 | 303 | **287** | 310 |
| Bitumen(1)(2) | million barrels | – | – | – | 6.8 | **12.3** | 13.0 |

Notes:

(1) We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes, even though we do not own 100% of these operations, because we fully consolidate their results in our financial statements. We include 22.5% and 21.3% of production and sales from Antamina and Fort Hills, respectively, representing our proportionate ownership interest in these operations. Zinc contained in concentrate production includes co-product zinc production from our 22.5% interest in Antamina.

(2) Fort Hills bitumen results for the year ended December 31, 2018 are included from June 1, 2018.

(3) Production estimates for 2020 represent the midpoint of our production guidance range.

Average commodity prices and exchange rates for the past three years, which are key drivers of our profit, are summarized in the following table.

| | US$ | | | | | CAD$ | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2019** | % chg | 2018 | % chg | 2017 | **2019** | % chg | 2018 | % chg | 2017 |
| Steelmaking coal (realized — $/tonne) | **164** | -12% | 187 | +7% | 174 | **218** | -10% | 243 | +8% | 226 |
| Copper (LME cash — $/pound) | **2.72** | -8% | 2.96 | +6% | 2.80 | **3.62** | -6% | 3.84 | +5% | 3.64 |
| Zinc (LME cash — $/pound) | **1.16** | -13% | 1.33 | +2% | 1.31 | **1.54** | -10% | 1.72 | +1% | 1.70 |
| Blended bitumen (realized — $/barrel)(1) | **45.20** | +29% | 35.12 | – | – | **60.12** | +30% | 46.14 | – | – |
| Exchange rate (Bank of Canada) | | | | | | | | | | |
| US$1 = CAD$ | **1.33** | +2% | 1.30 | 0% | 1.30 | | | | | |
| CAD$1 = US$ | **0.75** | -3% | 0.77 | 0% | 0.77 | | | | | |

Note:
(1) Fort Hills blended bitumen results for the year ended December 31, 2018 are included from June 1, 2018.

Our revenues, gross profit before depreciation and amortization, [1, 2] and gross profit by business unit for the past three years are summarized in the following table.

| | Revenues | | | Gross Profit (Loss) Before Depreciation and Amortization(1)(2) | | | Gross Profit (Loss) | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Steelmaking coal | **$ 5,522** | $ 6,349 | $ 6,014 | **$ 2,904** | $ 3,770 | $ 3,732 | **$ 2,112** | $ 3,040 | $ 3,014 |
| Copper | **2,469** | 2,714 | 2,400 | **1,080** | 1,355 | 1,154 | **617** | 877 | 586 |
| Zinc | **2,968** | 3,094 | 3,496 | **831** | 1,085 | 1,173 | **601** | 869 | 967 |
| Energy(3) | **975** | 407 | – | **144** | (106) | – | **10** | (165) | – |
| Total | **$ 11,934** | $ 12,564 | $ 11,910 | **$ 4,959** | $ 6,104 | $ 6,059 | **$ 3,340** | $ 4,621 | $ 4,567 |

Notes:
(1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.
(3) Fort Hills blended bitumen results for the year ended December 31, 2018 are included from June 1, 2018.

1 Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2 See “Use of Non-GAAP Financial Measures” section for reconciliation.

# Steelmaking Coal

In 2019, our five steelmaking coal operations in Western Canada produced 25.7 million tonnes of coal, with sales of 25.0 million tonnes. The majority of our sales are to the Asia-Pacific region, with lesser amounts sold primarily to Europe and the Americas. Our long-term annual production capacity is approximately 27 million tonnes, and we have total proven and probable reserves of 840 million tonnes of steelmaking coal.

As planned, Coal Mountain Operations transitioned to closure in the second quarter of 2019. We have offset the loss of production at Coal Mountain through higher production and improved processing throughput at our other Elk Valley operations.

Consistent with our capital allocation framework, in May 2019 we announced that we will not proceed with the MacKenzie Redcap extension at our Cardinal River Operations. The operation is expected to close in the second half of 2020 and then transition to care and maintenance. As a result, Cardinal River production is expected to decrease to approximately 700,000 tonnes in 2020. The lost production is expected to be made up by our Elkview Operations with a plant expansion project scheduled to be completed in the first quarter of 2020.

In 2019, our steelmaking coal business unit accounted for 46% of revenue and 58% of gross profit before depreciation and amortization.

| ($ in millions) | **2019** | 2018 | 2017 |
|---|---|---|---|
| Revenues | **$ 5,522** | $ 6,349 | $ 6,014 |
| Gross profit before depreciation and amortization (1)(2) | **$ 2,904** | $ 3,770 | $ 3,732 |
| Gross profit | **$ 2,112** | $ 3,040 | $ 3,014 |
| Production (million tonnes) | **25.7** | 26.2 | 26.6 |
| Sales (million tonnes) | **25.0** | 26.0 | 26.5 |

Notes:
(1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

## Operations

Gross profit for our steelmaking coal business unit was $2.1 billion in 2019, down from $3.0 billion in 2018, due to lower prices and lower sales volumes. Gross profit before depreciation and amortization for our steelmaking coal business unit declined to $2.9 billion in 2019.

On February 11, 2019, we agreed with POSCO Canada Limited (Poscan) to increase the royalty paid by Poscan in respect of its 20% share of Greenhills’ coal production. As a result, the royalty we received increased by $74 million, from $21 million in 2018 to $95 million in 2019.

Our average realized steelmaking coal selling price in 2019 declined to US$164 per tonne, compared with US$187 per tonne in 2018 and US$174 per tonne in 2017.

Sales volumes were 25.0 million tonnes in 2019, compared with 26.0 million tonnes sold in 2018. Sales

volumes were negatively affected by logistical issues throughout the supply chain during 2019. Our 2019 production of 25.7 million tonnes was 0.5 million tonnes lower than 2018, primarily due to logistics chain issues combined with mining challenges at Cardinal River Operations and Fording River Operations.

The adjusted site cost of sales[1, 2] in 2019 was $65 per tonne and within our annual guidance range. As anticipated, this cost was higher than the $62 per tonne cost of product sold in 2018. The increase in 2019 was primarily a result of mining in new, recently permitted areas at a number of our operations, with increased strip ratios to generate production after the closure of Coal Mountain.

As a result of our decision not to proceed with the MacKenzie Redcap extension at our Cardinal River Operations and the short remaining mine life, combined with lower steelmaking prices, we recorded pre-tax non-cash impairment charges of $289 million in 2019.

Capital spending in 2019 included $403 million for sustaining capital, $155 million for major enhancements to maintain and increase long-term production capacity, and $192 million for the Neptune Bulk Terminals upgrade project.

**Elk Valley Water Quality Management**

We continue to implement the water quality management measures required by the Elk Valley Water Quality Plan (the Plan), an area-based management plan that was approved in the fourth quarter of 2014 by the British Columbia (B.C.) Minister of Environment. The Plan establishes short-, medium- and long-term water quality targets for selenium, nitrate, sulphate, and cadmium to protect the environment and human health, as well as a plan to manage calcite formation. In 2019, the B.C. Government endorsed the use of Saturated Rock Fill (SRF) technology, and we have received approval to construct an expansion of SRF water treatment capacity at Elkview Operations. Elkview Operations' SRF has been successfully operating since January 2018, treating up to 10 million litres per day and achieving near-complete removal of nitrate and selenium from mine-impacted waters.

To the end of 2019, we have spent approximately $437 million (approximately $392 million of capital and $45 million of SRF research and development costs) on implementation of the Elk Valley Water Quality Plan, including construction of the first active water treatment facility (AWTF) at our Line Creek Operations, treating up to 7.5 million litres per day. The second AWTF, at our Fording River Operations, with an expected capacity of 20 million litres per day, is under construction and scheduled to be completed in the fourth quarter of 2020. We have commenced construction of Elkview SRF Phase 2, which has a projected completion date in the fourth quarter of 2020, and in conjunction with Phase 1, will treat up to an additional 20 million litres per day. By the end of the fourth quarter 2020, we expect to have the capacity to treat up to 47.5 million litres per day.

Capital spending in 2020 on water treatment is expected to be approximately $290 million. The majority of the planned spend relates to the completion of our Fording River AWTF and Elkview Phase 2 SRF. In addition, we continue to invest in various innovative technical solutions to address water quality issues. Additional research and development projects are ongoing to continue to improve our understanding of water quality, source control and treatment options.

1 Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.
2 See "Use of Non-GAAP Financial Measures" section for reconciliation.

Over the following four years, from 2021 to 2024, we plan to invest an additional $350 to $400 million of capital to further increase water treatment capacity to 90 million litres per day by the end of 2024. In addition, during the same period we plan to spend approximately $85 million in capital on source control and calcite management, and approximately $90 million on tributary-specific treatment. Capital spending in 2021 is expected to be similar to 2020 levels and is expected to decrease significantly in 2022 to 2024. Following the completion of both the Elkview SRF Phase 2 and the AWTF at Fording River Operations in 2020, the plan includes the construction of 30 million litres per day of additional SRF capacity at the north end of the Elk Valley and 12.5 million litres per day at our Line Creek Operations. The first phase of our next SRF at the north end of the Elk Valley is designed to treat 15 million litres per day and completion is expected in the first quarter of 2021.

Operating costs associated with water treatment were approximately $1.30 per tonne in 2019 and are projected to increase gradually over the long term to approximately $3 per tonne as additional AWTFs and SRFs become operational. After 2024, ongoing capital costs for construction of additional treatment facilities are expected to average approximately $2 per tonne annually.

Final costs of implementing the Plan and managing water quality will depend in part on the technologies applied and on the results of ongoing environmental monitoring and modelling. The timing of expenditures will depend on resolution of technical issues, permitting timelines and other factors. Our current plan is that the Fording River AWTF will be the last full-scale AWTF and that future treatment facilities will be SRFs. Implementation of this plan will require additional operating permits. We expect that, in order to maintain water quality, some form of water treatment will continue for an indefinite period after mining operations end. The Plan contemplates ongoing monitoring to ensure that the water quality targets set out in the Plan are in fact protective of the environment and human health, and provides for adjustments if warranted by monitoring results. This ongoing monitoring, as well as our continued research into treatment technologies, could reveal unexpected environmental impacts, technical issues or advances associated with potential treatment technologies that could substantially increase or decrease both capital and operating costs associated with water quality management, or that could materially affect our ability to permit mine life extensions in new mining areas. Fish census data obtained in late 2019 showed unexpected and substantial reductions in populations of westslope cutthroat trout in certain mine-affected waters in the Elk Valley. The causes of the reductions are unclear and substantial technical effort is underway to determine whether the reductions are associated with water quality issues, flow conditions and habitat availability, or predation or other natural causes, and to develop a response plan. Until the results of this additional work are available and appropriate mitigation measures in place, we may face delays in permitting or restrictions on our mining activities in the Elk Valley.

During the third quarter of 2018, we received notice from Canadian federal prosecutors of potential charges under the *Fisheries Act* in connection with discharges of selenium and calcite from steelmaking coal mines in the Elk Valley. Since 2014, compliance limits and site performance objectives for selenium and other constituents, as well as requirements to address calcite, in surface water throughout the Elk Valley and in the Koocanusa Reservoir have been established under a regional permit issued by the provincial government, which references the Plan. If federal charges are laid, potential penalties may include fines as well as orders with respect to operational matters. We expect that discussions with respect to the draft charges will continue through the first quarter. It is not possible at this time to fully assess the viability of our potential defences to

any charges, or to estimate the potential financial impact on us of any conviction. Nonetheless, that impact may be material.

**Rail**

Rail transportation of product from our four steelmaking coal mines in southeast B.C. to Vancouver port terminals is currently provided under a 10-year agreement with CP Rail, which expires March 31, 2021. Most eastbound coal deliveries to North American customers are shipped pursuant to an arrangement with CP Rail. The remaining eastbound coal deliveries are shipped via the BNSF Railway. Our Cardinal River Operations in Alberta is served by Canadian National Railway (CN), which transports our product to ports on the west coast.

In December 2019, we entered into a long-term agreement with CN for shipping of steelmaking coal from our four B.C. operations between Kamloops and Neptune Bulk Terminals and other west coast ports, including Ridley Terminals Inc. The agreement runs from April 2021 to December 2026, and will enable us to increase shipment volumes significantly through an expanded Neptune Bulk Terminals. The agreement also provides for investments by CN of more than $125 million to enhance rail infrastructure and support increased shipment volumes to Neptune Bulk Terminals and through Ridley Terminals.

**Ports**

We continue to progress the Neptune Bulk Terminals facility upgrade project, which will include a five-month period from May to September when we intend to suspend operations at Neptune Bulk Terminals in order to match port capacity with reduced production and improve productivity and safety as we advance construction. This is expected to be the last extended construction outage at Neptune Bulk Terminals. The upgrade project will significantly increase terminal-loading capacity and improve our capability to meet our delivery commitments to our customers while lowering our overall logistics costs. The total cost of the project is expected to be approximately $800 million, consistent with our previous guidance. The business case for this project remains strong. It will provide us with an exclusive terminal that will help us meet the long-term requirements of our customers for consistent, high-quality product at significantly reduced costs. In 2019, we invested $192 million on the Neptune Bulk Terminals facility upgrade project. In addition to the 2020 capital expenditures noted above, the program includes $390 million to be spent in 2020 and approximately $120 million in 2021. The Neptune Bulk Terminals facility upgrades are expected to be completed in the first quarter of 2021 and we are evaluating opportunities to gradually increase port capacity earlier. There is a risk that if completion is delayed, we may limit our production and sales temporarily on expiry of our contract with Westshore Terminals.

Our contract with Westshore Terminals, which expires March 31, 2021, currently provides us with 19 million tonnes of annual capacity. In January 2020, we announced an expanded commercial agreement with Ridley Terminals for shipments of steelmaking coal from Teck's British Columbia operations. The agreement runs from January 2021 to December 2027, and increases contracted capacity from 3 million tonnes per annum (Mtpa) to 6 Mtpa, with an option for Teck to extend up to 9 Mtpa. This will enable Teck to increase its shipment volumes through Ridley Terminals to provide greater flexibility and improved performance within its overall steelmaking coal supply chain.

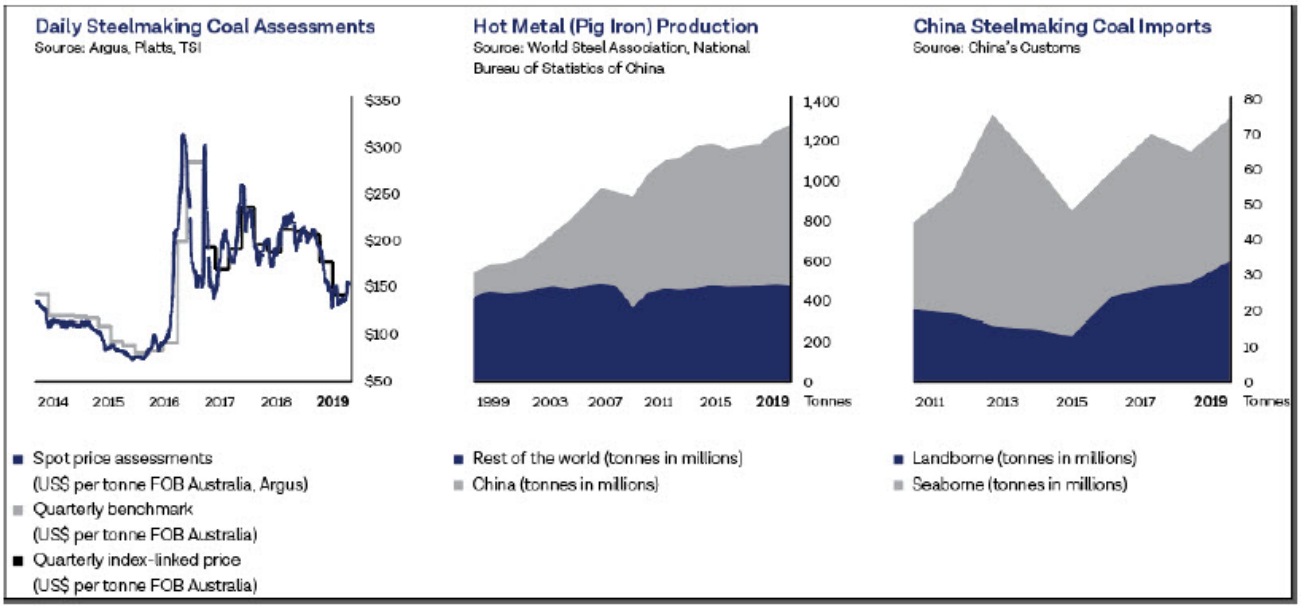
**Sales**

Our steelmaking coal marketing strategy is focused on maintaining and building relationships with our traditional customers, while establishing new customers in markets where we anticipate long-term growth in steel production and demand for seaborne steelmaking coal. In 2019, we continued to focus our marketing in areas with the greatest demand growth, which included increasing sales volumes to India.

## Markets

Steel production and demand for seaborne steelmaking coal remained strong through the first half of 2019 before market conditions deteriorated in the second half of the year. Steelmaking coal spot prices were affected by pressure on steelmakers' margins, created by lower steel pricing and continued high iron ore pricing. The steelmaking coal market remains fundamentally supported by demand from steel capacity growth in India and increased imports into China. Market sentiment has improved slightly for 2020, as steel margins are expected to improve, with higher steel prices and lower iron ore and coking coal costs. While investment in steelmaking coal capacity increased in the past two years, it currently remains low. Permitting processes for steelmaking coal mines remain challenging and capital markets are rationing capital to coal, limiting the supply response.

The following graphs show key metrics affecting steelmaking coal sales: spot price assessments and quarterly pricing, hot metal production (each tonne of hot metal, or pig iron, produced requires approximately 650–700 kilograms of steelmaking coal), and China's steelmaking coal imports by source.




## Outlook

Throughout 2019, we experienced logistics performance issues across the supply chain due to underperformance in port and rail services, material handling issues and poor weather conditions. As a result, although the logistics supply chain performance improved in the fourth quarter, we are starting 2020

with record-high site inventory levels, which reduces our operating flexibility. Given the potential for weaker demand in the short-term due to the effects of the Coronavirus and the high inventory levels due to rail and port constraints, we are choosing to temporarily reduce production and implement a shutdown of Neptune Bulk Terminals in order to progress the facility upgrade. This reduction, combined with extreme winter weather in January and early February, which was then followed by rail blockades, means that we now expect our steelmaking coal production in 2020 to be between 23.0 and 25.0 million tonnes.

As previously disclosed, we continue to advance mining in new areas at our Fording River, Elkview and Greenhills operations. These new areas are expected to extend the lives of these mines and allow us to increase production to offset the closure of Coal Mountain and Cardinal River operations. Our Cardinal River Operations will transition to closure by the second half of 2020. We are investing in the Elk Valley processing plants and will be transferring mobile equipment from Cardinal River in order to support increased mining activities in the Elk Valley. As part of our strategy to maintain production capacity of approximately 27 million tonnes in the Elk Valley, Elkview Operations is scheduled to complete its plant expansion project in the first quarter of 2020. Our Elkview Operations are anticipating a reduction of strip ratio over the next three to five years.

Although coal prices have softened since the beginning of 2019, market fundamentals remain supportive of our sales plan. Final sales and average prices for the quarter will depend on product mix, market direction for spot priced sales and timely arrival of vessels, as well as the performance of the rail transportation network and port loading facilities. Due to the weather-related challenges discussed above, and rail blockades, we are expecting 2020 first quarter sales to reach approximately 4.8 to 5.2 million tonnes, down from the previous estimate of 5.1 to 5.4 million tonnes. As always, our sales may vary depending on the performance of our logistics chain, which has been negatively impacted by severe winter weather in January and early February and by blockades on rail lines, the construction related to the Neptune Bulk Terminals upgrade project, and strong third-party volumes.

We expect sustaining capital expenditures for our steelmaking coal operations to be approximately $475 million in 2020, including approximately $290 million related to water treatment, $100 million for ongoing operations and $85 million for Neptune Bulk Terminals. Approximately $140 million will be invested in major enhancement projects in 2020, primarily related to increasing the plant capacity at Elkview Operations and the development of new mining areas at our Elk Valley Operations. In addition, RACE21™ major enhancement capital of $65 million will be invested in the coal operations, mostly for our autonomous haulage pilot at Elkview Operations. Expected capitalized stripping costs in 2020 are approximately $340 to $390 million.

As disclosed in the third quarter of 2019, we plan to complete some of our annual maintenance major plant outages earlier in 2020, reducing our steelmaking coal production in the first half of the year and increasing production in the second half of the year. The Neptune Bulk Terminals' extended construction outage from May to September will also affect our quarterly production and corresponding cost of sales. As a result, we expect quarterly cost of sales per tonne to be higher in the first quarter of 2020 than the fourth quarter of 2019 with the lower production rates, and then decreasing in the fourth quarter of 2020 when we are back to near-full production levels. We expect our 2020 adjusted site costs of sales to be between $63 to $67 per tonne reflecting the extended construction outages to progress the Neptune Bulk Terminal facility upgrades combined with the logistics chain challenges in January and early February.

Transportation costs in 2020 are expected to increase to approximately $40 to $43 per tonne, with lower volumes delivered to Neptune Bulk Terminals during the construction outages and higher rail and port rates.

# Copper

In 2019, we produced 297,300 tonnes of copper from our Highland Valley Copper Operations in B.C., our 22.5% interest in Antamina in Peru, and our Carmen de Andacollo and Quebrada Blanca operations in Chile. Copper production rose by 1% from 2018, due to higher ore grades and improved recovery from Highland Valley Copper, offset by lower production from Carmen de Andacollo and Quebrada Blanca.

In 2019, our copper business unit accounted for 21% of our revenue and 22% of our gross profit before depreciation and amortization.

| | Revenues | | | Gross Profit (Loss) Before Depreciation and Amortization(1)(2) | | | Gross Profit (Loss) | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Highland Valley Copper | **$ 1,005** | $ 941 | $ 733 | **$ 395** | $ 343 | $ 213 | **$ 196** | $ 164 | $ 18 |
| Antamina | **900** | 1,061 | 936 | **614** | 794 | 670 | **457** | 652 | 534 |
| Carmen de Andacollo | **394** | 488 | 549 | **89** | 193 | 222 | **23** | 121 | 142 |
| Quebrada Blanca | **170** | 224 | 182 | **(18)** | 26 | 50 | **(59)** | (59) | (107) |
| Other | **–** | – | – | **–** | (1) | (1) | **–** | (1) | (1) |
| Total | **$ 2,469** | $ 2,714 | $ 2,400 | **$ 1,080** | $ 1,355 | $ 1,154 | **$ 617** | $ 877 | $ 586 |

Notes:
(1) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

| | Production(1) | | | Sales(1) | | |
|---|---|---|---|---|---|---|
| (thousand tonnes) | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Highland Valley Copper | **121** | 101 | 93 | **124** | 103 | 89 |
| Antamina | **101** | 100 | 95 | **101** | 99 | 94 |
| Carmen de Andacollo | **54** | 67 | 76 | **55** | 64 | 77 |
| Quebrada Blanca | **21** | 26 | 23 | **21** | 26 | 23 |
| Total | **297** | 294 | 287 | **301** | 292 | 283 |

Note:
(1) We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes, even though we do not own 100% of these operations, because we fully consolidate their results in our financial statements. We include 22.5% of production and sales from Antamina, representing our proportionate ownership interest in the operation.

## Operations

**Highland Valley Copper**

Our Highland Valley Copper Operations is located in south-central B.C. Gross profit was $196 million in 2019, compared with $164 million in 2018, primarily due to higher copper production and sales, which offset lower copper prices and lower molybdenum production, sales and prices. Gross profit before depreciation and amortization was $395 million in 2019, compared to $343 million in 2018 and $213 million in 2017.

Highland Valley Copper’s 2019 copper production was 121,300 tonnes, compared to 100,800 tonnes in 2018 and 92,800 tonnes in 2017. The increase was primarily due to higher copper grades and improved mill

recoveries. Molybdenum production was 24% lower in 2019 at 6.6 million pounds, compared to 8.7 million pounds in 2018, primarily due to lower molybdenum grades and recovery, as anticipated in the mine plan.

We completed the installation of an additional D3 ball mill in May 2019, with commissioning and ramp-up continuing into the first quarter of 2020. Our autonomous haulage project continued in 2019, with nine trucks now fully operational and 26 million tonnes hauled during the year.

Copper production is expected to increase in 2020 compared to 2019 due to higher recoveries from improving ore characteristics, the realization of additional throughput and recovery benefits from the implementation of mill analytics as part of our RACE21™ innovation-driven business transformation program and continued ramp-up of the additional D3 ball mill.

Copper production in 2020 is anticipated to be between 133,000 and 138,000 tonnes, with lower production in the first half of 2020. Annual copper production from 2021 to 2023 is expected to be between 155,000 and 165,000 tonnes per year. Copper production is anticipated to average about 150,000 tonnes per year after 2023, through to the end of the current mine plan in 2027. Molybdenum production in 2020 is expected to be between 4.5 to 5.5 million pounds contained in concentrate, with annual production expected to be between 3.5 to 5.0 million pounds per year afterwards. We continue to advance studies that assess the potential economic viability of extending the Highland Valley Copper mine life to 2040 with completion of a feasibility study expected in 2020.

**Antamina**

We have a 22.5% share interest in Antamina, a copper-zinc mine in Peru. The other shareholders are BHP Billiton plc (33.75%), Glencore plc (33.75%) and Mitsubishi Corporation (10%). Gross profit in 2019 was $457 million, compared with $652 million in 2018 and $534 million in 2017. Gross profit in 2019 decreased from 2018 primarily due to lower copper and zinc prices, and reduced zinc volume as a result of lower zinc grades as anticipated in the mine plan. In 2019, our share of gross profit before depreciation and amortization was $614 million, compared with $794 million in 2018 and $670 million in 2017.

Antamina's copper production (100% basis) in 2019 was 448,500 tonnes, compared to 446,100 tonnes in 2018, with slightly higher grades offset by slightly lower recoveries. Zinc production was 303,300 tonnes in 2019, a decrease from 409,300 tonnes of production in 2018, primarily due to lower zinc grades as a result of mine sequencing. In 2019, molybdenum production was 7.8 million pounds, which was 24% lower than in 2018.

In June 2019, Antamina signed a new three-year collective agreement, with a one-time US$64 million labour settlement charge. Our US$14 million share was recognized through cost of sales in the third quarter of 2019.

Pursuant to a long-term streaming agreement made in 2015, Teck delivers an equivalent to 22.5% of payable silver sold by Compañía Minera Antamina S.A. to a subsidiary of Franco-Nevada Corporation (FNC). FNC pays a cash price of 5% of the spot price at the time of each delivery, in addition to an upfront acquisition price previously paid. In 2019, approximately 2.8 million ounces of silver were delivered under the agreement. After 86 million ounces of silver have been delivered under the agreement, the stream will be

reduced by one-third. A total of 15.2 million ounces of silver have been delivered under the agreement from the effective date in 2015 to December 31, 2019.

Our 22.5% share of Antamina's 2020 production is expected to be in the range of 88,000 to 92,000 tonnes of copper, 100,000 to 105,000 tonnes of zinc and approximately 2.0 million pounds of molybdenum in concentrate. Our share of copper production is expected to average 90,000 tonnes per year from 2021 to 2023. Our share of zinc production is expected to be between approximately 90,000 and 100,000 tonnes per year from 2021 to 2023, although annual production may fluctuate due to feed grades and the amount of copper-zinc ore processed. Our share of annual molybdenum production is expected to be between 2.0 and 3.0 million pounds per year between 2021 and 2023.

**Carmen de Andacollo**

We have a 90% interest in the Carmen de Andacollo mine, which is located in the Coquimbo Region of central Chile. The remaining 10% is owned by Empresa Nacional de Minería (ENAMI), a state-owned Chilean mining company. Gross profit decreased to $23 million in 2019 from $121 million in 2018, primarily due to lower production and sales volumes due to strike action by the Workers' Union, which caused the suspension of operations in the fourth quarter, as well as lower copper prices. Gross profit before depreciation and amortization was $89 million in 2019, compared to $193 million in 2018 and $222 million in 2017.

A regulated bargaining process with the Workers' Union commenced in September 2019, and did not result in an agreement. The Workers' Union subsequently commenced strike action on October 14, 2019. Following ratification of a new three-year collective agreement, on December 5, 2019, operations resumed. In August 2019, we also signed a new three-year collective agreement with the supervisory union.

Carmen de Andacollo produced 51,600 tonnes of copper contained in concentrate in 2019, compared to 63,500 tonnes in 2018. The decrease was primarily due to the strike action in the fourth quarter resulting in approximately 9,000 tonnes of lost production. Copper cathode production was 2,400 tonnes in 2019, compared with 3,700 tonnes in 2018. Gold production of 46,800 ounces in 2019 was lower than the 59,600 ounces produced in 2018, with 100% of the gold produced for the account of RGLD Gold AG, a wholly owned subsidiary of Royal Gold, Inc. In effect, 100% of gold production from the mine has been sold to Royal Gold, Inc., who pays a cash price of 15% of the monthly average gold price at the time of each delivery, in addition to an upfront acquisition price previously paid.

Copper grades are expected to continue to decline towards reserve grades in 2020 and future years. Carmen de Andacollo's production in 2020 is expected to be in the range of 57,000 to 62,000 tonnes of copper, including approximately 3,000 tonnes of copper cathode. Annual copper in concentrate production is expected to average between 55,000 and 60,000 tonnes from 2021 to 2023. Cathode production is uncertain beyond 2020, although there is some potential to extend production.

**Quebrada Blanca**

Our Quebrada Blanca Operations is located in the Tarapacá Region of northern Chile. We have a 60% interest in Compañia Minera Quebrada Blanca S.A. (QBSA). The remaining 30% interests are owned indirectly by Sumitomo Metal Mining Co., Ltd. and Sumitomo Corporation (together referred to as SMM/SC),

and 10% owned by ENAMI. ENAMI's 10% preference share interest in QBSA does not require ENAMI to fund capital spending.

*Quebrada Blanca Operations*
Quebrada Blanca incurred a gross loss of $59 million, the same as in 2018. Quebrada Blanca's gross loss before depreciation and amortization was $18 million in 2019, compared to a profit of $26 million in 2018 and $50 million in 2017.

Since the first quarter of 2017, all supergene ore mined has been sent directly to the dump leach circuit. Mining operations ceased in the fourth quarter of 2018 and mining equipment and personnel have been redeployed to the Quebrada Blanca Phase 2 (QB2) project, and the operation is now focused on leaching the dump material and secondary extraction.

Quebrada Blanca produced 21,100 tonnes of copper cathode in 2019, compared to 25,500 tonnes in 2018.

Cathode production is expected to continue until late 2020 at declining production rates. We expect production of approximately 7,000 to 8,000 tonnes of copper cathode in 2020.

In the fourth quarter of 2019, a US$15 million inventory write-down was recorded due to higher expected unit costs as cathode production declines. We also recorded a pre-tax asset impairment charge of US$23 million related to remaining assets of the cathode operations.

*Quebrada Blanca Phase 2*
The QB2 project is one of the world's largest undeveloped copper resources. QB2 is expected to have low operating costs, an initial mine life of 28 years and significant potential for further growth.

On March 29, 2019, we closed a transaction where SMM/SC subscribed for a 30% indirect interest in QBSA, which owns the QB2 copper development. SMM/SC contributed $1.3 billion (US$966 million) to QBSA on closing of the transaction and a further $444 million (US$336 million) over the remainder of 2019, including $38 million for interest on the loan advances during 2019.

In the fourth quarter of 2019, we closed the US$2.5 billion limited recourse project financing to fund the development of QB2. With funding from the project financing and the partnering transaction with SMM/SC, our first contributions to the project are not expected until early 2021.

There are currently over 7,500 people actively working across the six major construction areas on the project, with all major contractors progressing in the field. With earthworks and concrete well advanced, the project has commenced steel erection and the placement of mechanical equipment including the first grinding mill. In addition, construction of the tailings dam facility and pipelines is progressing. Although the project continues to target first production in the fourth quarter of 2021 with ramp-up to full production expected during 2022, there have been delays in the schedule primarily due to permitting and social unrest in Chile, which will also affect the cost. A new baseline schedule is being developed in conjunction with an updated capital cost estimate for the first quarter of 2020.

Project development expenditures in 2019 were approximately US$920 million, with approximately an additional US$2.0 billion of capital commitments as at December 31, 2019. Engineering, contracting and procurement activities are all over 95% complete. The development of the project is based on a technical report that is compliant with National Instrument (NI) 43-101.

Drilling and engineering studies for the QB3 project are ongoing. In support of our cost reduction program, we are delaying the start of the prefeasibility study and will continue with targeted development trade-off analysis. The project continues to explore opportunities to more than double the production capacity in order to leverage the extensive resources beyond QB2.

**Other Copper Projects**

Compañía Minera NuevaUnión S.A., which owns the Relincho and La Fortuna projects, is owned 50% by Teck and 50% by Newmont Corporation. In 2019, our NuevaUnión joint venture continued to advance its feasibility study, which will be completed during the first quarter of 2020. The partners agreed to defer submission of the Environmental Impact Assessment (EIA) from the previously announced fourth quarter of 2019 time frame. Work in 2020 will focus on a review of study results and assessment of optimization opportunities.

Teck and our partners continue to advance the development of five substantial base metals projects, Zafranal, San Nicolás, Galore Creek, Mesaba and Schaft Creek, collectively referred to as the Project Satellite assets. Work in 2020 at Zafranal will focus on advancing permitting efforts, whereas San Nicolás and Galore Creek efforts will be focused on advancing prefeasibility study work and associated environmental and social baseline studies.

As a result of current market conditions and our focus on optimization work, expenditures on NuevaUnión and the Satellite assets are expected to be significantly reduced in 2020. Our 2019 capital expenditures for the Satellite assets were $78 million and funding to NuevaUnión, which is accounted for as an equity investment, was $67 million. Capital expenditures in 2020 for the Satellite assets are expected to be $38 million and funding to NuevaUnión is expected to be $17 million.

## Markets

Copper prices on the London Metal Exchange (LME) averaged US$2.72 per pound in 2019, down from US$2.96 per pound in 2018.

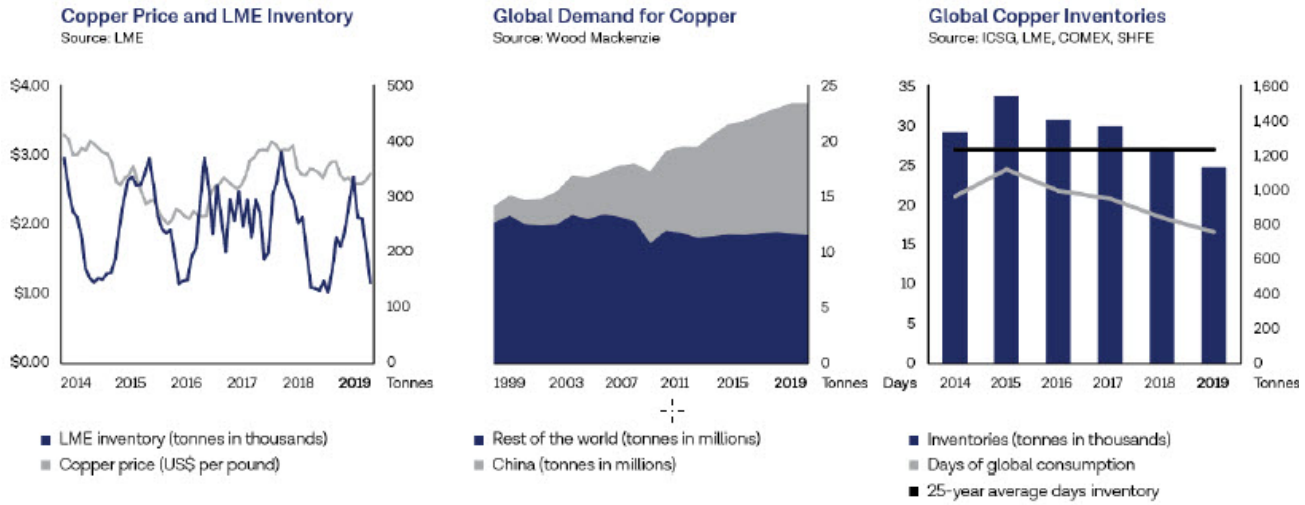
Copper stocks on the LME rose by 10% to 145,700 tonnes in 2019, while copper stocks on the Shanghai Futures Exchange rose by 4% to 123,600 tonnes and COMEX warehouse stocks fell 63% to 31,100 tonnes. Combined exchange stocks decreased by 30,900 tonnes during 2019 and ended the year at 304,900 tonnes, the lowest exchange stock level since December 2014. We estimate total reported global stocks, including producer, consumer, merchant, bonded and terminal stocks, stood at an estimated 20.3 days of global consumption versus the 25-year average of 30.2 days.

In 2019, global copper mine production fell 0.1% according to Wood Mackenzie, a commodity research consultancy, with total production estimated at 20.8 million tonnes. Wood Mackenzie is forecasting a 1.0%

increase in global mine production in 2020 to 21.0 million tonnes.

Copper scrap availability decreased in 2019 as imports of scrap and unrefined copper into China, including blister and anode, were down 9% year over year to December 2019.

Wood Mackenzie estimates that global refined copper production grew 0.5% in 2019, while global refined copper demand remained unchanged from 2018. They are projecting that refined cathode production will increase 2.1% in 2020, reaching 24.0 million tonnes. Fundamentals for copper demand are expected to improve over the coming year. Wood Mackenzie forecasts that global copper cathode demand will also increase by 1.8% in 2020, reaching 24.0 million tonnes, suggesting the refined copper market will be relatively balanced in 2020.




## Outlook

We expect copper production in 2020 to be in the range of 285,000 to 300,000 tonnes, similar to 2019 production levels. Improving throughput and recoveries at Highland Valley Copper, as well as the resumption of operations at Carmen de Andacollo, are expected to largely offset declines at Antamina and Quebrada Blanca.

In 2020, we expect our copper total cash unit costs [1] to be in the range of US$1.55 to US$1.65 per pound before cash margins for by-products, slightly lower than 2019 levels. Copper net cash unit costs[1] are expected to be in the range of US$1.25 to US$1.35 per pound after cash margins for by-products based on current production plans, by-product prices and exchange rates, a decrease from 2019.

We expect annual copper production to be in the range of 300,000 to 315,000 tonnes from 2021 to 2023, excluding QB2, which is expected to add substantially to our overall copper production in 2022.

[1] Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

# Zinc

We are one of the world's largest producers of mined zinc, primarily from our Red Dog Operations in Alaska, and the Antamina copper mine in northern Peru (which has significant zinc co-product production). Our metallurgical complex in Trail, B.C. is one of the world's largest integrated zinc and lead smelting and refining operations. In 2019, we produced 640,100 tonnes of zinc in concentrate, while our Trail Operations produced 287,400 tonnes of refined zinc.

Pend Oreille suspended operations on July 31, 2019 due to the exhaustion of reserves and has transitioned to care and maintenance.

In 2019, our zinc business unit accounted for 25% of revenue and 17% of gross profit before depreciation and amortization.

| | Revenues | | | Gross Profit (Loss) Before Depreciation and Amortization(1)(2) | | | Gross Profit (Loss) | | |
|---|---|---|---|---|---|---|---|---|---|
| ($ in millions) | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Red Dog | **$ 1,594** | $ 1,696 | $ 1,752 | **$ 837** | $ 990 | $ 971 | **$ 696** | $ 864 | $ 874 |
| Trail Operations | **1,829** | 1,942 | 2,266 | **–** | 91 | 209 | **(86)** | 16 | 131 |
| Pend Oreille | **56** | 98 | 105 | **(4)** | (5) | 19 | **(7)** | (20) | (12) |
| Other | **8** | 8 | 8 | **(2)** | 9 | (26) | **(2)** | 9 | (26) |
| Intra-segment | **(519)** | (650) | (635) | **–** | – | – | **–** | – | – |
| Total | **$ 2,968** | $ 3,094 | $ 3,496 | **$ 831** | $ ---1,085 | $ 1,173 | **$ 601** | $ 869 | $ 967 |

Notes:
(1) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.
(2) See "Use of Non-GAAP Financial Measures" section for reconciliation.

| | Production | | | Sales | | |
|---|---|---|---|---|---|---|
| (thousand tonnes) | **2019** | 2018 | 2017 | **2019** | 2018 | 2017 |
| Refined zinc | | | | | | |
| Trail Operations | **287** | 303 | 310 | **284** | 304 | 309 |
| Contained in concentrate | | | | | | |
| Red Dog | **553** | 583 | 542 | **561** | 521 | 534 |
| Pend Oreille | **19** | 30 | 33 | **20** | 30 | 32 |
| Antamina(1) | **68** | 92 | 84 | **68** | 93 | 85 |
| Total | **640** | 705 | 659 | **649** | 644 | 651 |

Note:
(1) Co-product zinc production from our 22.5% interest in Antamina.

## Operations

**Red Dog**

Our Red Dog Operations, located in northwest Alaska, is one of the world's largest zinc mines. Gross profit in 2019 was $696 million, lower than $864 million in 2018, primarily due to lower zinc and lead prices, and

higher smelter processing charges as a result of higher benchmark treatment charges. Red Dog's gross profit before depreciation and amortization in 2019 was $837 million, compared with $990 million in 2018 and $971 million in 2017.

In 2019, zinc production at Red Dog was 552,400 tonnes, lower than 583,200 tonnes produced in 2018, primarily due to lower throughput and zinc grades. Lead production in 2019 of 102,800 tonnes was slightly higher than 98,400 tonnes in 2018.

Construction progressed on the US$135 million mill upgrade project called VIP2, with planned start-up on schedule for the first quarter of 2020. The project, which started construction in late 2017, is expected to increase average mill throughput by about 15% over the remaining mine life, helping to offset lower grades and harder ore. We are also realizing additional throughput and recovery benefits from the implementation of mill analytics as part of our RACE21™ innovation-driven business transformation program.

Red Dog's location exposes the operation to severe weather and winter ice conditions, which can significantly affect production, sales volumes and operating costs. In addition, the mine's bulk supply deliveries and all concentrate shipments occur during a short ocean shipping season that normally runs from early July to late October. This short shipping season means that Red Dog's sales volumes are usually higher in the last six months of the year, resulting in significant variability in its quarterly profit, depending on metal prices.

In accordance with the operating agreement between Teck and NANA Regional Corporation, Inc. (NANA) governing the Red Dog mine, we pay a royalty on net proceeds of production each quarter. This royalty increases by 5% every fifth year to a maximum of 50%. The most recent increase occurred in October 2017, bringing the royalty to 35% from 30%. The NANA royalty charge in 2019 was US$231 million, compared with US$252 million in 2018. NANA has advised us that it ultimately shares approximately 60% of this royalty, net of allowable costs, with other Regional Alaska Native Corporations pursuant to section 7(i) of the *Alaska Native Claims Settlement Act*.

Red Dog's production of contained metal in 2020 is expected to be in the range of 500,000 to 535,000 tonnes of zinc and 95,000 to 100,000 tonnes of lead. From 2021 to 2023, Red Dog's production of contained metal is expected to be in the range of 500,000 to 540,000 tonnes of zinc and 80,000 to 90,000 tonnes of lead per year.

We are implementing an increased number of tailings and water-related projects in 2020 to manage increased precipitation and water levels at Red Dog Operations. The frequency of extreme weather events has been increasing and these projects are aimed at ensuring that we can continue to optimize the asset and avoid any potential constraints on production in the future.

**Trail Operations**

Our Trail Operations in southern B.C. produces refined zinc and lead, as well as a variety of precious and specialty metals, chemicals and fertilizer products.

Trail Operations incurred a gross loss of $86 million in 2019, in comparison to a gross profit of $16 million in

2018. The decline in gross profit is primarily due to contracted increases in electricity costs following the sale of the Waneta Dam in July 2018, historically low treatment charges in the first half of 2019, as well as an electrical equipment failure in one of four rectifiers at the zinc refinery in August 2019. Repairs to the rectifier were completed at the end of November, ahead of schedule, at a cost of $6 million. Trail Operations' gross profit before depreciation and amortization was nil in 2019, compared with $91 million in 2018 and $209 million in 2017.

Refined zinc production in 2019 was 287,400 tonnes, compared with 302,900 tonnes in 2018. The decline in refined zinc production was primarily due to the electrical equipment failure. Refined lead production in 2019 was 69,000 tonnes, compared with 61,000 tonnes in 2018. Silver production rose to 14.0 million ounces in 2019 from 11.6 million ounces in 2018 due to higher silver contained in purchased concentrates.

Our recycling process treated 41,000 tonnes of material during the year, and we plan to treat about 46,500 tonnes in 2020. Our focus remains on treating lead acid batteries and cathode ray tube glass, plus small quantities of zinc alkaline batteries and other post-consumer waste.

Trail Operations completed the installation of a second new acid plant in the second quarter of 2019 at a total investment of $174 million since construction began in the first quarter of 2017. The new plant will significantly improve operating reliability and flexibility, reducing downtime and maintenance costs.

In 2020, we expect Trail Operations to produce 305,000 to 315,000 tonnes of refined zinc, and approximately 60,000 to 70,000 tonnes of refined lead. Zinc production from 2021 to 2023 is expected to increase slightly to 310,000 to 315,000 tonnes per year, while annual lead production is expected to remain similar at 65,000 to 70,000 tonnes.

**Pend Oreille**

Pend Oreille mine, located in Washington state, suspended mining and concentrate production on July 31, 2019, due to the exhaustion of its current reserves. The mine has been placed on care and maintenance.

Zinc production for 2019 was 19,400 tonnes, lower than 29,700 tonnes in 2018 and 33,100 tonnes in 2017, as a result of the suspension of operations. The suspension of concentrate production at Pend Oreille has not had a significant impact on our Trail Operations.

## Markets

Zinc prices on the London Metals Exchange (LME) averaged US$1.16 per pound for the year, lower than US$1.33 per pound in 2018 .

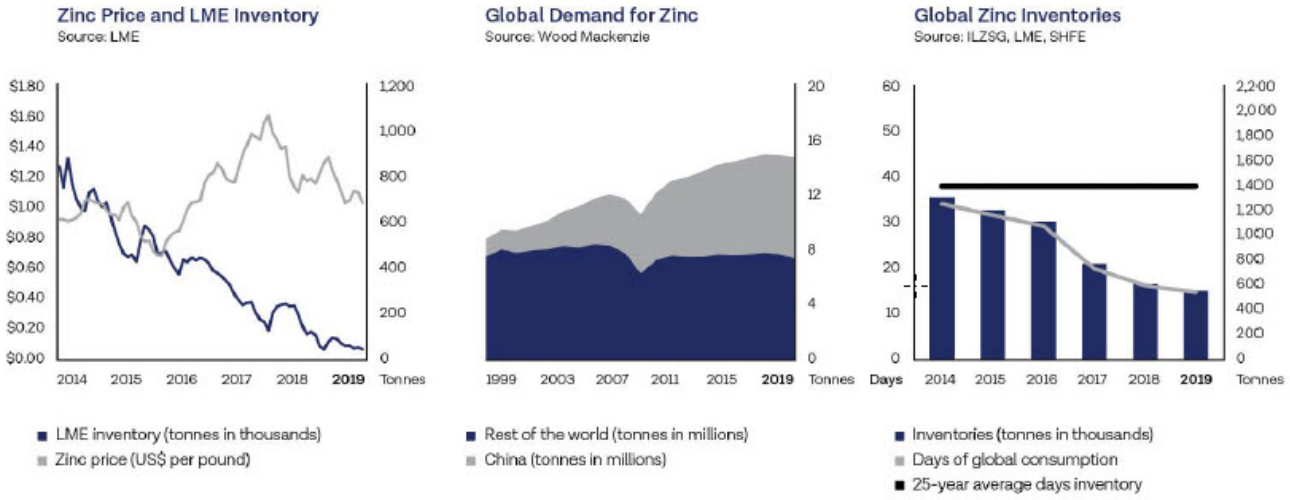
Zinc stocks on the LME fell by 78,100 tonnes in 2019, a 60% decline from 2018 levels, finishing the year at 51,200 tonnes, the lowest LME stock levels since early 2008. Stocks held on the Shanghai Futures Exchange (SHFE) rose 7,900 tonnes in 2019, a 40% increase from historically low levels at the end of 2018. SHFE stocks finished the year at 28,000 tonnes, the second consecutive year SHFE zinc stocks ended below 30,000 tonnes, levels not seen since the start of SHFE zinc stock reporting in 2007. We estimate total reported global stocks, which include producer, consumer, merchant, bonded and terminal stocks, fell by

approximately 45,500 tonnes in 2019 to 640,000 tonnes at year-end, representing an estimated 17 days of global demand, compared to the 25-year average of 40 days.

In 2019, global zinc mine production increased 3.1% according to Wood Mackenzie, a commodity research consultancy, with total production reaching 13.3 million tonnes. Wood Mackenzie expects global zinc mine production to grow to 14.0 million tonnes in 2020, largely attributable to several new mines that are expecting to reach full production in 2020, following ramp-up in 2019.

Wood Mackenzie estimates that the global zinc metal market remained in deficit in 2019, recording a shortfall of 0.5 million tonnes. Global refined zinc demand was lower at 14.0 million tonnes, an estimated drop of 1.1% from 2018.

Wood Mackenzie estimates that global refined zinc production increased 1.9% in 2019, with refined production reaching 13.5 million tonnes. They also estimate that refined zinc production will see a 5.2% increase in 2020 over 2019 levels, to 14.2 million tonnes. With global metal demand forecast to grow 1.0% to 14.2 million tonnes, the refined metal market is expected to be relatively balanced in 2020. The combination of current low zinc prices and elevated treatment and refining charges, which represent the miners' contribution to smelters for converting zinc concentrates in zinc metal, is proving challenging especially for higher cost miners.




## Outlook

We expect zinc in concentrate production in 2020, including co-product zinc production from our copper business unit, to be in the range of 600,000 to 640,000 tonnes. We expect lead production in 2020 from Red Dog to be in the range of 95,000 to 100,000 tonnes.

In 2020, we expect our zinc total cash unit costs to be in the range of US$0.55 to US$0.60 per pound before margins for by-products and net cash unit costs to be US$0.40 to US$0.45 per pound after cash margins for by-products based on current production plans, by-product prices and exchange rates. Net cash unit costs at

Red Dog are expected to increase in 2020, primarily due to lower production and increased smelter processing charges for both zinc and lead, as well as lower expected by-product prices. Net cash unit costs are expected to vary significantly throughout the year, in line with normal seasonal patterns, with higher costs in the first half, as sales of Red Dog lead, our main by-product, are typically completed in the third and fourth quarters.

For the 2021 to 2023 period, we expect total zinc in concentrate production to be in the range of 590,000 to 640,000 tonnes.

# Energy

Our energy business unit includes a 21.3% interest in the Fort Hills oil sands mine, a 100% interest in the Frontier oil sands project and a 50% interest in various other oil sands leases in the exploration phase, including the Lease 421 Area. All these assets are located in the Athabasca oil sands region of northeastern Alberta. Our share of production at the Fort Hills oil sands mine was 12.3 million bitumen barrels in 2019.

In 2019, our energy business unit accounted for 8% of revenue and 3% of our gross profit before depreciation and amortization.

**Fort Hills** (1)

| ($ in millions) | | **2019** | | 2018(2) |
|---|---|---|---|---|
| Blended bitumen price (realized US$/bbl) (3)(4) | **$** | **45.20** | $ | 35.12 |
| Bitumen price (realized CAD$/bbl) (3)(4) | **$** | **52.21** | $ | 32.81 |
| Operating netback (CAD$/bbl)(3)(4) | **$** | **11.85** | $ | (10.95) |
| Production (million bitumen barrels) | | **12.3** | | 6.8 |
| Production (average barrels per day) | | **33,593** | | 31,955 |
| Sales (million blended bitumen barrels) | | **16.0** | | 8.8 |
| Gross profit (loss) before depreciation and amortization (3)(4) | **$** | **144** | $ | (106) |
| Gross profit (loss) | **$** | **10** | $ | (165) |

Notes:
(1) Fort Hills figures presented at our ownership interest of 21.3%.
(2) Fort Hills financial results included from June 1, 2018.
(3) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
(4) See “Use of Non-GAAP Financial Measures” section for reconciliation.

**Fort Hills**

The Fort Hills oil sands mine is located in northern Alberta. We hold a 21.3% interest in the Fort Hills Energy Limited Partnership (Fort Hills Partnership), which owns the Fort Hills oil sands mine, with Total E&P Canada Ltd. (Total) and Suncor Energy Inc. (Suncor) holding the remaining interest. An affiliate of Suncor is the operator of the project.

Our gross profit was $10 million in 2019, compared with a loss of $165 million in 2018, with the improved results primarily due to higher realized prices and sales volumes, and a full year of production following the start-up of operations in 2018. Our gross profit before depreciation and amortization from Fort Hills was $144 million in 2019, compared with a loss of $106 million in 2018.

Our 21.3% share of bitumen production from Fort Hills was 33,593 barrels per day in 2019. This compares to 31,955 barrels per day produced in 2018 from when Fort Hills became operational, effective June 1, 2018. Although higher than 2018, production continues to be lower than design capacity due to the Government of Alberta mandatory production curtailments that came into effect on January 1, 2019, which are expected to continue until December 31, 2020. The effect of the curtailments was partially offset by the purchase of 1,502 barrels per day of curtailment credits from other producers during the year.

Adjusted operating costs were $29.24 per barrel in 2019, compared to $32.89 per barrel in 2018, reflecting the effect of higher volumes year over year.

In the fourth quarter of 2019, we recorded a non-cash pre-tax impairment of our interest in Fort Hills of $1.24 billion as a result of lower market expectations for future Western Canadian Select (WCS) heavy oil prices. The economic model for determining the amount of impairment of our interest in Fort Hills assumes a current WCS heavy oil price in 2020 and increases to a long-term WCS price of US$50 per barrel in 2024. The long-term Canadian to U.S. dollar foreign exchange rate assumption used in the analysis was CAD$1.30 to US$1.00. A 5.4% real, 7.5% nominal, post-tax discount rate was used to discount our cash flow projections based on an oil sands weighted average cost of capital.

Fort Hills continues to assess the potential to debottleneck and expand its production capacity. The focus on debottlenecking opportunities will be on those that would require minimal or no capital expenditure. This, along with longer-term opportunities, has the potential to increase Fort Hills' production capacity by up to 20,000 to 40,000 barrels per day of bitumen on a 100% basis.

Our share of Fort Hills' capital expenditures in 2019 was $165 million, primarily related to tailings infrastructure projects.

## Markets

Export pipeline capacity for Canadian crude oil versus overall supply was in deficit through 2019 and is expected to remain that way until new long-term capacity is developed. Adding to the imbalance was a slower-than-expected ramp-up of rail takeaway capacity of crude oil. Once contracted for, committed rail capacity will be utilized on a regular basis to ship heavy blends.

Fort Hills' bitumen production is delivered via pipeline to the East Tank Farm blend facility and ultimately sold as a blended bitumen product known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB). We sell our share of FRB to a variety of customers at the Hardisty market hub and the U.S. Gulf Coast. Approximately 80% of our FRB sales are at Hardisty, with the remainder at the U.S. Gulf Coast.

Our blended bitumen price realizations are influenced by the monthly calendar New York Mercantile Exchange (NYMEX) light sweet crude oil (WTI) and Canadian heavy crude oil differentials at Hardisty, and the U.S. Gulf Coast for WCS. Price realizations are also marginally affected by the specific quality of our blended bitumen.

In 2019, NYMEX WTI averaged US$57.03 per barrel. The WCS price for our Hardisty deliveries of blended bitumen were indexed at an average of NYMEX WTI less US$12.76 per barrel, for a WCS blend value of US$44.27 per barrel. U.S. Gulf Coast deliveries were priced at an average of NYMEX WTI minus US$4.58 per barrel, for a WCS blend value of US$52.38 per barrel.

Global crude oil markets were volatile in 2019, due to slowing demand growth, strong production growth and geopolitical influences. NYMEX WTI prices ranged between US$46.34 and US$66.30. The benchmark monthly contracted index price for blended bitumen at Hardisty ranged from NYMEX WTI minus US$8.43 per barrel to minus US$20.69 per barrel.

According to industry summaries, global demand growth of crude oil and associated liquids in 2019 was a

modest 850,000 barrels per day. Overall global inventories declined by 300,000 barrels per day as a voluntary production curtailment of 1.2 million barrels per day from the Organization of Petroleum Exporting Countries (OPEC), and reduced supplies from Iran and Venezuela compensated for a marked increase in non-OPEC production.

Throughout 2019, in response to improved market conditions, the Government of Alberta gradually relaxed the level of curtailments, increasing production by approximately 250,000 barrels per day by year-end. The incremental Alberta production was readily accepted into the market, based on strong demand for heavy oil, and an increase in crude by rail capability, up to 500,000 barrels per day.

**Operating Netback**

The following table summarizes our Fort Hills operating netback for the year.

| (Amounts reported in CAD$ per barrel of bitumen sold) | **2019** | 2018(3) |
|---|---|---|
| Bitumen price realized(1)(2)(4) | **$ 52.21** | $ 32.81 |
| Crown royalties(5) | **(1.50)** | (2.04) |
| Transportation costs for FRB(6) | **(9.62)** | (8.83) |
| Adjusted operating costs(1)(2)(7) | **(29.24)** | (32.89) |
| **Operating netback**(1)(2) | **$ 11.85** | $ (10.95) |

Notes:
(1) Non-GAAP measure. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.
(3) Fort Hills financial results included from June 1, 2018.
(4) Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense, expressed on a per barrel basis. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB), sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from the Fort Hills oil sands mining and processing operations blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.
(5) The royalty rate applicable to pre-payout oil sands operations starts at 1% of gross revenue and increases for every dollar by which the WTI crude oil price in Canadian dollars exceeds $55 per barrel, to a maximum of 9% when the WTI crude oil price is $120 per barrel or higher. Fort Hills is currently in the pre-payout phase.
(6) Transportation costs represent pipeline and storage costs downstream of the East Tank Farm blending facility. We use various pipeline and storage facilities to transport and sell our blend to customers throughout North America. Sales to the U.S. markets require additional transportation costs, but realize higher selling prices.
(7) Adjusted operating costs represent the costs to produce a barrel of bitumen from the Fort Hills mine and processing operation.

## Outlook

The Government of Alberta maintained its mandatory production curtailment to the end of December 2020, with the option to terminate earlier. Due to wider Canadian heavy crude oil differentials and higher than expected inventory levels at the beginning of the year, there continues to be uncertainty around the effect and duration of the mandatory production curtailments. We therefore expect our 2020 share of bitumen production to be the same as 2019 at 33,000 to 38,000 barrels per day (12 to 14 million barrels annualized).

Adjusted operating costs are expected to be $26 to $29 per barrel for 2020 and are also impacted by the continued mandatory production curtailments.

**Frontier Project**

We hold a 100% interest in the Frontier oil sands project, which is located in northern Alberta. On February 23, 2020, we announced that we were withdrawing the Frontier project from the regulatory review process. As a result of this decision, we have recorded a non-cash, pre-tax impairment of $1.13 billion in relation to the project.

# Exploration

Throughout 2019, we conducted exploration around our existing operations and globally through our six regional offices. Expenditures for the year of $67 million were focused on copper, zinc and gold.

Exploration plays three critical roles at Teck: discovery of new orebodies through early stage exploration and acquisition; pursuit, evaluation and acquisition of development opportunities; and delivery of geoscience solutions and services to create value at our existing mines and development projects.

In 2019, we drilled 80 kilometres in 10 drill programs across five coal operations in the Elk Valley.

Early stage copper exploration continued to focus primarily on advancing porphyry-style projects in Chile, Peru and the United States in 2019. In addition, significant exploration was carried out in and around our existing operations and advanced projects, including approximately 17 kilometres at QB2 and QB3, where we continue to define mineralization beneath and to the east of the current resource. In 2020, we plan to drill several early stage copper projects, and we will continue to explore around our existing operations and advanced projects, with a program to support QB3 studies.

Zinc exploration has been concentrated in four areas: the Red Dog mine district in Alaska, western Canada, northeastern Australia, and Ireland. In Alaska, Australia and Canada, the targets are large, high-grade, sediment-hosted deposits similar to major world-class deposits. In 2019, we continued to drill on 100% state-owned lands near our Red Dog mine (completing approximately 10 kilometres), and at our Reward project (Teena Deposit) in the McArthur district of Australia (completing approximately 11 kilometres), to better define external limits and internal continuity to mineralization.

We have ongoing exploration for, and partnerships in, gold opportunities. Our current exploration efforts and drill testing for gold are primarily focused in Chile, Peru and Turkey.

# RACE21™

**Performance**

In May 2019, we began implementing RACE21™, our innovation-driven business transformation program. RACE21™ is a company-wide approach to **R**enewing our technology infrastructure, **A**ccelerating and scaling automation and robotics, **C**onnecting data systems to enable broad application of advanced analytics and artificial intelligence, and **E**mpowering our employees, all with a focus on improving our operating results and EBITDA[1] between now and 2021.

We announced an initial target for RACE21™ to implement projects that would generate $150 million in annualized EBITDA improvements by the end of 2019 using commodity prices in effect at the end of May 2019. We exceeded that initial target and have implemented projects at the end of 2019 aimed at achieving $184 million in annualized EBITDA improvements based on commodity prices in effect on May 31, 2019[2]. This is equivalent to annualized EBITDA improvements of $160 million if December 31, 2019[2] commodity prices are used, which were substantially lower than May 31, 2019 prices.

RACE21™ currently includes approximately 30 projects, distributed across our operations, which is larger than initially planned due to the success of early initiatives. These projects are primarily focused on the development and implementation of data analytics to improve throughput and yield at our processing plants as well as mining analytics and predictive maintenance programs to improve the performance and cycle times of our mobile equipment fleets. The contribution of these projects to the total annualized EBITDA improvement is approximately 65% from the application of data analytics at our processing facilities, 25% from analytics of our mining processes and 10% from improvements in maintenance through the application of machine learning. The value for these projects is approximately 75% from our copper and zinc business units and 25% from our steelmaking coal business unit.

Major applications of technology to realize value include:

- At our Highland Valley Copper Operations and our Red Dog Operations, we implemented artificial intelligence to analyze sensor data from the processing plant and provide automated recommendations to plant operators to maximize efficiency across grinding and flotation, leading to improved throughput and recoveries. At Highland Valley Copper, this, together with blasting improvements, resulted in throughput improvement of approximately 2.5% and copper recovery improvement of approximately 2%, which is expected to result in an estimated annual increase in copper production of approximately 8,000 tonnes from 2020 onward. At Red Dog, this resulted in throughput improvements of approximately 5%, which is expected to result in an estimated annual increase in zinc production of approximately 24,000 tonnes from 2020 onward.

  Moving forward, these digital innovations are expected to be more broadly implemented across Teck's base metals and steelmaking coal processing facilities.

1 Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.

2 At prices in effect when the program was implemented on May 31, 2019, the annualized EBITDA improvements associated with these initiatives would have been $184 million, in consideration of commodity prices of US$204 per tonne for steelmaking coal, US$2.62 per pound for copper, US$1.22 per pound for zinc and a US/CDN exchange rate of 1.35. Based on December 31, 2019 commodity prices of US$136.50 per tonne for steelmaking coal, US$2.79 per pound for copper, US$1.04 per pound for zinc and a US/CDN exchange rate of 1.30, the equivalent annualized EBITDA improvement is $160 million.

- At our steelmaking coal operations, we implemented machine learning algorithms to analyze haul truck data to improve haul truck cycle times. This project gathers sensor data from trucks to identify factors affecting cycle times including road conditions, operator performance, truck speeds, queues and other metrics in order to provide data-driven recommendations to improve cycle times. This results in additional truck hours and could increase our steelmaking coal production.

- At our steelmaking coal operations, we are analyzing data from digitally connected drill platforms to improve the efficiency of blasting. This results in optimized drill hole placement, a 10-15% reduction in explosives use, and material that is easier for shovels to move. We are using a similar process at our base metals operations to optimize the size of the ore and improve mill throughput.

These EBITDA improvements are reflected in our 2020 guidance.

The one-time investment for implementation of RACE21 ™ in 2019 was $55 million, of which approximately $10 million of the spend is attributed to positioning the program for growth in 2020. The annualized benefits are expected to be ongoing. This is an increase from the expected one-time investment of $45 million announced in the second quarter, reflecting the additional value creation and expansion of the program.

**Outlook**

In 2020, we plan to expand the projects implemented already more broadly across our operations, as appropriate, and to identify and implement additional projects to generate new value in our business.

Based on the success of the initial implementation, we are targeting an additional $350 million in annualized EBITDA improvements by the end of 2020, based on commodity prices at December 31, 2019, and a further $500 million of annualized EBITDA through 2021, for a cumulative total of $1.0 billion in ongoing annualized EBITDA improvements by the end of 2021.

The approach to capturing this value will be based on aligning investment with expected EBITDA improvements. Our next phase of investment is expected to require an investment of $140 million to support our value improvement targets. Individual RACE21™ projects will be evaluated and advanced based on their potential value creation merits and considered in the context of our capital allocation framework.

Our ability to achieve the expected EBITDA improvements from the RACE21™ projects depends on the projects achieving the expected production and operating results, including cost reductions, the ability of our transportation service providers to move additional product to market, future commodity prices and exchange rates, and various other factors.

# Financial Overview

**Financial Summary**

| ($ in millions, except per share data) | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Revenues and profit** | | | |
| Revenues | **$ 11,934** | $ 12,564 | $ 11,910 |
| Gross profit before depreciation and amortization (1)(2) | **$ 4,959** | $ 6,104 | $ 6,059 |
| Gross profit | **$ 3,340** | $ 4,621 | $ 4,567 |
| EBITDA(1)(2) | **$ 1,352** | $ 6,174 | $ 5,589 |
| Profit (loss) attributable to shareholders | **$ (605)** | $ 3,107 | $ 2,460 |
| **Cash flow** | | | |
| Cash flow from operations | **$ 3,484** | $ 4,438 | $ 5,049 |
| Property, plant and equipment expenditures | **$ 2,788** | $ 1,906 | $ 1,621 |
| Capitalized production stripping costs | **$ 680** | $ 707 | $ 678 |
| Investment expenditures | **$ 178** | $ 284 | $ 309 |
| **Balance sheet** | | | |
| Cash balances | **$ 1,026** | $ 1,734 | $ 952 |
| Total assets | **$ 39,350** | $ 39,626 | $ 37,028 |
| Debt and lease liabilities, including current portion | **$ 4,834** | $ 5,519 | $ 6,369 |
| **Per share amounts** | | | |
| Profit (loss) attributable to shareholders | **$ (1.08)** | $ 5.41 | $ 4.26 |
| Dividends declared | **$ 0.20** | $ 0.30 | $ 0.60 |

Notes:
(1) Non-GAAP Financial Measures. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Our revenue and profit depend on the prices for the commodities we produce, sell and use in our production processes. Commodity prices are determined by the supply of and demand for those commodities, which are influenced by global economic conditions. We normally sell the products that we produce at prevailing market prices or, in the case of steelmaking coal, through an index-linked pricing mechanism or on a spot basis. Prices for our products can fluctuate significantly and that volatility can have a material effect on our financial results.

Foreign exchange rate movements can also have a significant effect on our results and cash flows, as a substantial portion of our operating costs are incurred in Canadian and other currencies, and most of our revenue and debt are denominated in U.S. dollars. We determine our financial results in local currency and report those results in Canadian dollars and, accordingly, our reported operating results and cash flows are affected by changes in the Canadian dollar exchange rate relative to the U.S. dollar, as well as the Peruvian sol and Chilean peso.

In 2019, our loss attributable to shareholders was $605 million, or $1.08 loss per share. This compares with a profit attributable to shareholders of $3.1 billion or $5.41 per share in 2018 and $2.5 billion or $4.26 per share in 2017. The significant decrease compared to the prior year is primarily due to after-tax impairments of $2.1 billion recorded in 2019 on our interest in Fort Hills, our Frontier oil sands project, our Cardinal River Operations and the remaining assets of Quebrada Blanca. In addition, decreases in commodity prices and variances in sales volumes and exchange rates movements negatively affected our profitability in 2019. Our profit attributable to shareholders in 2018 included a gain on the sale of the Waneta Dam.

Our profit over the past three years has included items that we segregate for presentation to investors so that the ongoing profit of the company may be more clearly understood. Our adjusted profit attributable to shareholders,[1, 2] which takes these items into account, was $1.6 billion in 2019, $2.4 billion in 2018 and $2.5 billion in 2017, or $2.77, $4.13 and $4.36 per share, respectively. These items are described below and summarized in the table that follows.

In 2019, we recorded non-cash pre-tax impairments of $1.2 billion on our interest in Fort Hills as a result of lower market expectations for future WCS heavy oil prices, $1.1 billion on our Frontier oil sands project as a result of our decision to withdraw the project from the regulatory review process, $289 million on our Cardinal River Operations and $31 million on our Quebrada Blanca cathode operations, both of which have short remaining mine lives. We also redeemed US$600 million of outstanding 8.5% notes due in 2024 and recorded a $224 million pre-tax charge on the transaction, of which $174 million was non-cash. This charge was partially offset by a $105 million pre-tax gain on the debt pre-payment option in the 8.5% 2024 notes up to the date of redemption.

In 2018, we completed the sale of our two-thirds interest in the Waneta Dam to BC Hydro for $1.2 billion cash and recorded a pre-tax gain of $888 million, with no cash taxes payable on the transaction. We redeemed US$1.0 billion principal amount of our near-term debt maturities, reducing the outstanding balance to US$3.8 billion and recorded a $26 million pre-tax charge on the transaction. We also recorded a non-cash pre-tax asset impairment of $41 million, of which $31 million related to capitalized exploration expenditures that are not expected to be recovered, and $10 million related to Quebrada Blanca assets that would not be recovered through use because mining operations ended in the fourth quarter of 2018.

In 2017, due to the improvement in steelmaking coal prices and future operating cost estimates, we recorded a $207 million non-cash pre-tax reversal of an impairment charge that we took against our steelmaking coal operations in 2015. This was partially offset by a non-cash pre-tax asset impairment of $44 million recorded against our Quebrada Blanca assets that will not be recovered through use. We also recorded an $82 million charge related to increased provincial tax rates in B.C., and the reduction in tax rates in the U.S. resulted in a $101 million non-cash credit to our 2017 tax expense. We incurred a $216 million pre-tax loss on the redemption of certain of our outstanding notes in 2017.

1 Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2 See “Use of Non-GAAP Financial Measures” section for reconciliation.

The following table shows the effect of these items on our profit (loss).

| ($ in millions, except per share data) | 2019 | 2018 | 2017 |
|---|---|---|---|
| **Profit (loss) attributable to shareholders** | **$ (605)** | $ 3,107 | $ 2,460 |
| | | | |
| **Add (deduct):** | | | |
| Asset impairments (reversals) | **2,052** | 30 | (100) |
| Debt redemption or purchase loss | **166** | 19 | 159 |
| Debt prepayment option loss (gain) | **(77)** | 31 | (38) |
| Gain on sale of Waneta Dam | **–** | (812) | – |
| Taxes and other | **16** | (3) | 39 |
| **Adjusted profit attributable to shareholders (1)(2)** | **$ 1,552** | $ 2,372 | $ 2,520 |
| **Adjusted basic earnings per share (1)(2)** | **$ 2.77** | $ 4.13 | $ 4.36 |
| **Adjusted diluted earnings per share (1)(2)** | **$ 2.75** | $ 4.07 | $ 4.30 |
| **Weighted average diluted shares outstanding (millions)** | **565.3** | 582.1 | 586.4 |

Notes:
(1) Non-GAAP Financial Measures. See “Use of Non-GAAP Financial Measures” section for further information.
(2) See “Use of Non-GAAP Financial Measures” section for reconciliation.

Cash flow from operations in 2019 was $3.5 billion, compared with $4.4 billion in 2018 and $5.0 billion in 2017. The changes in cash flow from operations are mainly due to varying commodity prices and sales volumes, offset to some extent by changes in foreign exchange rates.

At December 31, 2019, our cash balance was $1.0 billion. Total debt was $4.8 billion and our net debt to net-debt-plus-equity ratio [1] was 15% at December 31, 2019, compared with 14% at December 31, 2018 and 21% at the end of 2017.

## Gross Profit

Our gross profit is made up of our revenue less the operating expenses at our producing operations, including depreciation and amortization. Income and expenses from our business activities that do not produce commodities for sale are included in our other operating income and expenses or in our non-operating income and expenses.

Our principal commodities are steelmaking coal, copper, zinc and blended bitumen, which accounted for 46%, 18%, 17% and 8% of revenue, respectively, in 2019. Silver and lead are significant by-products of our zinc operations, each accounting for 3% of our 2019 revenue. We also produce a number of other by-products, including molybdenum, various specialty metals, and chemicals and fertilizers, which in total accounted for 5% of our revenue in 2019.

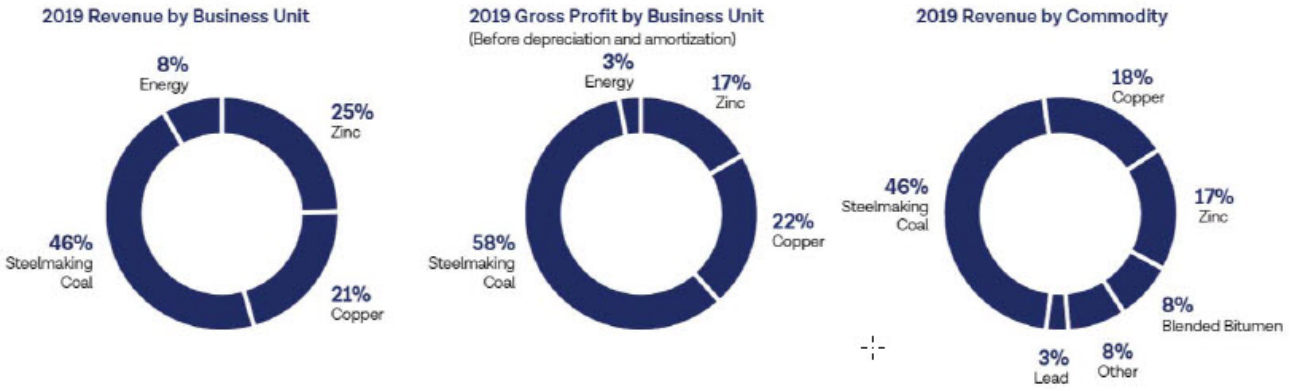
Our revenue is affected by sales volumes, which are determined by our production levels and by demand for the commodities we produce, commodity prices and currency exchange rates.

Our revenue was $11.9 billion in 2019, compared with $12.6 billion in 2018 and $11.9 billion in 2017. The decrease in 2019 revenue from 2018 was due to lower steelmaking coal, copper and zinc prices and reduced steelmaking sales volumes, partially offset by a full year of revenue from the sale of blended bitumen from our Fort Hills oil sands mine. Average prices for steelmaking coal, copper and zinc were 12%, 8% and 13% lower in 2019 than in 2018, while blended bitumen prices were up 29%.

1 Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

The increase in 2018 revenue from 2017 was mainly due to higher steelmaking coal and copper prices and the addition of revenue from the sale of blended bitumen from our Fort Hills oil sands mine, partially offset by lower sales volumes of refined lead and silver from our Trail Operations. Average prices for steelmaking coal and copper were 7% and 6% higher in 2018 than in 2017.

Our cost of sales includes all of the expenses required to produce our products, such as labour, energy, operating supplies, concentrates purchased for our Trail Operations' refining and smelting activities, diluent purchased for our Fort Hills oil sands mine to transport our bitumen by pipeline, royalties, and marketing and distribution costs required to sell and transport our products to various delivery points. Our cost of sales also includes depreciation and amortization expense. Due to the geographic locations of many of our operations, we are highly dependent on third parties for the provision of rail, port, pipeline and other distribution services. In certain circumstances, we negotiate prices and other terms for the provision of these services where we may not have viable alternatives to using specific providers, or may not have access to regulated rate-setting mechanisms or appropriate remedies for service failures. Contractual disputes, demurrage charges, availability of vessels and railcars, weather problems, other factors and rail, port and pipeline capacity issues can have a material effect on our ability to transport materials from our suppliers and to our customers in accordance with schedules and contractual commitments.




Our costs are dictated mainly by our production volumes, by the costs for labour, operating supplies, concentrate purchases and diluent purchases, and by strip ratios, haul distances, ore grades, distribution costs, commodity prices, foreign exchange rates, costs related to non-routine maintenance projects, and our ability to manage these costs. Production volumes mainly affect our variable operating and our distribution costs. In addition, production affects our sales volumes and, when combined with commodity prices, affects profitability and our royalty expenses.

Our cost of sales was $8.6 billion in 2019, compared with $7.9 billion in 2018 and $7.3 billion in 2017. The increase in cost of sales in 2019 compared with 2018 is partially due to Fort Hills being operational for the full year, which accounted for approximately $400 million of the increase. In addition, depreciation and amortization rose by approximately $60 million at our steelmaking coal operations and electricity costs increased by approximately $45 million at Trail Operations, following the sale of the Waneta Dam in 2018.

In 2018, in our steelmaking coal business, unit cost increases were partially driven by our decision to increase mining activity to capture margin in a favourable steelmaking coal price environment. In addition, increased diesel and operating supplies costs also resulted in increased unit costs. Costs were higher at our

Trail Operations due to maintenance issues, the effect of wildfires in southeast British Columbia and the increase in power costs resulting from the sale of the Waneta Dam to BC Hydro in July 2018. Cost of sales in 2018 also included costs from Fort Hills, which produced its first bitumen in January and achieved commercial production on June 1, 2018.

## Other Expenses

| ($ in millions) | 2019 | 2018 | 2017 |
|---|---|---|---|
| General and administration | **$ 161** | $ 142 | $ 116 |
| Exploration | **67** | 69 | 58 |
| Research and innovation | **67** | 35 | 55 |
| Asset impairments (impairment reversal) | **2,690** | 41 | (163) |
| Other operating expense (income) | **505** | (450) | 230 |
| Finance income | **(48)** | (33) | (17) |
| Finance expense | **266** | 252 | 229 |
| Non-operating expense | **97** | 52 | 151 |
| Share of losses (income) of associates and joint ventures | **3** | 3 | (6) |
| | **$ 3,808** | $ 111 | $ 653 |

We must continually replace our reserves as they are depleted in order to maintain production levels over the long term. We try to do this through our exploration and development programs and through acquisition of interests in new properties or in companies that own them. Exploration for minerals, steelmaking coal and oil is highly speculative and the projects involve many risks. The vast majority of exploration projects are unsuccessful and there are no assurances that current or future exploration programs will find deposits that are ultimately brought into production.

Our research and innovation expenditures are primarily focused on advancing our proprietary CESL hydrometallurgical technology, the development of internal and external growth opportunities, RACE21™, and the development and implementation of process and environmental technology improvements at operations, such as the saturated rock fill project.

In 2019, we recorded asset impairments of $2.7 billion, of which $1.2 billion related to our interest in Fort Hills due to lower market expectations for future WCS oil prices and $1.1 billion related to our Frontier oil sands project due to our decision to withdraw the project from the regulatory review process. In addition, we recorded impairments of $289 million related to our Cardinal River Operations as a result of our decision not to proceed with the MacKenzie Redcap extension and the short remaining mine life and a reduction in short-term steelmaking coal prices and $31 million related to remaining Quebrada Blanca assets as we near the end of operations.

In 2018, we recorded asset impairments of $41 million, of which $31 million related to capitalized exploration expenditures that are not expected to be recovered, and $10 million related to our Quebrada Blanca assets that would not be recovered through use because mining operations ended in the fourth quarter of 2018 as reserves were depleted.

In 2017, due to the improvement in steelmaking coal prices and future operating cost estimates, we recorded a $207 million reversal of an impairment charge that we took against our steelmaking coal operations in

2015. This was partially offset by an impairment of $44 million recorded on our Quebrada Blanca assets that would not be recovered through use.

The key inputs used in determining the magnitude of asset impairments and reversals are outlined on pages 53 to 56 in this Management's Discussion and Analysis.

The impairment charges and (reversals) were as follows:

| ($ in millions) | **2019** | 2018 | 2017 |
|---|---|---|---|
| Fort Hills | **$ 1,241** | $ – | $ (207) |
| Frontier project | **1,129** | **–** | **–** |
| Cardinal River Operations | **289** | – | – |
| Other | **31** | 41 | 44 |
| | **$ 2,690** | $ 41 | $ (163) |

Other operating income and expenses include items we consider to be related to the operation of our business, such as final pricing adjustments (which are further described in the following paragraph), share-based compensation, gains or losses on commodity derivatives, gains or losses on the sale of operating or exploration assets, and provisions for various costs at our closed properties. Significant items in 2019 included $49 million of negative pricing adjustments, $197 million for environmental costs primarily relating to additional decommissioning and restoration provisions at certain closed operations, and $123 million for take-or-pay contract costs. Significant items in 2018 included an $888 million gain on the sale of our two-thirds interest in the Waneta Dam to BC Hydro, $117 million of negative pricing adjustments, $20 million for environmental costs, $59 million for share-based compensation and a $106 million charge for take-or-pay contracts. Significant items in 2017 included $190 million of positive pricing adjustments, $186 million for environmental costs, $125 million for share-based compensation, an $81 million charge for take-or-pay contracts and a $28 million break fee related to the sale of the Waneta Dam that was paid to Fortis.

Sales of our products, including by-products, are recognized in revenue at the point in time when the customer obtains control of the product. Control is achieved when a product is delivered to the customer, we have the present right to payment for the product, significant risks and rewards of ownership have transferred to the customer according to contract terms, and there is no unfulfilled obligation that could affect the customer's acceptance of the product. For sales of steelmaking coal and copper, zinc and lead concentrates, control of the product generally transfers to the customer when an individual shipment parcel is loaded onto a carrier accepted or directly contracted by the customer. For sales of refined metals, chemicals and fertilizers, control of the product transfers to the customer when the product is loaded onto a carrier specified by the customer. For blended bitumen, control of the product generally transfers to the customer when the product passes the delivery point specified in the sales contract.

The majority of our base metal concentrates and refined metals are sold under pricing arrangements where final prices are determined by quoted market prices in a period subsequent to sale. For these sales, revenue is recognized based on the estimated consideration to be received at the date of sale with reference to relevant commodity market prices. Our refined metals are sold under spot or average pricing contracts. For all steelmaking coal sales under average pricing contracts where pricing is not finalized when revenue is recognized, revenue is recorded based on the estimated consideration to be received at the date of sale with reference to steelmaking coal price assessments. The majority of our blended bitumen is sold under pricing

arrangements where final prices are determined based on commodity price indices that are finalized at or near the date of sale. Our revenue for blended bitumen is net of royalty payments to governments.

Adjustments are made to settlement receivables in subsequent periods based on movements in quoted market prices or published price assessments (for steelmaking coal) up to the date of final pricing. These pricing adjustments result in gains in a rising price environment and losses in a declining price environment, and are recorded as other operating income or expense. The extent of the pricing adjustments also takes into account the actual price participation terms as provided in certain concentrate sales agreements. It should be noted that these effects arise on the sale of concentrates, as well as on the purchase of concentrates at our Trail Operations.

The following table outlines our outstanding receivable positions, which were provisionally valued at December 31, 2019 and 2018, respectively.

| | **Outstanding at December 31, 2019** | | | Outstanding at December 31, 2018 | | |
|---|---|---|---|---|---|---|
| (payable pounds in millions) | **Pounds** | | **US$/lb.** | Pounds | | US$/lb. |
| Copper | **65** | **$** | **2.80** | 93 | $ | 2.70 |
| Zinc | **239** | **$** | **1.04** | 208 | $ | 1.12 |

Our finance expense includes the interest expense on our debt, advances to QBSA from SMM/SC and lease liabilities, letters of credit and standby fees, interest components of our pension obligations and accretion on our decommissioning and restoration provisions, less any interest that we capitalize against the cost of our development projects. Debt interest expense decreased in 2019, mainly due to lower outstanding debt balances. This was partially offset by an increase in interest on lease liabilities relating to the adoption of IFRS 16, Leases (IFRS 16) on January 1, 2019 and interest on advances to QBSA from SMM/SC relating to the QB2 partnering transaction. Further detail is provided in Note 10 to our 2019 audited annual consolidated financial statements .

Non-operating income (expense) includes items that arise from financial and other matters , and includes such items as foreign exchange gains or losses, debt refinancing costs, gains or losses on the revaluation of debt prepayment options, and gains or losses on the sale of investments. In 2019, non-operating expenses included a $224 million charge on the redemption of our 8.5% notes due in 2024 and foreign exchange losses of $4 million. These charges were partially offset by a $105 million gain on the debt prepayment option in the 8.5% 2024 notes up to the date of redemption and a gain of $37 million on the revaluation of the financial liability for the preferential dividend stream relating to ENAMI's interest in QBSA due to the effect of changes in interest rates. In 2018, other non-operating expenses included $42 million of losses on debt prepayment options, $16 million of foreign exchange gains and a $26 million charge on debt repurchased during the year. In 2017, other non-operating expenses included $51 million of gains on debt prepayment options, $5 million of foreign exchange gains, $9 million of gains on sale of investments and a $216 million charge on debt repurchased during the year.

Profit (loss) attributable to non-controlling interests relates to the ownership interests that are held by third parties in our Quebrada Blanca, Carmen de Andacollo and Elkview operations, and Compañia Minera Zafranal S.A.C.

## Income Taxes

Provision for income and resource taxes was $120 million, or 26% of pre-tax loss. Our effective tax rate this year was significantly impacted by the asset impairment charges recorded. Excluding these charges, we would have a provision for income and resource taxes of $749 million, or 34% of pre-tax profit. This rate is higher than the Canadian statutory income tax rate of 27% as a result of resource taxes and higher taxes in some foreign jurisdictions, and partially offset by the deferred tax recovery from the enacted Alberta income tax rate reduction. Due to available tax pools, we are currently shielded from cash income taxes in Canada. We remain subject to cash resource taxes in Canada and cash taxes in foreign jurisdictions.

In 2019, Antamina received income tax assessments and determinations from the Peruvian tax authority, La Superintendencia Nacional de Aduanas y de Administración Tributaria (SUNAT) for its 2013 and 2014 taxation years, denying accelerated depreciation claimed by Antamina in respect of a mill expansion and certain other assets on the basis that the expansion was not covered by Antamina's tax stability agreement. Antamina intends to pursue the issue in the Peruvian courts. Based on opinions of counsel, we have provided for the tax on this issue for all years possibly affected, but not for associated penalties and interest. The denial of accelerated depreciation claimed is a timing issue in our tax provision. Accordingly, we have recorded current tax expense, partially offset by a deferred tax recovery, resulting in a net $2 million total tax expense increase in 2019. If the interest and penalties were upheld, the charge to our earnings could reach $65 million (US$50 million). Antamina has paid all amounts in issue for its 2013 and 2014 taxation years. Teck's share of additional amounts that might be payable for assessments which we expect will be raised for the balance of the years in issue (2015 to 2017) is currently estimated to be $78 million (US$60 million).

## Financial Position and Liquidity

Our liquidity remained strong at $6.2 billion as at December 31, 2019 including $1.0 billion of cash, of which $529 million is in Chile for the development of the QB2 project. At December 31, 2019, the principal balance of our term notes was US$3.2 billion and we maintained a US$4.0 billion undrawn revolving credit facility. Based on our strong financial position, we expect to be able to maintain our operations and fund our development activities as planned.

Our outstanding debt was $4.8 billion at December 31, 2019, compared with $5.5 billion at the end of 2018 and $6.4 billion at the end of 2017. The decrease is due to the redemption during 2019 of our 8.5% notes due in 2024. In total, since September 2015, our term notes have been reduced by US$4 billion.

During 2019, we regained investment grade ratings with three major U.S. credit rating agencies. Moody's, Fitch and S&P upgraded our credit ratings to Baa3, BBB- and BBB- respectively, all with stable outlooks. In addition, DBRS upgraded our credit rating to BBB with a stable trend. As a result of regaining investment grade credit ratings, financial security requirements under various take-or-pay contracts have fallen away and we terminated $1.1 billion in letters of credit related to long-term power purchase contracts for the QB2 project and long-term transportation service agreements for our share of Fort Hills production.

Our debt positions and credit ratios are summarized in the following table:

| | 2019 | 2018 | 2017 |
|---|---|---|---|
| Term notes face value | **$ 3,209** | $ 3,809 | $ 4,831 |
| Unamortized fees and discounts | **(31)** | (31) | (40) |
| Other | **544** | 268 | 286 |
| Debt (US$ in millions) | **$ 3,722** | $ 4,046 | $ 5,077 |
| | | | |
| Debt (CAD$ equivalent)(1) (A) | **$ 4,834** | $ 5,519 | $ 6,369 |
| Less cash balances | **(1,026)** | (1,734) | (952) |
| Net debt(2) (B) | **$ 3,808** | $ 3,785 | $ 5,417 |
| Equity (C) | **$ 22,074** | $ 23,018 | $ 19,993 |
| Debt to debt-plus-equity ratio(2) (A/(A+C)) | **18%** | 19% | 24% |
| Net debt to net-debt-plus-equity ratio(2) (B/(B+C)) | **15%** | 14% | 21% |
| Debt to EBITDA ratio(2)(3) | **3.6x** | 0.9x | 1.1x |
| Net debt to EBITDA ratio(2)(3) | **2.8x** | 0.6x | 1.0x |
| Average interest rate | **5.6%** | 6.1% | 5.7% |

Notes:
(1) Translated at year-end exchange rates.
(2) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
(3) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for reconciliation.

At December 31, 2019, the weighted average maturity of our term notes is approximately 17 years and the weighted average coupon rate is approximately 5.6%.

Our primary sources of liquidity and capital resources are our cash and temporary investments, cash flow provided from operations, and funds available under our committed and uncommitted bank credit facilities, of which approximately US$4.0 billion is currently available. Further information about our liquidity and associated risks is outlined in Notes 29 and 31 to our 2019 audited annual consolidated financial statements.

Cash flow from operations was $3.5 billion in 2019. Our cash position decreased from $1.7 billion at the end of 2018 to $1.0 billion at December 31, 2019. Significant outflows included $2.8 billion of capital expenditures, $680 million of capitalized stripping costs, $835 million to purchase and cancel US$600 million of notes, $111 million on returns to shareholders through dividends, $661 million on share buybacks and $386 million of interest and finance charges, primarily on our outstanding debt. Significant inflows during 2019 included $938 million of advances from SMM/SC on closing of the QB2 partnering transaction and $797 million of equity contributions from SMM/SC.

We maintain various committed and uncommitted credit facilities for liquidity and for the issuance of letters of credit, including a US$4.0 billion committed revolving credit facility, which was undrawn at December 31, 2019. The maturity date of this facility was extended during 2019 to November 2024.

With our return to investment grade credit ratings during the year, the US$600 million revolving credit facility maturing November 2021 was terminated.

During the fourth quarter of 2019, the US$2.5 billion limited recourse project financing to fund the development of QB2 closed. With funding from the project financing and the partnering transaction with SMM/SC, our next contributions to project capital are not expected until early 2021.

Borrowing under our primary committed revolving credit facility is subject to our compliance with the covenants in the agreement and our ability to make certain representations and warranties at the time of the borrowing request. The only financial covenant under our credit agreements is a requirement for our net debt to capitalization ratio[1, 2] not to exceed 60%. That ratio was 15% at December 31, 2019.

In addition to our primary revolving committed credit facility, we maintain uncommitted bilateral credit facilities with various banks and with Export Development Canada for the issuance of letters of credit, stand-alone letters of credit and surety bonds, all primarily to support our future reclamation obligations. At December 31, 2019, we had $1.6 billion of letters of credit issued on the $1.9 billion of bilateral credit facilities that we have. In addition to the letters of credit outstanding under these uncommitted credit facilities, we also had stand-alone letters of credit of $453 million outstanding as at December 31, 2019, which were not issued under a credit facility. We also had surety bonds of $450 million outstanding as at December 31, 2019 to support our current and future reclamation obligations.

Under the terms of the silver streaming agreement relating to Antamina, if there is an event of default under the agreement or Teck insolvency, Teck Base Metals Ltd., our subsidiary that holds our interest in Antamina, is restricted from paying dividends or making other distributions to Teck to the extent that there are unpaid amounts under the agreement.

Early repayment of borrowings under our revolving credit facility and outstanding public debt may be required if an event of default under the relevant agreement occurs. In addition, we are required to offer to repay indebtedness outstanding under our revolving credit facility and certain of our public debt in the event of a change of control, as determined under the relevant agreement.

On January 1, 2019, we adopted IFRS 16 prospectively and, as a result, we recorded additional lease liabilities of $342 million on our balance sheet. We did not restate comparative financial information on transition to IFRS 16. The financial statement effects of adoption of IFRS 16 are outlined in the “Adoption of New Accounting Standards and Accounting Developments” section and in Note 33 to our audited annual consolidated financial statements.

**Capital Allocation Framework**

During 2019, we returned $111 million to shareholders through our annual base dividend of $0.20 per share. We also purchased approximately 24.4 million Class B subordinate voting shares under our normal course issuer bid. Of the $600 million for share repurchases announced in 2019, approximately $393 million was completed in 2019 with the balance of approximately $207 million expected to be completed in 2020.

1 Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.
2 See “Use of Non-GAAP Financial Measures” section for reconciliation.

In 2019, we released our updated capital allocation framework, which describes how we allocate funds to sustaining and growth capital, maintaining solid investment grade credit metrics and returning excess cash to shareholders. This updated framework reflects our intention to make additional returns to shareholders by supplementing our base dividend with at least an additional 30% of available cash flow after certain other repayments and expenditures have been made. For this purpose, we define available cash flow as cash flow from operating activities after cash taxes, cash interest and distributions to non-controlling interests less: (i) sustaining capital and capitalized stripping; (ii) committed enhancement and growth capital; (iii) any cash required to adjust the capital structure to maintain solid investment grade credit metrics; and (iv) our $0.20 per share annual base dividend. Proceeds from any divestment and partnering proceeds may also be used to supplement available cash flow. Any additional cash returns will be made through share repurchase and/or supplemental dividends, depending on market conditions at the relevant time.

Based on available cash flow in 2019 as defined under the capital allocation framework, we do not plan to make any further supplemental shareholder distributions related to 2019 performance, other than the share repurchases previously announced.

Our results can be highly variable, as they are dependent on commodity prices and various other factors. Investors should not assume that there will be available cash or any supplemental returns in any given year.

**Operating Cash Flow**

Cash flow from operations was $3.5 billion in 2019, compared with $4.4 billion in 2018 and $5.0 billion in 2017. The decrease in 2019 was primarily due to lower commodity prices and reduced coal sales volumes. The decrease in 2018 as compared to 2017 was primarily associated with the changes in non-cash working capital items due to the buildup of inventories with the ramp-up of Fort Hills, along with a reduction of accounts payable early in the year following a significant increase in the fourth quarter of 2017 related to Red Dog's seasonality of sales.

**Investing Activities**

Expenditures on property, plant and equipment were $2.8 billion in 2019, including $1.2 billion on the QB2 project, $786 million on sustaining capital and $594 million on major enhancement projects. Capitalized production stripping costs were $680 million. Capital expenditures for 2019 are summarized in the table on pages 48 to 49. Expenditures on the QB2 project were reduced in 2019 as a result of the weaker Chilean peso.

The largest components of sustaining capital included $403 million at our steelmaking coal operations, $84 million for our share of spending at Antamina mine, $74 million at Red Dog Operations, $60 million at Trail Operations and $45 million for our share of Fort Hills spending.

Major enhancement expenditures included $347 million at our steelmaking coal operations for the development of new pits and the upgrades to Neptune Bulk Terminals, $105 million for our share of tailings infrastructure spending at Fort Hills, $89 million on the mill upgrade project at Red Dog Operations and $42 million to complete the installation of an additional ball mill to increase grinding circuit capacity at Highland Valley Copper Operations.

New mine development included $1.2 billion for QB2, of which $1.035 billion was funded by the contributions from SMM/SC, and $78 million on Project Satellite.

Expenditures on investments in 2019 were $178 million and included $67 million for NuevaUnión, which is held as an equity investment, $71 million for intangibles and other assets, and $16 million for marketable securities.

In 2018, we paid US$112.5 million — US$52.5 million on closing and US$60 million upon receipt of the regulatory approvals received in August — to acquire Inversiones Mineras S.A. to bring our ownership share of Quebrada Blanca to 90%. Other investments include $44 million for the 1.3% increase in our ownership interest in Fort Hills, and $48 million on NuevaUnión.

Cash proceeds from the sale of assets and investments were $80 million in 2019, $1.3 billion in 2018 and $126 million in 2017. There were no significant items in 2019, and 2018 included the $1.2 billion of proceeds from the sale of our two-thirds interest in the Waneta Dam. Significant items in 2017 were proceeds of $59 million from the sale of our 49% interest in the Wintering Hills Wind Power Facility and $30 million from the sale of marketable securities and various royalty interests.

**Financing Activities**

On March 29, 2019, the transaction through which SMM/SC subscribed for a 30% indirect interest in QBSA closed. On closing, SMM/SC contributed $1.3 billion (US$966 million) to the QB2 project and a further $444 million (US$336 million) was contributed over the remainder of 2019. These contributions are made in the form of shareholder loans and share subscriptions for equity in Quebrada Blanca Holdings SPA, which holds a 90% interest in QBSA. Further capital contributions for the project from Teck and SMM/SC are not expected until early 2021, as funding for project spending will come from the project financing facility described below. We retain control of QBSA and consequently continue to consolidate its results.

In November 2019, we closed our US$2.5 billion limited recourse project financing facility to fund the development of the QB2 project. Amounts drawn under the facility will bear interest at LIBOR plus applicable margins that vary over time and will be repaid in 17 semi-annual instalments starting the earlier of six months after project completion or June 2023. These project finance loans are guaranteed pre-completion on a several basis by Teck, SMM and SC pro-rata to their respective interests in the Series A shares of QBSA. We have provided security in the form of QBSA's assets, which consist primarily of QB2 project assets. At December 31, 2019, the facility was undrawn.

In 2019, we redeemed US$600 million of our 8.5% notes that were due in 2024 for US$638 million of cash, which included the premium paid on redemption. We recorded a pre-tax charge of $224 million on the redemption, of which $174 million was non-cash.

In 2018, we redeemed US$1.0 billion aggregate principal amount of our outstanding notes pursuant to cash tender offers. The principal amount of notes purchased was US$103 million of 4.50% notes due January 2021, US$471 million of 4.75% notes due 2022 and US$426 million of 3.75% notes due 2023. The total cost of the purchases, which was funded from cash on hand, including the premiums, was US$1.01 billion. We recorded a pre-tax accounting charge of $26 million ($19 million after tax) in non-operating income (expense) in connection with these purchases.

Debt interest and finance charges paid during 2019 were $386 million compared with $430 million in 2018, primarily as a result of lower outstanding debt balances.

During 2019, we paid $111 million in respect of our regular annual base dividend of $0.20 per share.

In 2019, we purchased and cancelled approximately 24.4 million Class B subordinate voting shares at a cost of $654 million under our normal course issuer bids. Our current normal course issuer bid allows us to purchase up to 40 million Class B subordinate voting shares during the period starting October 28, 2019 and ending October 27, 2020. As of February 26, 2020, we have purchased approximately 6.9 million shares under the current normal course issuer bid for $148 million, all of which were purchased and cancelled in 2019.

Teck is making the normal course issuer bid because it believes that the market price of its Class B subordinate voting shares may, from time to time, not reflect their underlying value and that the share buyback program may provide value by reducing the number of shares outstanding at attractive prices. All repurchased shares will be cancelled. During Teck's prior normal course issuer bid, which commenced on October 10, 2018 and ended October 9, 2019, Teck purchased 22,466,152 Class B subordinate voting shares on the open market at a volume-weighted average price of $28.69 per Class B subordinate voting share. Shareholders may obtain a copy of Teck's normal course issuer bid notice by contacting our Corporate Secretary.

## Quarterly Profit and Cash Flow

| ($ in millions except per share data) | **2019** | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| Revenue | **$ 2,655** | **$ 3,035** | **$ 3,138** | **$ 3,106** | $ 3,247 | $ 3,209 | $ 3,016 | $ 3,092 |
| Gross profit | **460** | **787** | **1,051** | **1,042** | 1,011 | 1,009 | 1,241 | 1,360 |
| EBITDA (loss)(1) | **(1,884)** | **1,032** | **808** | **1,396** | 1,152 | 2,064 | 1,403 | 1,555 |
| Profit (loss) attributable to shareholders | **(1,835)** | **369** | **231** | **630** | 433 | 1,281 | 634 | 759 |
| Basic earnings (loss) per share | **$ (3.33)** | **$ 0.66** | **$ 0.41** | **$ 1.11** | $ 0.75 | $ 2.23 | $ 1.10 | $ 1.32 |
| Diluted earnings (loss) per share | **$ (3.33)** | **$ 0.66** | **$ 0.41** | **$ 1.10** | $ 0.75 | $ 2.20 | $ 1.09 | $ 1.30 |
| Cash flow from operations | **$ 782** | **$ 1,062** | **$ 1,120** | **$ 520** | $ 1,337 | $ 877 | $ 1,105 | $ 1,119 |

Notes:
(1) Non-GAAP Financial Measure. See "Use of Non-GAAP Financial Measures" section for further information.
(2) See "Use of Non-GAAP Financial Measures" section for reconciliation.

Gross profit in the fourth quarter from our steelmaking coal business unit was $241 million, compared with $819 million a year ago. Gross profit before depreciation and amortization for our steelmaking coal business unit in the fourth quarter declined by $552 million compared to a year ago, primarily due to a US$60 per tonne decrease in steelmaking coal prices, which reduced revenue and resulted in inventory write-downs of $28 million, and partially due to lower sales volumes.

Sales volumes for steelmaking coal of 6.3 million tonnes in the fourth quarter were 5% lower than the same period a year ago. Our sales in the fourth quarter were affected by several delayed vessel arrivals, primarily due to rough Pacific sea conditions, and lower Ridley Terminals port performance towards the end of December, with challenging weather and operational issues.

Gross profit from our copper business unit was $130 million in the fourth quarter, compared with $138 million a year ago. Gross profit before depreciation and amortization from our copper business unit decreased by $20 million, compared with a year ago due to lower prices for copper, reduced by-product contributions from molybdenum and zinc due to lower prices and reduced sales volumes, and the impact of the labour strike at Carmen de Andacollo. These items were partially offset by increased production from Highland Valley Copper, reduced unit operating costs and lower inventory write-downs compared to the same period last year.

Copper production in the fourth quarter decreased by 3% from a year ago primarily due to the labour action at Carmen de Andacollo. The strike caused the suspension of operations between October 14 and December 5, 2019, resulting in approximately 9,000 tonnes of lost production. This was offset by higher production from Highland Valley Copper as a result of higher copper grades and recoveries. Our total cash unit costs before by-product credits in the fourth quarter decreased by US$0.18 per pound to US$1.58 per pound due to a greater proportion of production from Highland Valley Copper compared to a year ago. Lower molybdenum and zinc sales volumes and prices resulted in substantially lower by-product credits. As a result, net cash unit costs after by-product credits of US$1.34 per pound compared with US$1.28 per pound in the fourth quarter last year.

Gross profit from our zinc business unit was $120 million in the fourth quarter, compared with $206 million a year ago. Gross profit before depreciation and amortization from our zinc business unit decreased by $93 million compared with a year ago due to lower zinc prices, higher treatment charges and reduced refined zinc volumes from Trail Operations. The electrical equipment failure contributed to a 10% reduction in zinc production and negatively affected profit at Trail Operations in the fourth quarter.

At Red Dog, zinc and lead production in the fourth quarter declined by 18% and 2%, respectively, compared to a year ago. The lower production was mainly due to reduced mill throughput as a result of planned mill shutdowns related to work to increase the installed power of the SAG mill motors as part of the ongoing VIP2 mill enhancement project. At our Trail Operations, production of refined zinc was 10% lower than a year ago as a result of the electrical equipment failure in the zinc refinery earlier this year, while lead production increased to 17,000 tonnes compared with 10,000 tonnes last year. Lead production was higher this year due to the planned major maintenance shutdown of the KIVCET smelter, which affected lead production in the same period last year.

We incurred a gross loss of $31 million from our energy business unit in the fourth quarter compared with $152 million a year ago. Gross profit before depreciation and amortization from our energy business increased by $129 million from a loss of $126 million a year ago primarily due to higher realized prices offset slightly by lower sales volumes. Despite the Government of Alberta’s mandatory production curtailments being in place throughout 2019, both production and unit operating costs remained within our annual guidance for the year.

Realized prices and operating results for our energy business unit in the fourth quarter of 2018 were significantly affected by a material decline in global benchmark crude oil prices and the widening of Canadian heavy blend differentials for WCS. As a result, we recorded inventory write-downs of approximately $34 million during the fourth quarter of 2018. In addition, the Government of Alberta announced mandatory production curtailments that came into effect on January 1, 2019.

In the fourth quarter, we had a loss attributable to shareholders of $1.8 billion, or $3.33 loss per share, compared with profit attributable to shareholders of $433 million, or $0.75 per share in the same period last year.

Cash flow from operations was $782 million in the fourth quarter, compared to $1.3 billion a year ago, reflecting a substantial decline in steelmaking coal prices in the fourth quarter of 2019. During the fourth quarter, changes in working capital items provided a source of cash of $210 million compared with $436 million a year ago. In the fourth quarter of each year, we typically realize a substantial source of cash from working capital decreases due to the seasonality of sales at our Red Dog Operations. Changes to working capital in the fourth quarter last year were higher than normal due to the timing of sales and cash receipts from our steelmaking coal operations.

## Outlook

The sales of our products are denominated in U.S. dollars while a significant portion of our expenses is incurred in local currencies, particularly the Canadian dollar and the Chilean peso. Foreign exchange fluctuations can have a significant effect on our operating margins, unless such fluctuations are offset by related changes to commodity prices.

Our U.S. dollar denominated debt is subject to revaluation based on changes in the Canadian/U.S. dollar exchange rate. As at December 31, 2019, $3.0 billion of our U.S. dollar denominated debt is designated as a hedge against our foreign operations that have a U.S. dollar functional currency. As a result, any foreign exchange gains or losses arising on that amount of our U.S. dollar debt are recorded in other comprehensive income, with the remainder being charged to profit.

Commodity markets are volatile. Prices can change rapidly and customers can alter shipment plans. This can have a substantial effect on our business and financial results. Continued uncertainty in global markets arising from the macroeconomic outlook and government policy changes, including tariffs and the potential for trade disputes, as well as pandemic concerns, may have a significant positive or negative effect on the prices of the various products we produce. While price volatility will remain a significant factor in our industry, we have taken steps to insulate our company from its effects, including strengthening our balance sheet and credit ratings by reducing debt. Further, we believe the long-term supply and demand balance for our products is favourable.

We remain confident in the longer-term outlook for our major commodities, however, global economic uncertainty has had a significant negative effect on the prices for our products this year. The extent and duration of impacts that the Coronavirus may have on the demand and prices for our commodities, on our suppliers and employees, and on global financial markets is not known at this time, but could be material. We are monitoring developments in order to be in a position to take appropriate action.

**Commodity Prices and Sensitivities**

Commodity prices are a key driver of our profit and cash flows. On the supply side, the depleting nature of ore reserves, difficulties in finding new orebodies, the permitting processes and the availability of skilled resources to develop projects, as well as infrastructure constraints, political risk and significant cost inflation, may continue to have a moderating effect on the growth in future production for the industry as a whole.

The sensitivity of our annual profit attributable to shareholders and EBITDA to changes in the Canadian/U.S. dollar exchange rate and commodity prices, before pricing adjustments, based on our current balance sheet, our expected 2020 mid-range production estimates, current commodity prices and a Canadian/U.S. dollar exchange rate of $1.32, is as follows:

| | 2020 Mid-Range Production Estimates(1) | Change | Estimated Effect of Change On Profit(2) ($ in millions) | Estimated Effect on EBITDA(2) ($ in millions) |
|---|---|---|---|---|
| US$ exchange | | CAD$0.01 | $ 37 | $ 58 |
| Steelmaking coal (million tonnes) | 24.0 | US$1/tonne | $ 18 | $ 28 |
| Copper (thousand tonnes) | 292.5 | US$0.01/lb. | $ 5 | $ 8 |
| Zinc (thousand tonnes)(3) | 930.0 | US$0.01/lb. | $ 10 | $ 13 |
| WCS (million bbl)(4) | 13.0 | US$1/bbl | $ 12 | $ 17 |
| WTI(5) | | US$1/bbl | $ 9 | $ 12 |

Notes:
(1) All production estimates are subject to change based on market and operating conditions.
(2) The effect on our profit attributable to shareholders and on EBITDA of commodity price and exchange rate movements will vary from quarter to quarter depending on sales volumes. Our estimate of the sensitivity of profit and EBITDA to changes in the U.S. dollar exchange rate is sensitive to commodity price assumptions. EBITDA is a Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information and reconciliation.
(3) Zinc includes 310,000 tonnes of refined zinc and 620,000 tonnes of zinc contained in concentrate.
(4) Bitumen volumes from our energy business unit.
(5) Our WTI oil price sensitivity takes into account our interest in Fort Hills for respective change in revenue, partially offset by the effect of the change in diluent purchase costs as well as the effect on the change in operating costs across our business units, as our operations use a significant amount of diesel fuel.

## Guidance

In light of uncertain economic conditions, we implemented a company-wide cost reduction program in the third quarter of 2019 to reduce our operating costs and planned capital spending for the balance of 2019 and 2020, targeting reductions of approximately $500 million from previously planned spending through the end of 2020. Our targeted cost reductions do not include initiatives that would result in a reduction in the production volumes of our commodities or that could adversely affect the health and safety of our people.

Our company-wide cost reduction program contributed approximately $210 million of reductions in planned spending in 2019. We expect approximately $400 million of reductions from previously planned spending in 2020, of which approximately 45% is capital spending. This will increase our total targeted reductions to approximately $610 million, compared to the $500 million previously disclosed.

To achieve our targeted cost reductions, we are eliminating approximately 500 full-time equivalent positions, some of which we expect to come from attrition, the expiry of temporary or contract positions, and current job vacancies.

The following guidance for 2020 includes targeted reductions and deferrals of expenditures to be implemented under our company-wide cost reduction program.

We plan to complete some of our annual maintenance major plant outages earlier in 2020, reducing our steelmaking coal production in the first half of the year and increasing production in the second half of the year. The Neptune Bulk Terminals' extended construction outage from May to September will also affect our quarterly cost of sales. As a result, we expect quarterly cost of sales per tonne to be higher in the first quarter of 2020 compared to the fourth quarter of 2019 with the lower production rates, and then decreasing in the fourth quarter of 2020 when we are back to near-full production levels. We expect our 2020 adjusted site cost of sales for our steelmaking coal business unit to be between $63 to $67 per tonne reflecting the extended construction outages to progress the Neptune Bulk Terminal facility upgrades combined with the logistics chain challenges in January and early February.

**Production Guidance**

Our steelmaking coal production in 2020 is expected to be in the range of 23.0 to 25.0 million tonnes, compared with 25.7 million tonnes produced in 2019. Our actual production will depend primarily on customer demand for deliveries of steelmaking coal. Depending on market conditions and the sales outlook, we may adjust our production plans.

Our copper production for 2020 is expected to be in the range of 285,000 to 300,000 tonnes, compared with 297,300 tonnes produced in 2019. Improving throughput and recoveries at Highland Valley Copper, as well as the resumption of operations at Carmen de Andacollo, are expected to largely offset declines at Antamina and Quebrada Blanca.

Our zinc in concentrate production in 2020 is expected to be in the range of 600,000 to 640,000 tonnes, compared with 640,100 tonnes produced in 2019. Red Dog's production is expected to be between 500,000 to 535,000 tonnes, compared with 552,400 tonnes in 2019. Our share of Antamina's zinc production in 2020 is expected to increase to between 100,000 to 105,000 tonnes. Refined zinc production in 2020 from our Trail Operations is expected to be in the range of 305,000 to 315,000 tonnes, compared with 287,400 tonnes produced in 2019.

Our share of bitumen production in 2020 is expected to be in the range of 12 to 14 million barrels (33,000 to 38,000 barrels per day), including estimated production curtailments. The high end of our guidance reflects the Government of Alberta's production curtailments being lifted in the first quarter. The low end of our production guidance assumes the curtailments will remain in place at current levels for the full year.

**Production Guidance**

The table below shows our share of production of our principal products for 2019, our guidance for production in 2020 and our guidance for production for the following three years.

| Units in thousand tonnes (excluding steelmaking coal, bitumen, molybdenum and refined silver) | **2019** | 2020 Guidance | Three-Year Guidance 2021–2023 |
|---|---|---|---|
| **Principal Products** | | | |
| **Steelmaking coal** (million tonnes) | **25.7** | 23.0–25.0 | 26.0–27.0 |
| | | | |
| **Copper**(1)(2)(3) | | | |
| Highland Valley Copper | **121.3** | 133–138 | 155–165 |
| Antamina | **100.9** | 88–92 | 90 |
| Carmen de Andacollo | **54.0** | 57–62 | 55–60 |
| Quebrada Blanca(5) | **21.1** | 7–8 | – |
| | **297.3** | 285–300 | 300–315 |
| **Zinc**(1)(2)(4) | | | |
| Red Dog | **552.4** | 500–535 | 500–540 |
| Antamina | **68.3** | 100–105 | 90–100 |
| Pend Oreille | **19.4** | – | – |
| | **640.1** | 600–640 | 590–640 |
| **Refined zinc** | | | |
| Trail Operations | **287.4** | 305–315 | 310–315 |
| | | | |
| **Bitumen** (million barrels)(2)(6) | | | |
| Fort Hills | **12.3** | 12–14 | 14 |
| | | | |
| **Other Products** | | | |
| **Lead**(1) | | | |
| Red Dog | **102.8** | 95–100 | 80–90 |
| | | | |
| **Refined lead** | | | |
| Trail Operations | **69.0** | 60–70 | 65–70 |
| | | | |
| **Molybdenum** (million pounds)(1)(2) | | | |
| Highland Valley Copper | **6.6** | 4.5–5.5 | 3.5–5.0 |
| Antamina | **1.8** | 2.0 | 2.0–3.0 |
| | **8.4** | 6.5–7.5 | 5.5–8.0 |
| | | | |
| **Refined Silver** (million ounces) | | | |
| Trail Operations | **14.0** | 10–12 | N/A |

Notes:
(1) Metal contained in concentrate.
(2) We include 100% of production and sales from our Quebrada Blanca and Carmen de Andacollo mines in our production and sales volumes, even though we do not own 100% of these operations, because we fully consolidate their results in our financial statements. We include 22.5% and 21.3% of production and sales from Antamina and Fort Hills, respectively, representing our proportionate ownership interest in these operations.
(3) Copper production includes cathode production at Quebrada Blanca and Carmen de Andacollo.
(4) Total zinc includes co-product zinc production from our 22.5% proportionate interest in Antamina.
(5) Excludes production from QB2 for three-year guidance 2021–2023.
(6) The 2021–2023 bitumen production guidance does not include potential near-term debottlenecking opportunities. See energy business unit for more information.

**Sales Guidance**

The table below shows our sales for the last quarter of 2019 and our sales guidance for the first quarter of 2020 for selected primary products.

| | Q4 2019 | Q1 2020 Guidance |
|---|---|---|
| Steelmaking coal (million tonnes) | **6.3** | 4.8–5.2 |
| Zinc (thousand tonnes)(1) | | |
| Red Dog | **174** | 135–140 |

Note:
(1) Metal contained in concentrate.

**Unit Cost Guidance**

The table below reports our unit costs for selected principal products for 2019 and our guidance for unit costs for selected principal products in 2020.

| (Per unit costs — CAD$/tonne) | 2019 | 2020 Guidance |
|---|---|---|
| **Steelmaking coal**(1) | | |
| Adjusted site cost of sales(5) | **$ 65** | $ 63–67 |
| Transportation costs | **39** | 40–43 |
| Inventory write-down | **1** | – |
| Unit costs(5) | **$ 105** | $ 103–110 |
| **Copper**(2) | | |
| Total cash unit costs(5) (US$/lb.) | **$ 1.68** | $ 1.55–1.65 |
| Net cash unit costs(3)(5) (US$/lb.) | **$ 1.39** | $ 1.25–1.35 |
| **Zinc**(4) | | |
| Total cash unit costs(5) (US$/lb.) | **$ 0.51** | $ 0.55–0.60 |
| Net cash unit costs(3)(5) (US$/lb.) | **$ 0.34** | $ 0.40–0.45 |
| **Energy (bitumen)** | | |
| Adjusted operating costs(5) (CAD$/barrel) | **$ 29.24** | $ 26–29 |

Notes:
(1) Steelmaking coal unit costs are reported in Canadian dollars per tonne. Steelmaking coal unit cost of sales include site costs, transport costs, and other and does not include capitalized stripping or capital expenditures. See “Use of Non-GAAP Financial Measures” section for further information and reconciliation.
(2) Copper unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Copper net cash unit costs include adjusted cash cost of sales and smelter processing charges, less cash margins for by-products including co-products. Assumes a zinc price of US$1.05 per pound, a molybdenum price of US$11 per pound, a silver price of US$16.00 per ounce, a gold price of US$1,300 per ounce and a Canadian/U.S. dollar exchange rate of $1.32. See “Use of Non-GAAP Financial Measures section” for further information and reconciliation.
(3) After co-product and by-product margins.
(4) Zinc unit costs are reported in U.S. dollars per payable pound of metal contained in concentrate. Zinc net cash unit costs are mine costs including adjusted cash cost of sales and smelter processing charges, less cash margins for by-products. Assumes a lead price of US$0.90 per pound, a silver price of US$16.00 per ounce and a Canadian/U.S. dollar exchange rate of $1.32. By-products include both by-products and co-products. See “Use of Non-GAAP Financial Measures” section for further information and reconciliation.
(5) Non-GAAP Financial Measure. See “Use of Non-GAAP Financial Measures” section for further information.

**Capital Expenditure Guidance**

The table below reports our capital expenditures for 2019 and our guidance for capital expenditures in 2020.

| (Teck's share in $ millions) | 2019 | 2020 Guidance |
|---|---|---|
| **Sustaining** | | |
| Steelmaking coal(1) | **$ 403** | $ 475 |
| Copper | **184** | 175 |
| Zinc | **138** | 160 |
| Energy | **45** | 100 |
| Corporate | **16** | 10 |
| | **$ 786** | $ 920 |
| **Major Enhancement** | | |
| Steelmaking coal(3) | **$ 347** | $ 530 |
| Copper | **46** | 50 |
| Zinc | **90** | 15 |
| Energy | **105** | 50 |
| RACE21™ (2) | **6** | 85 |
| | **$ 594** | $ 730 |
| **New Mine Development** | | |
| Copper(4) | **$ 115** | $ 50 |
| Zinc | **32** | 5 |
| Energy | **41** | 25 |
| | **$ 188** | $ 80 |
| **Total** | | |
| Steelmaking coal | **$ 750** | $ 1,005 |
| Copper | **345** | 275 |
| Zinc | **260** | 180 |
| Energy | **191** | 175 |
| Corporate | **16** | 10 |
| RACE21™ (2) | **6** | 85 |
| | **$ 1,568** | $ 1,730 |
| QB2 capital expenditures | **1,220** | 2,420 |
| Total before SMM/SC contributions | **$ 2,788** | $ 4,150 |
| Estimated SMM/SC contributions to capital expenditures (5) | **(1,035)** | (660) |
| Estimated QB2 project financing draw | – | (1,760) |
| Total Teck spend | **$ 1,753** | $ 1,730 |

Notes:
(1) Steelmaking coal sustaining capital includes Teck's share of water treatment capital of $290 million in 2020. 2019 includes $176 million of water treatment capital.
(2) RACE21™ capital expenditures for 2020 include $65 million relating to steelmaking coal, $5 million relating to copper, $5 million relating to zinc and the remainder relating to corporate projects. We also expect to spend approximately $70 million on RACE21™ for research and innovation expenses and intangible assets in 2020.
(3) Steelmaking coal major enhancement capital guidance includes $390 million relating to the facility upgrade at Neptune Bulk Terminals.
(4) Copper new mine development guidance for 2020 includes early scoping studies for QB3, Zafranal, San Nicolás and Galore Creek.
(5) Total SMM/SC contributions were $1.7 billion.

**Capital Expenditure Guidance — Capitalized Stripping**

| (Teck's share in CAD$ millions) | 2019 | 2020 Guidance |
|---|---|---|
| **Capitalized Stripping** | | |
| Steelmaking coal | **$ 443** | $ 370 |
| Copper | **192** | 200 |
| Zinc | **45** | 55 |
| | **$ 680** | $ 625 |

# Other Information

**Carbon Pricing Policies and Associated Costs**

Across our operations, the most significant carbon pricing action has taken place in Canada. In 2019, British Columbia increased its existing carbon tax to $40 per tonne of carbon dioxide-equivalent ($CO_2e$). The B.C. carbon tax is expected to continue to increase by $5 per tonne of $CO_2e$ per year until reaching $50 per tonne of $CO_2e$. In 2019, British Columbia also implemented the CleanBC Program for Industry to address impacts to emissions-intensive, trade-exposed industries to ensure that B.C. operations maintain their competitiveness and that carbon leakage is avoided. In April 2019, the Government of Canada introduced the *Greenhouse Gas Pollution Pricing Act,* which establishes a federal carbon levy for any province or territory that has not implemented a compliant carbon-pricing regime. Federal carbon tax rates began at $20 per tonne of $CO_2e$ in 2019, increasing $10 per year to $50 per tonne of $CO_2e$ by 2022. Alberta repealed its *Climate Leadership Act* effective as of May 29, 2019 and, as a result, became subject to the *Greenhouse Gas Pollution Pricing Act* as of January 1, 2020. B.C.'s *Carbon Tax Act* is considered substantially similar to the federal requirements; therefore, B.C. will not be subject to the *Greenhouse Gas Pollution Pricing Act*. In addition, Alberta's Carbon Competitiveness Incentive Regulation was replaced by Alberta's Technology, Innovation and Emissions Reduction system as of January 1, 2020. This is an industry-specific carbon pricing policy requiring large emitters, and other facilities that have opted in, to reduce their emissions intensity below a prescribed level, or to purchase emissions credits in concert with or as an alternative to physical abatement, with significant penalties for failure to achieve compliance.

While climate change regulations continue to evolve in most jurisdictions in which we operate, we expect that regional, national or international regulations, which seek to reduce greenhouse gas emissions, will continue to be established or revised. The cost of reducing our emissions or of obtaining the equivalent amount of credits or offsets in the future, if regulations permit this, remains highly uncertain. The cost of compliance with various climate change regulations will ultimately be determined by the regulations themselves and by the markets that evolve for carbon credits and offsets. Teck's direct greenhouse gas emissions attributable to our operations for 2019 are estimated to be approximately 3.3 million tonnes ($CO_2e$). The most material indirect emissions associated with our activities are those from the use of our steelmaking coal by our customers. Based on our 2019 sales volumes, emissions from the use of our steelmaking coal would have been approximately 73 million tonnes of $CO_2$.

For 2019, our B.C.-based operations incurred $72.8 million in British Columbia provincial carbon tax, and our Cardinal River Operations in Alberta paid $0.8 million in carbon costs, primarily from our use of coal, diesel fuel and natural gas. As a result of the CleanBC Program for Industry, in late 2019 we received back $5.4 million of the $58.8 million we paid under the British Columbia provincial carbon tax in 2018 and anticipate that we will receive a similar portion of our 2019 expenditures back in late 2020. We may in the future face similar taxation for our activities in other jurisdictions. Similarly, customers of some of our products may also

be subject to new carbon costs or taxation in the future in the jurisdictions where the products are ultimately used.

We will continue to assess the potential implications of the updated policies on our operations and projects.

**Financial Instruments and Derivatives**
We hold a number of financial instruments, derivatives and contracts containing embedded derivatives, which are recorded on our consolidated balance sheet at fair value with gains and losses in each period included in other comprehensive income (loss) in the year and profit for the period on our consolidated statements of income and consolidated statements of other comprehensive income, as appropriate. The most significant of these instruments are investments in marketable equity and debt securities, commodity swap contracts, metal-related forward contracts, settlement receivables and payables, and gold stream and silver stream embedded derivatives. Some of our gains and losses on metal-related financial instruments are affected by smelter price participation and are taken into account in determining royalties and other expenses. All are subject to varying rates of taxation, depending on their nature and jurisdiction. Further information about our financial instruments, derivatives and contracts containing embedded derivatives and associated risks is outlined in Note 29 to our 2019 audited annual consolidated financial statements.

## Areas of Judgment and Critical Accounting Estimates

In preparing our consolidated financial statements, we make judgments in applying our accounting policies. The judgments that have the most significant effect on the amounts recognized in our financial statements are outlined below. In addition, we make assumptions about the future in deriving estimates used in preparing our consolidated financial statements. We have outlined below information about assumptions and other sources of estimation uncertainty as at December 31, 2019 that have a risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

a) Areas of Judgment

**Assessment of Impairment Indicators**
Judgment is required in assessing whether certain factors would be considered an indicator of impairment or impairment reversal. We consider both internal and external information to determine whether there is an indicator of impairment or impairment reversal present and, accordingly, whether impairment testing is required. The information we consider in assessing whether there is an indicator of impairment or impairment reversal includes, but is not limited to, market transactions for similar assets, commodity prices, interest rates, inflation rates, our market capitalization, reserves and resources, mine plans and operating results.

As at December 31, 2019, as a result of lower market expectations for WCS heavy oil prices, we reviewed our energy assets for impairment. For our interest in Fort Hills, we determined that the reduction in WCS heavy oil prices was an indicator of impairment under the requirements of IAS 36, Impairment of Assets and accordingly, we performed an impairment test, as outlined below.

The remainder of our energy assets are oil sands properties, the most significant of which is our Frontier oil sands project. These assets are considered exploration and evaluation assets and accordingly, our assessment of impairment indicators is performed under the requirements of IFRS 6, Exploration for and Evaluation of Mineral Resources.

We determined that our withdrawal of our Frontier oil sands property from the regulatory review process was an indicator of impairment and consequently, we recorded an impairment of Frontier as at December 31, 2019, as outlined below.

Refer to the impairment testing section below for further detail on our assessment of impairment indicators in 2019 and 2018.

**Property, Plant and Equipment — Determination of Available for Use Date**
Judgment is required in determining the date that property, plant and equipment is available for use. An asset is available for use when it is in the location and condition necessary to operate in the manner intended by management. At that time, we commence depreciation of the asset and cease capitalization of borrowing costs. We consider a number of factors in making the determination of when an asset is available for use including, but not limited to, design capacity of the asset, production levels achieved, capital spending remaining and commissioning status. Fort Hills produced first oil in January 2018 and was considered available for use as at June 1, 2018. When concluding that these assets were available for use at June 1, 2018, we considered whether all three secondary extraction trains were running as expected, whether the production and product quality were consistent with expectations, and the status of asset commissioning. We have included the operating results for Fort Hills in our consolidated statements of income from that date forward.

**Joint Arrangements**
We are a party to a number of arrangements over which we do not have control. Judgment is required in determining whether joint control over these arrangements exists and, if so, which parties have joint control and whether each arrangement is a joint venture or joint operation. In assessing whether we have joint control, we analyze the activities of each arrangement and determine which activities most significantly affect the returns of the arrangement over its life. These activities are determined to be the relevant activities of the arrangement. If unanimous consent is required over the decisions about the relevant activities, the parties whose consent is required would have joint control over the arrangement. The judgments around which activities are considered the relevant activities of the arrangement are subject to analysis by each of the parties to the arrangement and may be interpreted differently. When performing this assessment, we generally consider decisions about activities such as managing the asset while it is being designed, developed and constructed, during its operating life and during the closure period. We may also consider other activities including the approval of budgets, expansion and disposition of assets, financing, significant operating and capital expenditures, appointment of key management personnel, representation on the Board of Directors and other items. When circumstances or contractual terms change, we reassess the control group and the relevant activities of the arrangement.

If we have joint control over the arrangement, an assessment of whether the arrangement is a joint venture or joint operation is required. This assessment is based on whether we have rights to the assets, and obligations for the liabilities, relating to the arrangement or whether we have rights to the net assets of the arrangement. In making this determination, we review the legal form of the arrangement, the terms of the contractual arrangement and other facts and circumstances. In a situation where the legal form and the terms of the contractual arrangement do not give us rights to the assets and obligations for the liabilities, an assessment of other facts and circumstances is required, including whether the activities of the arrangement

are primarily designed for the provision of output to the parties and whether the parties are substantially the only source of cash flows contributing to the arrangement. The consideration of other facts and circumstances may result in the conclusion that a joint arrangement is a joint operation. This conclusion requires judgment and is specific to each arrangement. Other facts and circumstances have led us to conclude that Antamina and Fort Hills are joint operations for the purposes of our 2018 audited annual consolidated financial statements. The other facts and circumstances considered for both of these arrangements include the provisions of output to the parties of the joint arrangements and the funding obligations. For both Antamina and Fort Hills, we will take our share of the output from the assets directly over the life of the arrangement. We have concluded that this gives us direct rights to the assets and obligations for the liabilities of these arrangements proportionate to our ownership interests.

**Streaming Transactions**
When we enter into a long-term streaming arrangement linked to production at specific operations, judgment is required in assessing the appropriate accounting treatment for the transaction on the closing date and in future periods. We consider the specific terms of each arrangement to determine whether we have disposed of an interest in the reserves and resources of the respective operation or executed some other form of arrangement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation. These include the contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold, the percentage of payable metals produced, the commodity price referred to in the ongoing payment and any guarantee relating to the upfront payment if production ceases.

For our silver and gold streaming arrangements entered into in 2015, there is no guarantee associated with the upfront payment. We have concluded that control of the rights to the silver and gold mineral interests were transferred to the buyer when the contracts came into effect at Antamina and Carmen de Andacollo, respectively. Therefore, we consider these arrangements a disposition of a mineral interest.

Based on our judgment, control of the interest in the reserves and resources transferred to the buyer when contracts were executed. At that time, we recognized the amount of the gain related to the disposition of the reserves and resources, as we had the right to payment, the customer was entitled to the commodities, the buyer had no recourse in requiring Teck to mine the product, and the buyer had significant risks and rewards of ownership of the reserves and resources.

We recognize the amount of consideration related to refining, mining and delivery services as the work is performed.

**Deferred Tax Assets and Liabilities**
Judgment is required in assessing whether deferred tax assets and certain deferred tax liabilities are recognized on the balance sheet and what tax rate is expected to be applied in the year when the related temporary differences reverse, particularly in regard to the utilization of tax loss carryforwards. We also evaluate the recoverability of deferred tax assets based on an assessment of our ability to use the underlying future tax deductions before they expire against future taxable income. Deferred tax liabilities arising from temporary differences on investments in subsidiaries, joint ventures and associates are recognized unless the reversal of the temporary differences is not expected to occur in the foreseeable future and can be controlled. Judgment is also required on the application of income tax legislation. These judgments are

subject to risk and uncertainty and could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

b) Sources of Estimation Uncertainty

**Impairment Testing**
When impairment testing is required, discounted cash flow models are used to determine the recoverable amount of respective assets. These models are prepared internally with assistance from third-party advisors when required. When market transactions for comparable assets are available, these are considered in determining the recoverable amount of assets. Significant assumptions used in preparing discounted cash flow models include commodity prices, reserves and resources, mine production, operating costs, capital expenditures, discount rates, foreign exchange rates and inflation rates. These inputs are based on management's best estimates of what an independent market participant would consider appropriate. Changes in these inputs may alter the results of impairment testing, the amount of the impairment charges or reversals recorded in the statement of income and the resulting carrying values of assets.

We allocate goodwill arising from business combinations to the cash-generating unit (CGU) or group of CGUs acquired that is expected to receive the benefits from the business combination. When performing annual goodwill impairment tests, we are required to determine the recoverable amount of each CGU or group of CGUs to which goodwill has been allocated. Our Quebrada Blanca CGU and steelmaking coal CGU have goodwill allocated to them. The recoverable amount of each CGU or group of CGUs is determined as the higher of its fair value less costs of disposal and its value in use.

***Asset Impairments and Impairment Reversals***

| ($ in millions) | | **2019** | | 2018 |
|---|---|---|---|---|
| Steelmaking coal CGU | **$** | **289** | $ | **–** |
| Fort Hills CGU | | **1,241** | | **–** |
| Frontier Oil Sands Project | | **1,129** | | **–** |
| Other | | **31** | | 41 |
| Total | **$** | **2,690** | $ | 41 |

*Steelmaking Coal CGU*
In 2019, we announced that we would not proceed with the MacKenzie Redcap extension at our Cardinal River Operations and that the operation will close in the second half of 2020. As a result of this decision and the short remaining mine life of Cardinal River, combined with a reduction in short-term steelmaking coal prices, we recorded a pre-tax impairment of $289 million (after-tax $184 million) as at December 31, 2019.

In 2018, there were no indicators of impairment or impairment reversal relating to our steelmaking coal CGU. We performed our annual goodwill impairment testing for the steelmaking coal CGU as at October 31, 2018 and did not identify any impairments.

*Fort Hills CGU*
During the year ended, December 31, 2019 we recorded a pre-tax impairment of $1.2 billion (after-tax $910 million) related to our interest in the Fort Hills CGU. The estimated post-tax recoverable amount of Fort Hills of $3.1 billion was lower than our carrying value. This impairment arose as a result of lower market

expectations for future WCS heavy oil prices. The impairment was determined using the key assumptions noted below.

### Sensitivity Analysis

The recoverable amount of Fort Hills is most sensitive to changes in WCS oil prices, the Canadian/U.S. dollar exchange rates and discount rates. In isolation, a US$1 decrease in the long-term WCS oil price would result in a reduction in the recoverable amount of $135 million. A $0.01 strengthening of the Canadian dollar against the U.S. dollar would result in a reduction in the recoverable amount of approximately $50 million. A 25-basis point increase in the discount rate would result in a reduction in the recoverable amount of approximately $110 million.

*Frontier Oil Sands Project*

During the year ended, December 31, 2019 we recorded a pre-tax impairment of $1.1 billion (after-tax $944 million) related to our Frontier oil sands project. This impairment arose as a result of our decision to withdraw Frontier from the regulatory review process. We have written down the full carrying value of our interest in the Frontier oil sands project.

*Other*

During the year ended December 31, 2019, we recorded other asset impairments of $31 million related to Quebrada Blanca and the short remaining life of the cathode operation.

During the year ended December 31, 2018, we recorded other asset impairments of $41 million, of which $31 million was related to capitalized exploration expenditures that are not expected to be recovered and $10 million was related to Quebrada Blanca assets that would not be recovered through use.

**Annual Goodwill Impairment Testing**

In 2019, we performed our annual goodwill impairment testing at October 31 and did not identify any goodwill impairment losses.

Given the nature of expected future cash flows used to determine the recoverable amount, a material change could occur over time, as the cash flows are significantly affected by the key assumptions described as follows.

*Sensitivity Analysis*

Our annual goodwill impairment test carried out at October 31, 2019 resulted in the recoverable amount of our steelmaking coal CGU exceeding its carrying value by approximately $4.8 billion. The recoverable amount of our steelmaking coal CGU is most sensitive to the long-term Canadian dollar steelmaking coal price assumption. In isolation, a 10% decrease in the long-term Canadian dollar steelmaking coal price would result in the recoverable amount of the steelmaking coal CGU being equal to the carrying value.

Our annual goodwill impairment test for the Quebrada Blanca CGU carried out at October 31, 2019 resulted in a recoverable amount exceeding its carrying value by approximately $798 million. The recoverable amount of our Quebrada Blanca CGU is most sensitive to the long-term copper price assumption. In isolation, a 5% decrease in the long-term copper price would result in a recoverable amount of the Quebrada Blanca CGU being equal to the carrying value.

**Key Assumptions**
The following are the key assumptions used in our impairment testing calculations during the years ended December 31, 2019 and 2018:

| | **2019** | 2018 |
|---|---|---|
| Steelmaking coal prices | **Current price used in initial year, increased to a long-term price in 2024 of US$150 per tonne** | Current price used in initial year, decreased to a long-term price in 2023 of US$150 per tonne |
| Copper prices | **Current price used in initial year, increased to a long-term price in 2024 of US$3.00 per pound** | Current price used in initial year, increased to a long-term price in 2023 of US$3.00 per pound |
| WCS oil prices | **Current price used in initial year, increased to a long-term price in 2024 of US$50 per barrel** | N/A |
| Discount rate | **5.4%–6.0%** | 6.0% |
| Long-term foreign exchange rate | **1 U.S. to 1.30 Canadian dollars** | 1 U.S. to 1.25 Canadian dollars |
| Inflation rate | **2%** | 2% |

*Commodity Prices*
Commodity price assumptions are based on a number of factors, including forward curves in the near term, and are benchmarked with external sources of information, including information published by our peers and market transactions, where possible, to ensure they are within the range of values used by market participants.

*Discount Rates*
Discount rates are based on a mining weighted average cost of capital for all mining operations and an oil sands weighted average cost of capital for our interest in the Fort Hills mining and processing operation. For the year ended December 31, 2019, we used a discount rate of 6.0% real, 8.1% nominal post-tax (2018 — 6.0% real, 8.1% nominal post-tax) for mining operations and goodwill. For the year ended December 31, 2019, we used a discount rate of 5.4% real, 7.5% nominal post-tax for oil sands operations.

*Foreign Exchange Rates*
Foreign exchange rates are benchmarked with external sources of information based on a range used by market participants. Long-term foreign exchange assumptions are from year 2024 onwards for analysis performed in the year ended December 31, 2019.

*Inflation Rates*
Inflation rates are based on average historical inflation for the location of each operation and long-term government targets.

*Reserves and Resources*
Future mineral and oil production is included in projected cash flows based on mineral and oil reserve and resource estimates, and on exploration and evaluation work undertaken by appropriately qualified persons or qualified reserves evaluators.

*Operating Costs and Capital Expenditures*
Operating costs and capital expenditures are based on life of mine plans and internal management forecasts. Cost estimates incorporate management experience and expertise, current operating costs, the nature and location of each operation, and the risks associated with each operation. Future capital expenditures are based on management's best estimate of expected future capital requirements, which are generally for the extraction and processing of existing reserves and resources. All committed and anticipated capital expenditures based on future cost estimates have been included in the projected cash flows. Operating cost and capital expenditure assumptions are continuously subjected to ongoing optimization and review by management.

*Recoverable Amount Basis*
In the absence of a relevant market transaction, we estimate the recoverable amount of our CGUs on a fair value less costs of disposal (FVLCD) basis using a discounted cash flow methodology and taking into account assumptions likely to be made by market participants unless it is expected that the value-in-use methodology would result in a higher recoverable amount. For the asset impairment, impairment reversal and goodwill impairment analyses performed in 2019 and 2018, we have applied the FVLCD basis.

**Estimated Recoverable Reserves and Resources**
Mineral and oil reserve and resource estimates are based on various assumptions relating to operating matters as set forth in National Instrument 43-101 — Standards of Disclosure for Mineral Projects and National Instrument 51-101 — Standards of Disclosure for Oil and Gas Activities. Assumptions used include production costs, mining and processing recoveries, cut-off grades, sales volumes, long-term commodity prices, exchange rates, inflation rates and capital costs. Cost estimates are based on prefeasibility or feasibility study estimates or operating history. Estimates are prepared by, or under the supervision of, appropriately qualified persons, or qualified reserves evaluators, but will be affected by forecasted commodity prices, inflation rates, exchange rates, capital and production costs, and recoveries, among other factors. Estimated recoverable reserves and resources are used to determine the depreciation of property, plant and equipment at operating mine sites, in accounting for capitalized production stripping costs, in performing impairment testing, and in forecasting the timing of the settlement of decommissioning and restoration costs. Therefore, changes in the assumptions used could affect the carrying value of assets, depreciation and impairment charges recorded in the statement of income, and the carrying value of the decommissioning and restoration provision.

**Decommissioning and Restoration Provisions**
The decommissioning and restoration provision (DRP) is based on future cost estimates using information available at the balance sheet date that are developed by management's experts (Note 23(a)). The DRP represents the present value of estimated costs of future decommissioning and other site restoration activities including costs associated with the management of water and water quality in and around each closed site. The DRP is adjusted at each reporting period for changes to factors such as the expected amount of cash flows required to discharge the liability, the timing of such cash flows and the credit-adjusted discount rate. The DRP requires other significant estimates and assumptions, including the requirements of the relevant legal and regulatory framework and the timing, extent and costs of required decommissioning and restoration activities. Our estimates of the cost associated with the management of water and water quality in and around each closed site includes assumptions with respect to the volume and location of water to be treated, the methods used to treat the water and the related water treatment costs. To the extent the

actual costs differ from these estimates, adjustments will be recorded and the income statement may be affected.

**Provision for Income Taxes**
We calculate current and deferred tax provisions for each of the jurisdictions in which we operate. Actual amounts of income tax expense are not final until tax returns are filed and accepted by the relevant authorities. This occurs subsequent to the issuance of our financial statements, and the final determination of actual amounts may not be completed for a number of years. Therefore, profit in subsequent periods will be affected by the amount that estimates differ from the final tax return.

**Deferred Tax Assets and Liabilities**
Assumptions about the generation of future taxable profits and repatriation of retained earnings depend on management's estimates of future production and sales volumes, commodity prices, reserves and resources, operating costs, decommissioning and restoration costs, capital expenditures, dividends and other capital management transactions. These estimates could result in an adjustment to the deferred tax provision and a corresponding credit or charge to profit.

## Adoption of New Accounting Standards and Accounting Developments

**Adoption of New Accounting Standards**
Effective January 1, 2019, we adopted IFRS 16 and IFRIC 23, *Uncertainty over Income Tax Treatments* (IFRIC 23). The effect of adoption of these new pronouncements is outlined below and in more detail in Note 33 to our audited annual consolidated financial statements as at December 31, 2019.

*Leases*
We adopted IFRS 16 as at January 1, 2019 in accordance with the transitional provisions outlined in the standard, using a cumulative catch-up approach where we have recorded leases prospectively from that date forward and have not restated comparative information. We recorded right-of-use assets of $280 million within property, plant and equipment, measured at either an amount equal to the lease liability or their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using our incremental borrowing rate on January 1, 2019. These right-of-use assets related to lease liabilities continue to be recorded in property, plant and equipment. We recorded lease liabilities of $342 million as at January 1, 2019 and reclassified $338 million of lease liabilities that were previously presented as debt on the balance sheet. The net of tax difference between right-of-use assets and lease liabilities recognized on the transition was recorded as a $43 million retained earnings adjustment on January 1, 2019.

IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee, and all leases will be recorded on the balance sheet for the lessee. As a lessee, we recognize a right-of-use asset, which is included in property, plant and equipment, and a lease liability at the commencement date of a lease.

We have elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases are charged directly to profit on a straight-line basis over the lease term.

*Uncertainty over Tax Treatments*
We adopted IFRIC 23 on January 1, 2019 with retrospective application. IFRIC 23 clarifies the recognition and measurement requirements when there is uncertainty over income tax treatments. The effect of uncertain tax treatments are recognized at the most likely amount or expected value. The adoption of IFRIC 23 did not affect our financial results or disclosures.

## Outstanding Share Data

As at February 26, 2020, there were approximately 539.5 million Class B subordinate voting shares and 7.8 million Class A common shares outstanding. In addition, there were approximately 20.1 million employee stock options outstanding, with exercise prices ranging between $5.34 and $58.80 per share. More information on these instruments, and the terms of their conversion, is set out in Note 24 to our 2019 audited annual consolidated financial statements.

## Contractual and Other Obligations

| ($ in millions) | Less than 1 Year | 2–3 Years | 4–5 Years | More than 5 Years | Total |
|---|---|---|---|---|---|
| Debt – Principal and interest payments | $ 264 | $ 858 | $ 696 | $ 6,595 | **$ 8,413** |
| Leases – Principal and interest payments (1) | 171 | 204 | 115 | 715 | **1,205** |
| Minimum purchase obligations(2) | | | | | |
| Concentrate, equipment, supply and other purchases | 677 | 465 | 58 | 34 | **1,234** |
| Shipping and distribution | 415 | 472 | 374 | 1,042 | **2,303** |
| Energy contracts | 290 | 674 | 1,028 | 5,343 | **7,335** |
| NAB PILT and VIF payments(7) | 40 | 86 | 86 | 88 | **300** |
| Pension funding(3) | 24 | – | – | – | **24** |
| Other non-pension post-retirement benefits(4) | 13 | 27 | 30 | 334 | **404** |
| Decommissioning and restoration provision(5) | 90 | 203 | 101 | 1,840 | **2,234** |
| Other long-term liabilities(6) | 35 | 95 | 53 | 53 | **236** |
| | $ 2,019 | $ 3,084 | $ 2,541 | $ 16,044 | **$ 23,688** |

Notes:

(1) We lease 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 for the next 2 years and US$6 million for the following 19 years and are subject to deferral and abatement for *force majeure* events.

(2) The majority of our minimum purchase obligations are subject to continuing operations and *force majeure* provisions.

(3) As at December 31, 2019, the company had a net pension asset of $259 million, based on actuarial estimates prepared on a going concern basis. The amount of minimum funding for 2020 in respect of defined benefit pension plans is $24 million. The timing and amount of additional funding after 2020 is dependent upon future returns on plan assets, discount rates and other actuarial assumptions.

(4) We had a discounted, actuarially determined liability of $404 million in respect of other non-pension post-retirement benefits as at December 31, 2019. Amounts shown are estimated expenditures in the indicated years.

(5) We accrue environmental and reclamation obligations over the life of our mining operations, and amounts shown are estimated expenditures in the indicated years at fair value, assuming credit-adjusted risk-free discount rates between 5.03% and 6.69% and an inflation factor of 2.00%.

(6) Other long-term liabilities include amounts for post-closure, environmental costs and other items.

(7) On April 25, 2017, Teck Alaska entered into a 10-year agreement with the Northwest Arctic Borough (NAB) for payments in lieu of taxes (PILT). Payments under the agreement are based on a percentage of land, buildings and equipment at cost less accumulated depreciation. The effective date of this agreement was January 1, 2016 and this agreement expires on December 31, 2025. On April 25, 2017, Teck Alaska entered into a 10-year agreement with the NAB for payments to a village improvement fund (VIF). Payments under the agreement are based on a percentage of earnings before income taxes, with 2017–2025 having minimum payments of $4 million and maximum payments of $8 million. The effective date of this agreement was January 1, 2016 and this agreement expires on December 31, 2025.

## Disclosure Controls and Internal Control Over Financial Reporting

**Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed or submitted by us under U.S. and Canadian securities legislation is recorded, processed, summarized and reported within the time periods specified in those rules, and include controls and procedures designed to ensure that information required to be disclosed in reports filed or submitted by us under U.S. and Canadian securities legislation is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to permit timely decisions regarding required disclosure. Management, including the Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in the rules of the U.S. Securities and Exchange Commission and the Canadian Securities Administrators, as at December 31, 2019. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as at December 31, 2019.

**Management's Report on Internal Control Over Financial Reporting**
Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Any system of internal control over financial reporting, no matter how well-designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Management has used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 2013 framework to evaluate the effectiveness of our internal control over financial reporting. Based on this assessment, management has concluded that as at December 31, 2019, our internal control over financial reporting was effective.

The effectiveness of our internal controls over financial reporting has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, who have expressed their opinion in their report included with our annual consolidated financial statements.

## Use of Non-GAAP Financial Measures

Our financial results are prepared in accordance with International Financial Reporting Standards (IFRS). This document refers to a number of Non-GAAP Financial Measures, which are not measures recognized under IFRS in Canada and do not have a standardized meaning prescribed by IFRS or Generally Accepted Accounting Principles (GAAP) in the United States.

The Non-GAAP Measures described below do not have standardized meanings under IFRS, may differ from those used by other issuers, and may not be comparable to such measures as reported by others. These measures have been derived from our financial statements and applied on a consistent basis as appropriate. We disclose these measures because we believe they assist readers in understanding the results of our operations and financial position and are meant to provide further information about our financial results to investors. These measures should not be considered in isolation or used in substitute for other measures of performance prepared in accordance with IFRS.

**Adjusted profit:** For adjusted profit, we adjust profit attributable to shareholders as reported to remove the after-tax effect of certain types of transactions that in our judgment are not indicative of our normal operating activities or do not necessarily occur on a regular basis.

**Adjusted basic earnings per share:** Adjusted basic earnings per share is adjusted profit divided by average number of shares outstanding in the period.

**Adjusted diluted earnings per share:** Adjusted diluted earnings per share is adjusted profit divided by average number of fully diluted shares in a period.

**EBITDA:** EBITDA is profit attributable to shareholders before net finance expense, provision for income taxes, and depreciation and amortization.

**Adjusted EBITDA:** Adjusted EBITDA is EBITDA before the pre-tax effect of the adjustments that we make to adjusted profit attributable to shareholders as described above.

The above adjustments to profit attributable to shareholders and EBITDA highlight items and allow us and readers to analyze the rest of our results more clearly. We believe that disclosing these measures assists

readers in understanding the ongoing cash generating potential of our business in order to provide liquidity to fund working capital needs, service outstanding debt, fund future capital expenditures and investment opportunities, and pay dividends.

**Gross profit before depreciation and amortization:** Gross profit before depreciation and amortization is gross profit with the depreciation and amortization expense added back. We believe this measure assists us and readers to assess our ability to generate cash flow from our business units or operations.

**Gross profit margins before depreciation:** Gross profit margins before depreciation are gross profit before depreciation and amortization expense, divided by revenue for each respective business unit. We believe this measure assists us and readers to compare margins on a percentage basis among our business units.

**Unit costs:** Unit costs for our steelmaking coal operations are total cost of goods sold, divided by tonnes sold in the period, excluding depreciation and amortization charges. We include this information as it is frequently requested by investors and investment analysts who use it to assess our cost structure and margins and compare it to similar information provided by many companies in the industry.

**Adjusted site cost of sales:** Adjusted site cost of sales for our steelmaking coal operations is defined as the cost of the product as it leaves the mine, excluding depreciation and amortization charges, outbound transportation costs and any one-time collective agreement charges and inventory write-down provisions.

**Total cash unit costs:** Total cash unit costs for our copper and zinc operations include adjusted cash costs of sales, as described below, plus the smelter and refining charges added back in determining adjusted revenue. This presentation allows a comparison of total cash unit costs, including smelter charges, to the underlying price of copper or zinc in order to assess the margin for the mine on a per unit basis.

**Net cash unit costs:** Net cash unit costs of principal product, after deducting co-product and by-product margins, are also a common industry measure. By deducting the co- and by-product margin per unit of the principal product, the margin for the mine on a per unit basis may be presented in a single metric for comparison to other operations. Readers should be aware that this metric, by excluding certain items and reclassifying cost and revenue items, distorts our actual production costs as determined under IFRS.

**Adjusted cash costs of sales:** Adjusted cash cost of sales for our copper and zinc operations is defined as the cost of the product delivered to the port of shipment, excluding depreciation and amortization charges, any one-time collective agreement charges or inventory write-down provisions, and by-product cost of sales. It is common practice in the industry to exclude depreciation and amortization, as these costs are non-cash, and discounted cash flow valuation models used in the industry substitute expectations of future capital spending for these amounts.

**Adjusted operating costs:** Adjusted operating costs for our energy business unit are defined as the costs of product as it leaves the mine, excluding depreciation and amortization charges, cost of diluent for blending to transport our bitumen by pipeline, cost of non-proprietary product purchased, and transportation costs of our product, and non-proprietary product and any one-time collective agreement charges or inventory write-down provisions.

**Cash margins for by-products:** Cash margins for by-products is revenue from by-products and co-products, less any associated cost of sales of the by-product and co-product. In addition, for our copper operations, by-product cost of sales also includes cost recoveries associated with our streaming transactions.

**Adjusted revenue:** Adjusted revenue for our copper and zinc operations excludes the revenue from co-products and by-products, but adds back the processing and refining charges to arrive at the value of the underlying payable pounds of copper and zinc. Readers may compare this on a per unit basis with the price of copper and zinc on the LME.

Adjusted revenue for our energy business unit excludes the cost of diluent for blending and non-proprietary product revenues, but adds back Crown royalties to arrive at the value of the underlying bitumen.

**Blended bitumen revenue:** Blended bitumen revenue is revenue as reported for our energy business unit, but excludes non-proprietary product revenue, and adds back Crown royalties that are deducted from revenue.

**Blended bitumen price realized:** Blended bitumen price realized is blended bitumen revenue divided by blended bitumen barrels sold in the period.

**Operating netback:** Operating netbacks per barrel in our energy business unit are calculated as blended bitumen sales revenue net of diluent expenses (also referred to as bitumen price realized), less Crown royalties, transportation and operating expenses divided by barrels of bitumen sold. We include this information, as investors and investment analysts use it to measure our profitability on a per barrel basis and to compare it to similar information provided by other companies in the oil sands industry.

The debt-related measures outlined below are disclosed as we believe they provide readers with information that allows them to assess our credit capacity and the ability to meet our short- and long-term financial obligations.

**Net debt:** Net debt is total debt, less cash and cash equivalents.

**Debt to debt-plus-equity ratio:** Debt to debt-plus-equity ratio takes total debt as reported and divides that by the sum of total debt plus total equity, expressed as a percentage.

**Net debt to net debt-plus-equity ratio:** Net debt to net debt-plus-equity ratio is net debt divided by the sum of net debt plus total equity, expressed as a percentage.

**Debt to EBITDA ratio:** Debt to EBITDA ratio takes total debt as reported and divides that by EBITDA for the 12 months ended at the reporting period, expressed as the number of times EBITDA needs to be earned to repay all of the outstanding debt.

**Net debt to EBITDA ratio:** Net debt to EBITDA ratio is the same calculation as the debt to EBITDA ratio, but using net debt as the numerator.

**Net debt to capitalization ratio:** Net debt to capitalization ratio is net debt divided by the sum of total debt plus equity attributable to shareholders. The ratio is a financial covenant under our revolving credit facility.

**Reconciliation of Basic Earnings (Loss) per share to Adjusted Basic Earnings per share**

| (Per share amounts) | | **2019** | | 2018 |
|---|---|---|---|---|
| **Earnings (loss) per share** | **$** | **(1.08)** | $ | 5.41 |
| Add (deduct): | | | | |
| Asset impairments | | **3.67** | | 0.05 |
| Debt redemption or purchase loss | | **0.29** | | 0.03 |
| Debt prepayment option loss (gain) | | **(0.14)** | | 0.06 |
| Gain on sale of Waneta Dam | | **–** | | (1.41) |
| Taxes and other | | **0.03** | | (0.01) |
| **Adjusted basic earnings per share** | **$** | **2.77** | $ | 4.13 |

**Reconciliation of Diluted Earnings (Loss) per share to Adjusted Diluted Earnings per share**

| (Per share amounts) | | **2019** | | 2018 |
|---|---|---|---|---|
| **Diluted earnings (loss) per share** | **$** | **(1.08)** | $ | 5.34 |
| Add (deduct): | | | | |
| Asset impairments | | **3.63** | | 0.05 |
| Debt redemption or purchase loss | | **0.29** | | 0.03 |
| Debt prepayment option loss (gain) | | **(0.13)** | | 0.05 |
| Gain on sale of Waneta Dam | | **–** | | (1.39) |
| Taxes and other | | **0.04** | | (0.01) |
| **Adjusted diluted earnings per share** | **$** | **2.75** | $ | 4.07 |

**Reconciliation of Net Debt to EBITDA and Net Debt to Capitalization Ratio**

| ($ in millions) | | **2019** | | 2018 |
|---|---|---|---|---|
| Profit (loss) attributable to shareholders | **$** | **(605)** | $ | 3,107 |
| Finance expense net of finance income | | **218** | | 219 |
| Provision for income taxes | | **120** | | 1,365 |
| Depreciation and amortization | | **1,619** | | 1,483 |
| **EBITDA** | **$** | **1,352** | $ | 6,174 |
| Total debt at period end | **$** | **4,834** | $ | 5,519 |
| Less: cash and cash equivalents at period end | | **(1,026)** | | (1,734) |
| **Net debt** | **$** | **3,808** | $ | 3,785 |
| **Debt to EBITDA ratio** | | **3.6** | | 0.9 |
| **Net Debt to EBITDA ratio** | | **2.8** | | 0.6 |
| Equity attributable to shareholders of the company | | **21,304** | | 22,884 |
| **Net debt to capitalization ratio** | | **0.15** | | 0.13 |

**Reconciliation of EBITDA and Adjusted EBITDA**

| ($ in millions) | 2019 | 2018 |
|---|---|---|
| Profit (loss) attributable to shareholders | **$ (605)** | $ 3,107 |
| Finance expense net of finance income | **218** | 219 |
| Provision for income taxes | **120** | 1,365 |
| Depreciation and amortization | **1,619** | 1,483 |
| **EBITDA** | **$ 1,352** | $ 6,174 |
| Add (deduct): | | |
| Asset impairments | **2,678** | 41 |
| Debt redemption or purchase loss | **224** | 26 |
| Debt prepayment option (gains) losses | **(105)** | 42 |
| Gain on sale of Waneta Dam | **–** | (888) |
| Taxes and other | **104** | (5) |
| **Adjusted EBITDA** | **$ 4,253** | $ 5,390 |

**Reconciliation of Gross Profit (Loss) Before Depreciation and Amortization**

| ($ in millions) | 2019 | 2018 | 2017 |
|---|---|---|---|
| Gross profit | **$ 3,340** | $ 4,621 | $ 4,567 |
| Depreciation and amortization | **1,619** | 1,483 | 1,492 |
| Gross profit before depreciation and amortization | **$ 4,959** | $ 6,104 | $ 6,059 |
| | | | |
| Reported as: | | | |
| **Steelmaking coal** | **$ 2,904** | $ 3,770 | $ 3,732 |
| | | | |
| **Copper** | | | |
| Highland Valley Copper | **395** | 343 | 213 |
| Antamina | **614** | 794 | 670 |
| Quebrada Blanca | **(18)** | 26 | 50 |
| Carmen de Andacollo | **89** | 193 | 222 |
| Other | **–** | (1) | (1) |
| | **$ 1,080** | $ 1,355 | $ 1,154 |
| | | | |
| **Zinc** | | | |
| Trail Operations | **–** | 91 | 209 |
| Red Dog | **837** | 990 | 971 |
| Pend Oreille | **(4)** | (5) | 19 |
| Other | **(2)** | 9 | (26) |
| | **$ 831** | $ 1,085 | $ 1,173 |
| | | | |
| **Energy**(1) | **$ 144** | $ (106) | $ – |
| Gross profit before depreciation and amortization | **$ 4,959** | $ 6,104 | $ 6,059 |

Note:
(1) Energy results for the year ended December 31, 2018 are included from June 1, 2018.

**Steelmaking Coal Unit Cost Reconciliation**

| (CAD$ in millions, except where noted) | 2019 | 2018 |
|---|---|---|
| **Cost of sales as reported** | **$ 3,410** | $ 3,309 |
| Less: | | |
| Transportation | **(976)** | (975) |
| Depreciation and amortization | **(792)** | (730) |
| Inventory write-downs | **(32)** | – |
| Adjusted site cost of sales | **$ 1,610** | $ 1,604 |
| Tonnes sold (millions) | **25.0** | 26.0 |
| Per unit amounts — CAD$/tonne | | |
| Adjusted site cost of sales | **$ 65** | $ 62 |
| Transportation | **39** | 37 |
| Inventory write-down | **1** | – |
| Unit costs — CAD$/tonne | **$ 105** | $ 99 |
| | | |
| **US$ amounts**(1) | | |
| Average exchange rate (CAD$ per US$1.00) | **$ 1.33** | $ 1.30 |
| Per unit amounts — US$/tonne | | |
| Adjusted site cost of sales | **$ 49** | $ 47 |
| Transportation | **29** | 29 |
| Inventory write-down | **1** | – |
| Unit costs — US$/tonne | **$ 79** | $ 76 |

Note:
(1) Average period exchange rates are used to convert to US$/tonne equivalent.

**Copper Unit Cost Reconciliation**

| (CAD$ in millions, except where noted) | | 2019 | | 2018 |
|---|---|---|---|---|
| **Revenue as reported** | **$** | **2,469** | $ | 2,714 |
| By-product revenue (A) | | **(311)** | | (472) |
| Smelter processing charges (B) | | **164** | | 157 |
| Adjusted revenue | **$** | **2,322** | $ | 2,399 |
| | | | | |
| **Cost of sales as reported** | **$** | **1,852** | $ | 1,837 |
| Less: | | | | |
| Depreciation and amortization | | **(463)** | | (478) |
| Inventory write-downs | | **(24)** | | (44) |
| Labour settlement and strike costs | | **(35)** | | (5) |
| By-product cost of sales (C) | | **(58)** | | (61) |
| Adjusted cash cost of sales (D) | **$** | **1,272** | $ | 1,249 |
| | | | | |
| Payable pounds sold (millions) (E) | | **641.7** | | 622.9 |
| Per unit amounts — CAD$/pound | | | | |
| Adjusted cash cost of sales (D/E) | **$** | **1.98** | $ | 2.01 |
| Smelter processing charges (B/E) | | **0.26** | | 0.25 |
| Total cash unit costs — CAD$/pound | **$** | **2.24** | $ | 2.26 |
| Cash margins for by-products — ((A−C)/E) | | **(0.39)** | | (0.66) |
| Net cash unit costs — CAD$/pound | **$** | **1.85** | $ | 1.60 |
| | | | | |
| **US$ amounts**(1) | | | | |
| Average exchange rate (CAD$ per US$1.00) | **$** | **1.33** | $ | 1.30 |
| Per unit amounts — US$/pound | | | | |
| Adjusted cash cost of sales | **$** | **1.49** | $ | 1.55 |
| Smelter processing charges | | **0.19** | | 0.19 |
| Total cash unit costs — US$/pound | **$** | **1.68** | $ | 1.74 |
| Cash margins for by-products | | **(0.29)** | | (0.51) |
| Net cash unit costs — US$/pound | **$** | **1.39** | $ | 1.23 |

Note:
(1) Average period exchange rates are used to convert to US$/pound equivalent.

**Zinc Unit Cost Reconciliation (Mining Operations (1))**

| (CAD$ in millions, except where noted) | 2019 | 2018 |
|---|---|---|
| **Revenue as reported** | **$ 2,968** | $ 3,094 |
| Less: | | |
| Trail Operations revenues as reported | **(1,829)** | (1,942) |
| Other revenues as reported | **(8)** | (8) |
| Add back: Intra-segment revenues as reported | **519** | 650 |
| | **$ 1,650** | $ 1,794 |
| By-product revenues (A) | **(317)** | (316) |
| Smelter processing charges (B) | **308** | 255 |
| Adjusted revenue | **$ 1,641** | $ 1,733 |
| | | |
| **Cost of sales as reported** | **$ 2,367** | $ 2,225 |
| Less: | | |
| Trail Operations cost of sales as reported | **(1,915)** | (1,926) |
| Other costs of sales as reported | **(10)** | 1 |
| Add back: Intra-segment purchases as reported | **519** | 650 |
| | **961** | 950 |
| Less: | | |
| Depreciation and amortization | **(144)** | (141) |
| Severance charge | **(4)** | – |
| Royalty costs | **(307)** | (328) |
| By-product cost of sales (C) | **(75)** | (70) |
| Adjusted cash cost of sales (D) | **$ 431** | $ 411 |
| Payable pounds sold (millions) (E) | **1,094.2** | 1,035.5 |
| Per unit amounts — CAD$/pound | | |
| Adjusted cash cost of sales (D/E) | **$ 0.40** | $ 0.40 |
| Smelter processing charges (B/E) | **0.28** | 0.25 |
| Total cash unit costs — CAD$/pound | **$ 0.68** | $ 0.65 |
| Cash margins for by-products — ((A–C)/E) | **(0.22)** | (0.24) |
| Net cash unit costs — CAD$/pound | **$ 0.46** | $ 0.41 |
| | | |
| **US$ amounts**(2) | | |
| Average exchange rate (CAD$ per US$1.00) | **$ 1.33** | $ 1.30 |
| Per unit amounts — US$/pound | | |
| Adjusted cash cost of sales | **$ 0.30** | $ 0.30 |
| Smelter processing charges | **0.21** | 0.19 |
| Total cash unit costs — US$/pound | **$ 0.51** | $ 0.49 |
| Cash margins for by-products | **(0.17)** | (0.18) |
| Net cash unit costs — US$/pound | **$ 0.34** | $ 0.31 |

Notes:
(1) Red Dog and Pend Oreille.
(2) Average period exchange rates are used to convert to US$/pound equivalent.

**Energy Business Unit — Operating Netback, Bitumen and Blended Bitumen Price Realized Reconciliations** (1) (2)

| (CAD$ in millions, except where noted) | 2019 | 2018 |
|---|---|---|
| **Revenue as reported** | **$ 975** | $ 407 |
| Less: | | |
| Cost of diluent for blending | **(322)** | (181) |
| Non-proprietary product revenue | **(32)** | (18) |
| Add back: Crown royalties (D) | **18** | 14 |
| Adjusted revenue (A) | **$ 639** | $ 222 |
| | | |
| **Cost of sales as reported** | **$ 965** | $ 572 |
| Less: | | |
| Depreciation and amortization | **(134)** | (59) |
| Inventory write-downs | **–** | (34) |
| **Cash cost of sales** | **$ 831** | $ 479 |
| Less: | | |
| Cost of diluent for blending | **(322)** | (181) |
| Cost of non-proprietary product purchased | **(31)** | (12) |
| Transportation costs for FRB (C) | **(118)** | (60) |
| Operating cost adjustment (4) | **(2)** | (3) |
| Adjusted operating costs (E) | **$ 358** | $ 223 |
| | | |
| Blended bitumen barrels sold (thousands) | **16,023** | 8,746 |
| Less diluent barrels included in blended bitumen (thousands) | **(3,788)** | (1,965) |
| Bitumen barrels sold (thousands) (B) | **12,235** | 6,781 |
| | | |
| Per barrel amounts — CAD$ | | |
| **Bitumen price realized** (A/B) (3) | **$ 52.21** | $ 32.81 |
| Crown royalties (D/B) | **(1.50)** | (2.04) |
| Transportation costs for FRB (C/B) | **(9.62)** | (8.83) |
| Adjusted operating costs (E/B) | **(29.24)** | (32.89) |
| **Operating netback — CAD$ per barrel** | **$ 11.85** | $ (10.95) |

Notes:
(1) Calculated per unit amounts may differ due to rounding.
(2) Fort Hills financial results included from June 1, 2018.
(3) Bitumen price realized represents the realized petroleum revenue (blended bitumen sales revenue) net of diluent expense, expressed on a per barrel basis. Blended bitumen sales revenue represents revenue from our share of the heavy crude oil blend known as Fort Hills Reduced Carbon Life Cycle Dilbit Blend (FRB), sold at the Hardisty and U.S. Gulf Coast market hubs. FRB is comprised of bitumen produced from Fort Hills blended with purchased diluent. The cost of blending is affected by the amount of diluent required and the cost of purchasing, transporting and blending the diluent. A portion of diluent expense is effectively recovered in the sales price of the blended product. Diluent expense is also affected by Canadian and U.S. benchmark pricing and changes in the value of the Canadian dollar relative to the U.S. dollar.
(4) Reflects adjustments for costs not directly attributed to the production of Fort Hills bitumen, including transportation for non-proprietary product purchased.

**Blended Bitumen Price Realized Reconciliation** (2)

| (CAD$ in millions, except where noted) | 2019 | 2018 |
|---|---|---|
| **Revenue as reported** | **$ 975** | $ 407 |
| Less: non-proprietary product revenue | **(32)** | (18) |
| Add back: Crown royalties | **18** | 14 |
| | | |
| Blended bitumen revenue (A) | **$ 961** | $ 403 |
| Blended bitumen barrels sold (thousands) (B) | **16,023** | 8,746 |
| Blended bitumen price realized — (CAD$/barrel) (A/B) = D (1) | **$ 59.97** | $ 46.14 |
| Average exchange rate (CAD$ per US$1.00) (C) | **1.33** | 1.31 |
| **Blended bitumen price realized** — (US$/barrel) (D/C) (1) | **$ 45.20** | $ 35.12 |

Notes:
(1) Calculated per unit amounts may differ due to rounding.
(2) Results for the year ended December 31, 2018 are effective from June 1, 2018.

**Quarterly Reconciliation**

| ($ in millions) | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Q4** | **Q3** | **Q2** | **Q1** | Q4 | Q3 | Q2 | Q1 |
| Profit (loss) attributable to shareholders | **$ (1,835)** | **$ 369** | **$ 231** | **$ 630** | $ 433 | $ 1,281 | $ 634 | $ 759 |
| Finance expense, net of finance income | **46** | **56** | **62** | **54** | 58 | 74 | 48 | 39 |
| Provision for (recovery of) income taxes | **(510)** | **171** | **120** | **339** | 261 | 329 | 368 | 407 |
| Depreciation and amortization | **415** | **436** | **395** | **373** | 400 | 380 | 353 | 350 |
| EBITDA (loss) | **$ (1,884)** | **$ 1,032** | **$ 808** | **$ 1,396** | $ 1,152 | $ 2,064 | $ 1,403 | $ 1,555 |

## Cautionary Statement on Forward-Looking Statements

This document contains certain forward-looking information and forward-looking statements as defined in applicable securities laws (collectively referred to as forward-looking statements). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. The use of any of the words “anticipate”, “plan”, “continue”, “estimate”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “should”, “believe” and similar expressions is intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. These statements speak only as of the date of this document.

These forward-looking statements include, but are not limited to, statements concerning: corporate strategy; production, sales, unit costs and other cost guidance, expectations and forecasts for our products, business units and individual operations and our expectation that we will meet that guidance; expectations relating to the closure of Cardinal River and the timing thereof, including the statement that lost production is expected to be made up by our Elkview Operations; Elk Valley Water Quality Plan spending guidance, including projected 2020 capital spending and other capital spending guidance; timing of construction and completion of our proposed AWTFs and SRFs and expected treatment capacity thereof; our expectations regarding our water treatment capacity in the future; expectations regarding operating costs associated with water treatment; our expectation that Fording River AWTF will be the last full-scale AWTF and that future treatment facilities will be SRFs; timing of discussions in respect of potential charges under the *Fisheries Act*; anticipated benefits of our new long-term rail agreement with CN; expectations regarding the Neptune Bulk Terminals facility upgrade including costs, benefits and timing thereof; planned outages at Neptune Bulk Terminals including the expected frequency, length and benefits thereof; anticipated benefits of our expanded commercial agreement with Ridley Terminals; anticipated global and regional supply, demand and market outlook for our commodities; assumptions relating to future market prices of our commodities and future exchange rates; anticipated future production at our business units, products and individual operations (including our long-term production guidance); sales forecasts for our products and operations; all guidance and forecasts appearing in this document including but not limited to the production, sales, unit cost, capital expenditure, cost reduction and other guidance, forecasts or expectations under the headings “Outlook” and “Guidance”; mine lives and duration of operations at our various mines and operations; our ability to extend the lives of certain mines and to increase production to offset the closure of other operations; expectations regarding the plant expansion project at our Elkview Operations and the timing thereof; planned plant outages at their effects on our production; expectations regarding the Quebrada Blanca Phase 2 project, including expectations regarding capacity, mine life and potential for growth of mine life, reserve and resources, operating costs, projected expenditures, timing of contributions, project financing and first and full production and the statement that the project continues to support opportunities to more than double production capacity; the timing for an updated capital estimate in respect of QB2; expected receipt or completion of prefeasibility studies, feasibility studies and other studies and the expected timing thereof; the potential to debottleneck at Fort Hills and expand production capacity and potential to increase Fort Hills production generally; the effect and duration of production curtailment measures imposed by the Government of Alberta; our plans to continue to explore and evaluate our oil sands development properties; plans relating to tailings and water-related projects at Red Dog and their expected benefits; exploration activities in 2020; expected annualized EBITDA improvements and other benefits that will be generated from our RACE21™ innovation-driven efficiency program and the associated implementation costs and timing; our intention to

implement certain RACE21™ programs more broadly across other operations and to identify and implement additional RACE21 ™ projects; the impact of the Coronavirus; the amount of potential taxes, interest and penalties relating to the Antamina tax dispute and our share thereof; the availability of our credit facilities, sources of liquidity and capital resources; our expectation that we will receive a portion of our carbon tax expenditures back under the CleanBC program; our expectations that we will be able to maintain our operations and fund our development activities as planned; estimates and expectations regarding our decommissioning and restoration requirements; our expectations regarding the amount of Class B subordinate voting shares that might be purchased under the normal course issuer bid and the mechanics thereof; expectations regarding our dividend policy and our capital allocation framework; our expectations, projections and sensitivities under the heading "Commodity Prices and Sensitivities"; targeted cost reduction amounts and timing; expectations regarding carbon legislation and climate change regulations; and the impact of certain accounting initiatives and estimates.

These statements are based on a number of assumptions, including, but not limited to, assumptions regarding general business and economic conditions, interest rates, commodity and power prices, acts of foreign or domestic governments and the outcome of legal proceedings, the supply and demand for, deliveries of, and the level and volatility of prices of copper, coal, zinc and blended bitumen and our other metals and minerals, as well as oil, natural gas and other petroleum products, the timing of the receipt of regulatory and governmental approvals for our development projects and other operations, including mine extensions; positive results from the studies on our expansion and development projects; our ability to secure adequate transportation, including rail, pipeline and port service, for our products our costs of production and our production and productivity levels, as well as those of our competitors, continuing availability of water and power resources for our operations, our ability to secure adequate transportation, pipeline and port services for our products; changes in credit market conditions and conditions in financial markets generally, the availability of funding to refinance our borrowings as they become due or to finance our development projects on reasonable terms; our ability to procure equipment and operating supplies in sufficient quantities and on a timely basis; the availability of qualified employees and contractors for our operations, including our new developments and our ability to attract and retain skilled employees; the satisfactory negotiation of collective agreements with unionized employees; the impact of changes in Canadian-U.S. dollar and other foreign exchange rates on our costs and results; engineering and construction timetables and capital costs for our development and expansion projects; the benefits of technology for our operations and development projects, including the impact of our RACE21™ program; costs of closure, and environmental compliance costs generally, of operations; market competition; the accuracy of our mineral reserve and resource estimates (including with respect to size, grade and recoverability) and the geological, operational and price assumptions on which these are based; tax benefits and tax rates; the outcome of our coal price and volume negotiations with customers; the outcome of our copper, zinc and lead concentrate treatment and refining charge negotiations with customers; curtailment measures on oil production taken by the Government of Alberta; the resolution of environmental and other proceedings or disputes; the future supply of low-cost power to the Trail smelting and refining complex; our ability to obtain, comply with and renew permits in a timely manner; and our ongoing relations with our employees and with our business and joint venture partners.

In addition, assumptions regarding the Elk Valley Water Quality Plan include assumptions that additional treatment will be effective at scale, and that the technology and facilities operate as expected, as well as additional assumptions discussed under the heading "Management's Discussion and Analysis — Steelmaking Coal — Elk Valley Water Quality Management". Assumptions regarding QB2 include current project

assumptions and assumptions regarding the final feasibility study. Assumptions regarding the costs and benefits of the Neptune Bulk Terminals expansion and other projects include assumptions that the relevant project is constructed and operated in accordance with current expectations. Expectations regarding our operations are based on numerous assumptions regarding the operations. Our Guidance tables include footnotes with further assumptions relating to our guidance. Expectations regarding the impact of foreign exchange rates are based on the assumptions set out in this document. Our anticipated RACE21™ related EBITDA improvements and associated costs assume that the relevant projects are implemented in accordance with our plans and budget and that the relevant projects will achieve the expected production and operating results, and are based on current commodity price assumptions and forecast sale volumes. Statements regarding the availability of our credit facilities are based on assumptions that we will be able to satisfy the conditions for borrowing at the time of a borrowing request and that the credit facilities are not otherwise terminated or accelerated due to an event of default. Statements concerning future production costs or volumes are based on numerous assumptions of management regarding operating matters and on assumptions that demand for products develops as anticipated, that customers and other counterparties perform their contractual obligations, that operating and capital plans will not be disrupted by issues such as mechanical failure, unavailability of parts and supplies, labour disturbances, interruption in transportation or utilities, adverse weather conditions, and that there are no material unanticipated variations in the cost of energy or supplies. Statements regarding anticipated steelmaking coal sales volumes and average steelmaking coal prices depend on timely arrival of vessels and performance of our steelmaking coal-loading facilities, as well as the level of spot pricing sales. The foregoing list of assumptions is not exhaustive. Events or circumstances could cause actual results to vary materially.

Factors that may cause actual results to vary materially include, but are not limited to, changes in commodity and power prices, changes in market demand for our products, changes in interest and currency exchange rates, acts of governments and the outcome of legal proceedings, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties (including failure of plant, equipment or processes to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government action or delays in the receipt of government approvals, changes in tax or royalty rates, industrial disturbances or other job action, adverse weather conditions and unanticipated events related to health, safety and environmental matters), union labour disputes, political risk, social unrest, failure of customers or counterparties (including logistics suppliers) to perform their contractual obligations, changes in our credit ratings, unanticipated increases in costs to construct our development projects, difficulty in obtaining permits, inability to address concerns regarding permits or environmental impact assessments, and changes or further deterioration in general economic conditions. The amount and timing of capital expenditures is depending upon, among other matters, being able to secure permits, equipment, supplies, materials and labour on a timely basis and at expected costs. Certain operations and projects are not controlled by us; schedules and costs may be adjusted by our partners, and timing of spending and operation of the operation or project is not in our control. Certain of our other operations and projects are operated through joint arrangements where we may not have control over all decisions, which may cause outcomes to differ from current expectation. Current and new technologies relating to our Elk Valley water treatment efforts may not perform as anticipated, and ongoing monitoring may reveal unexpected environmental conditions requiring additional remedial measures. Purchases of Class B subordinate voting shares under the normal course issuer bid may be affected by, among other things, availability of Class B subordinate voting shares, share price volatility and availability of funds to purchase shares. EBITDA improvements may be impacted by the effectiveness of our projects, actual commodity prices and sales volumes, among other matters. Further factors associated with our Elk Valley Water Quality Plan are

discussed under the heading "*Management's Discussion and Analysis — Steelmaking Coal — Elk Valley Water Quality Management*". Declaration and payment of dividends is in the discretion of the Board, and our dividend policy will be reviewed regularly and may change.

We assume no obligation to update forward-looking statements except as required under securities laws. Further information concerning risks, assumptions and uncertainties associated with these forward-looking statements and our business can be found in our Annual Information Form for the year ended December 31, 2019, filed under our profile on SEDAR (www.sedar.com) and on EDGAR (www.sec.gov) under cover of Form 40-F, as well as subsequent filings that can also be found under our profile.

Scientific and technical information in this Management Discussion and Analysis regarding our coal properties was reviewed, approved and verified by Messrs. Don Mills P.Geo. and Robin Gold P.Eng., each employees of Teck Coal Limited and each a Qualified Person as defined under National Instrument 43-101. Scientific and technical information in this Management Discussion and Analysis regarding our other properties was reviewed, approved and verified by Rodrigo Alves Marinho, P.Geo., an employee of Teck and a Qualified Person as defined under National Instrument 43-101.